



John Keel, CPA
State Auditor

A Report on

State Employee Benefits as a Percentage of Total Compensation

February 16, 2007

Members of the Legislative Audit Committee:

The value of the total compensation package for the average classified, full-time state employee for fiscal year 2006 was \$52,138, or \$25.07 per hour. The State's total compensation package was 67 percent salary and 33 percent benefits. This compares favorably with other state and local governments' compensation packages, which average 67 percent salary and 33 percent benefits, according to the U.S. Bureau of Labor Statistics.

As part of this total compensation package, State of Texas employees receive both direct compensation, or pay, for time worked, as well as indirect compensation, which includes benefits. Benefits included in the assessment of the compensation package's competitiveness are:

- Employer payroll expenses—Includes Social Security and Medicare taxes, unemployment compensation, and workers' compensation.
- Time not worked—Includes holidays, sick leave, and vacation.
- Health insurance.
- Retirement.
- Miscellaneous pay—Includes benefit replacement pay and longevity pay.

Total Compensation Package
\$52,138
Salary - \$34,817 (67 percent)
Benefits - \$17,321 (33 percent)

There are other benefits offered by the State of Texas that were not included in the assessment of the compensation package's competitiveness, such as state-paid or -sponsored training, extended sick leave, and military leave. While these benefits cannot be easily quantified, they are real and valuable benefits to employees at all levels.

The attachment to this letter contains detailed information on the components of the total compensation package and the estimated value of state employee benefits. This work was conducted to provide legislators and agencies with information on the value of benefits and of the State's total compensation package. It also can be used to assess the compensation package's competitiveness and to recruit and retain employees. The review of benefits as a percentage of total compensation was not conducted as an audit and did not include all the tests and procedures that would be included in an audit. The information was subject to certain quality control procedures to provide assurance of accuracy in compiling the information.

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Members of the Legislative Audit Committee
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If you have any questions about the information in this report, please contact Susan Riley, Assistant State Auditor, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Attachment



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Attachment

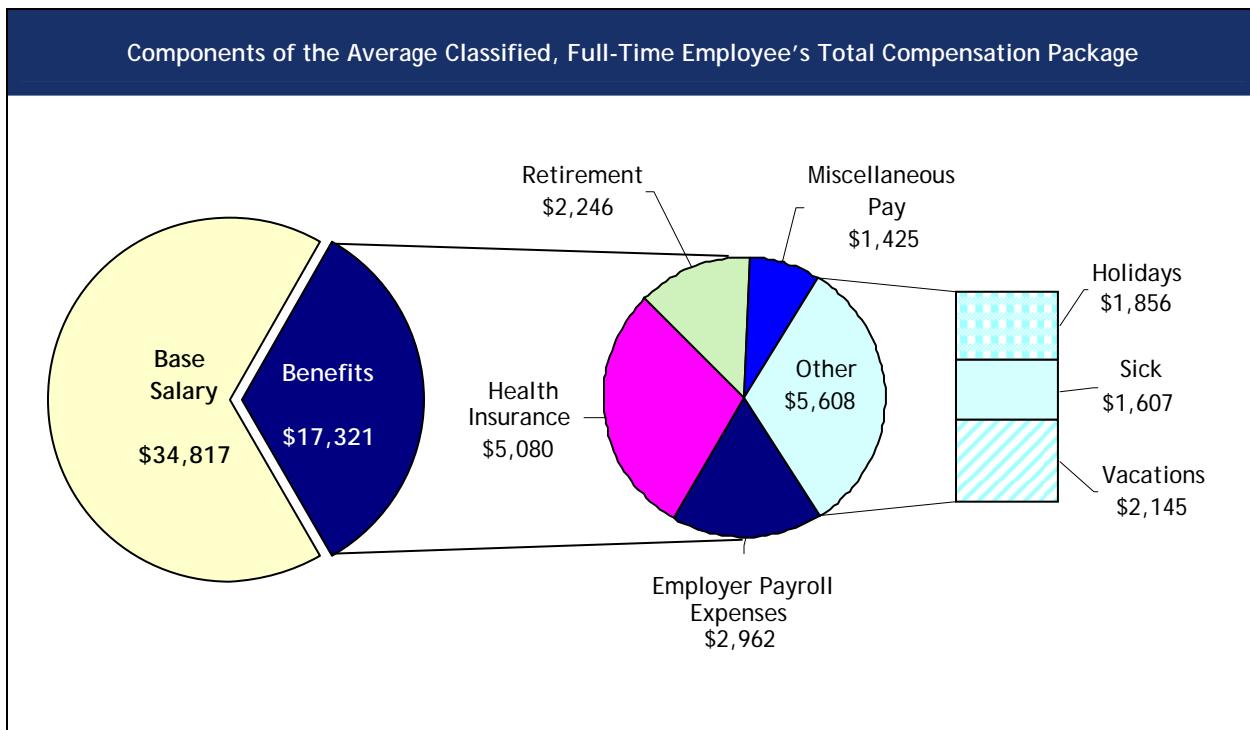
Employer Expenditures for Salary and Benefits for Texas State Employees in Fiscal Year 2006

The following charts show the breakdown of the State's total compensation package for fiscal year 2006. These calculations are based on the average annual salary for a classified, full-time state employee.

The State's total compensation package includes salary and benefits.

Figure 1 provides information about the components that make up the State's total compensation package, which is valued at \$52,138 annually, or \$25.07 per hour. For a further breakdown of each component, please see Table 1 on page 3 of this attachment.

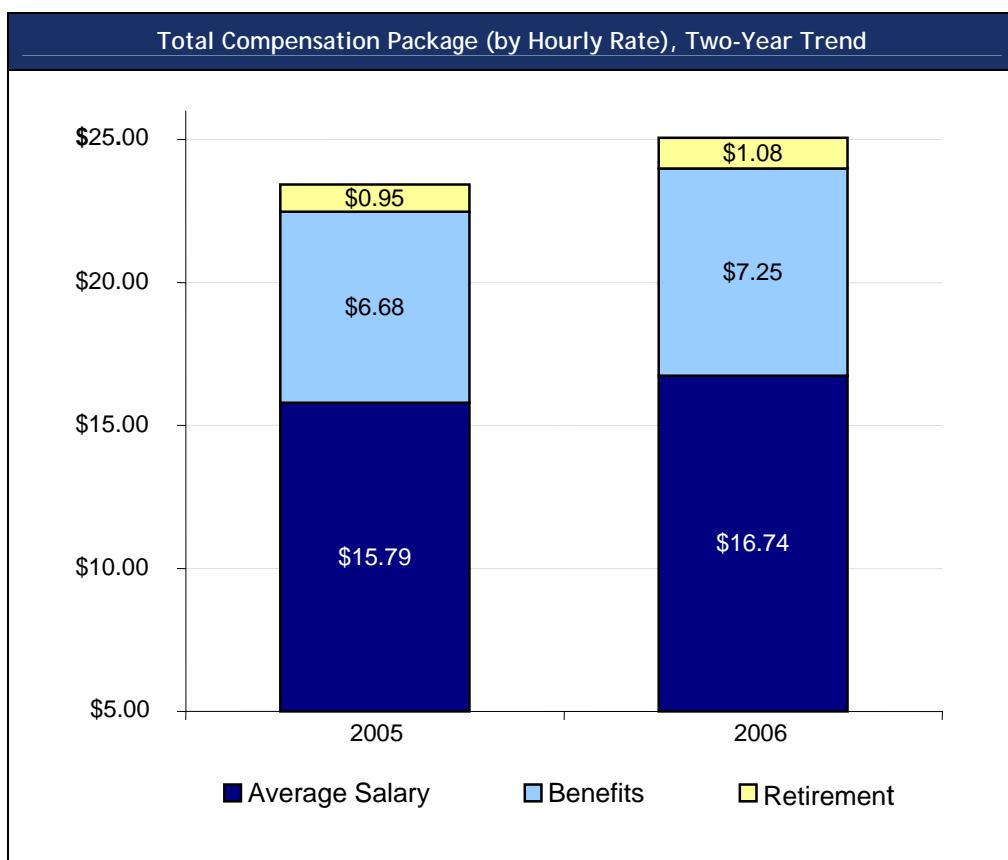
Figure 1



The value of the State's total compensation package has increased since fiscal year 2005.

The value of the State's total compensation package has increased by 7.0 percent since fiscal year 2005, as shown (by hourly rate) in Figure 2. This increase may be partially attributed to: the employee pay raise of 4 percent; a change in longevity pay, from \$20 for every three years of state service to \$20 for every two years of service; and an increase in the amount the State of Texas contributes to an employee's retirement account, from 6.0 percent to 6.45 percent.

Figure 2



The State's total compensation package for fiscal year 2006 is 67 percent salary and 33 percent benefits.

Table 1 presents a detailed listing of the value of the State's total compensation package for fiscal year 2006.

Table 1

Total Compensation Package Category Details Fiscal Year 2006				
	Type of Benefit	Estimated Annual Dollar Value	Category Total	Percentage of Total Compensation
Legally Required	FICA (Social Security and Medicare Taxes)	\$2,664		
	Unemployment Compensation	\$38		
	Workers' Compensation ^a	\$261		
			\$2,962	5.7%
Time Not Worked	Payment for Holidays	\$1,856		
	Sick Leave Pay	\$1,607		
	Payment for Vacations	\$2,145		
			\$5,608	10.8%
Health and Insurance Programs			\$5,080	9.7%
Retirement Programs			\$2,246	4.3%
Miscellaneous Benefit Pay	Benefit Replacement Pay ^b	\$387		
	Longevity Pay ^c	\$1,038		
			\$1,425	2.7%
Average Annual Salary (Full-Time Classified Employee)			\$34,817	66.8%
Total Compensation Package ^d			\$52,138	100.0%

Note: Values are rounded to whole numbers. This format is based on the *Employer Costs for Employee Compensation*, a publication by the U.S. Bureau of Labor Statistics.

^a Average claim per person per year.

^b Entitlement to Benefit Replacement Pay (BRP): Employees who, on August 31, 1995, had their Social Security contributions paid for by the State under the authorization of Section 606.064 of the Texas Government Code are entitled to benefit replacement pay of up to \$1,026.86 per calendar year, according to Section 659.123 of the Texas Government Code and Comptroller's Notice to State Agencies FM 96-20. BRP is paid to 37.7 percent of full-time classified employees.

^c Longevity pay is provided for employees who are full-time state employees on the first workday of the month, are not on leave without pay on the first workday of the month, and have at least two years of lifetime service credit accrued by the last day of the preceding month, according to Section 659.043 of the Texas Government Code. Longevity pay is paid to 74.8 percent of full-time classified employees.

^d Total benefits for state employees who are not eligible for benefit replacement pay or longevity pay is \$15,896.32, or 31.35 percent of total compensation.

Objective, Scope, and Methodology

The objective was to identify the total compensation package, both salary and benefits, and assess the competitiveness of the package provided by the State of Texas.

The scope included the average annual salary and core benefits for full-time classified employees offered by the State in fiscal year 2006, excluding institutions of higher education. Benefits included in the calculation of the compensation package's competitiveness were: employer payroll expenses (Social Security and Medicare taxes, unemployment compensation, and workers' compensation), time not worked (holidays, sick leave, and vacation), health insurance, retirement, and miscellaneous pay (benefit replacement pay and longevity pay).

To determine the value of the total compensation package, the estimated dollar values of core benefit programs were added to the average annual salary.

The following employees of the State Auditor's staff prepared this report:

- Sharon Schneider, PHR (Project Manager)
- J. Scott Killingsworth, CIA, CGFM (Quality Control Reviewer)
- Susan A. Riley, CPA (Assistant State Auditor)