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State Auditor

A Report on  
**State Employee Benefits as a  
Percentage of Total Compensation**

January 23, 2008

Members of the Legislative Audit Committee:

The value of the total compensation package for the average classified, regular full-time state employee for fiscal year 2007 was \$54,103, or \$26.01 per hour. The value of the State's total compensation package has increased by 3.8 percent since fiscal year 2006. 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 also average 67 percent salary and 33 percent benefits, according to the U.S. Bureau of Labor Statistics.

Total Compensation Package
\$54,103
Salary - \$36,182 (67 percent)
Benefits - \$17,920 (33 percent)

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. Quantifiable 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 leave.
- Health insurance.
- Retirement contribution.
- Miscellaneous pay—includes benefit replacement pay and longevity pay.

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 professional development and training, extended sick leave, military leave, parent-teacher conference leave, and volunteer firefighters and emergency medical services training 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 quantifiable 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.

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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.

If you have any questions about the information in this report, please contact Kelly Furgeson Linder, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA

State Auditor

Attachment



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# Attachment

## *Expenditures for Salary and Benefits for State Employees in Fiscal Year 2007*

The following charts show the breakdown of the State's total compensation package for fiscal year 2007. These calculations are based on the average annual salary for a classified, regular full-time state employee (excluding employees at higher education institutions).

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

The State's total compensation package for fiscal year 2007 was 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 2007.

Table 1

Total Compensation Package Category Details Fiscal Year 2007			
Type of Benefit	Estimated Annual Dollar Value	Category Total <sup>a</sup>	Percentage of Total Compensation
Employer Payroll Expenses	FICA (Social Security and Medicare Taxes)	\$2,768	
	Unemployment Compensation	\$ 38	
	Workers' Compensation <sup>b</sup>	\$ 242	
		<b>\$ 3,049</b>	<b>6%</b>
Time Not Worked	Payment for Holidays	\$1,929	
	Sick Leave Pay	\$1,670	
	Payment for Vacations	\$2,231	
		<b>\$ 5,829</b>	<b>11%</b>
Health and Insurance Programs		<b>\$ 5,323</b>	<b>10%</b>
Retirement Contribution		<b>\$ 2,334</b>	<b>4%</b>
Miscellaneous Pay	Benefit Replacement Pay <sup>c</sup>	\$ 348	
	Longevity Pay <sup>d</sup>	\$1,037	
		<b>\$ 1,385</b>	<b>3%</b>
Average Annual Salary (Classified, Regular Full-Time Employee)		<b>\$36,182</b>	<b>67%</b>
Total Compensation Package <sup>e</sup>		<b>\$54,103</b>	<b>100% <sup>f</sup></b>

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.

**Total Compensation Package Category Details  
Fiscal Year 2007**

Type of Benefit	Estimated Annual Dollar Value	Category Total <sup>a</sup>	Percentage of Total Compensation
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- <sup>a</sup> Totals may not sum exactly due to rounding.
- <sup>b</sup> Average claim per person per year who is eligible for workers' compensation.
- <sup>c</sup> 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 BRP 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 34 percent of full-time classified employees.
- <sup>d</sup> 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 73 percent of classified, regular full-time employees.
- <sup>e</sup> Total benefits for state employees who are not eligible for benefit replacement pay or longevity pay is \$16,535, or 31 percent of total compensation.
- <sup>f</sup> Total does not sum to 100 percent due to rounding.

Figure 1 and Figure 2 provide information about the components that made up the State's total compensation package in fiscal 2007, which was valued at \$54,103 annually, or \$26.01 per hour.

Figure 1

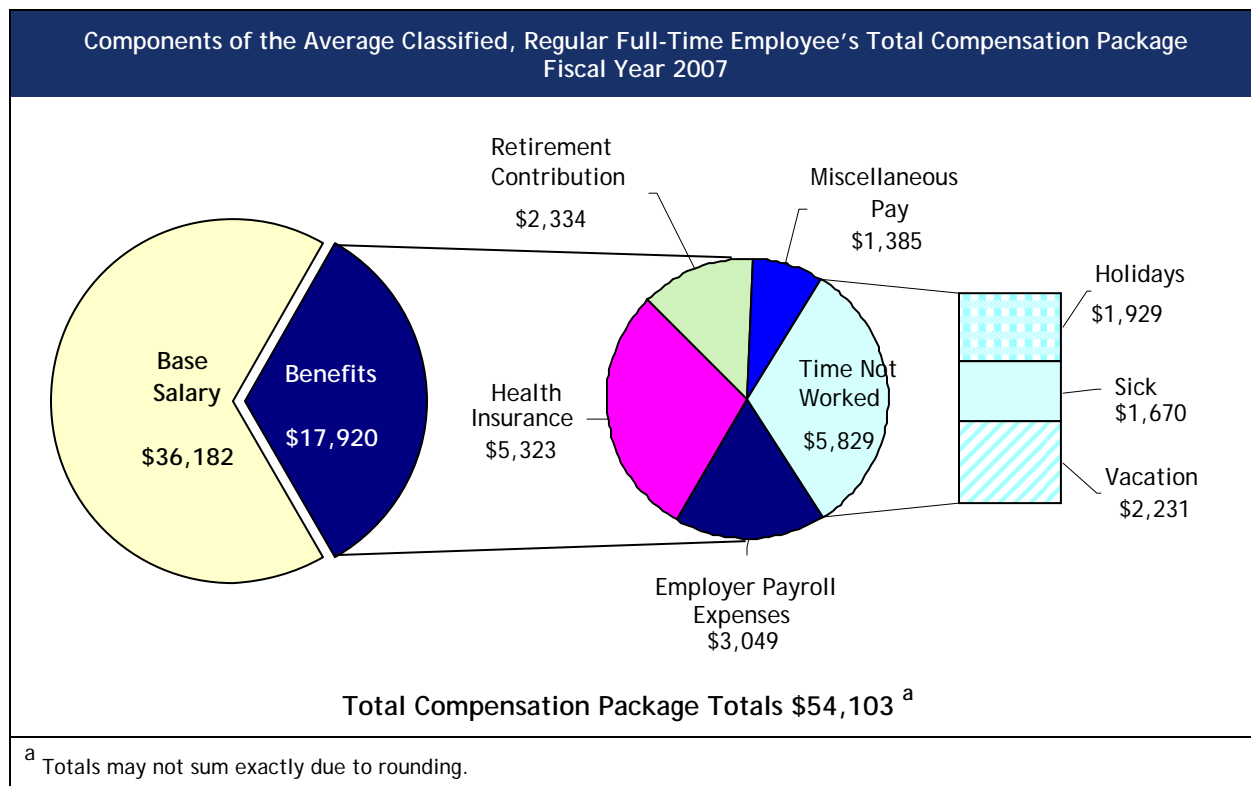
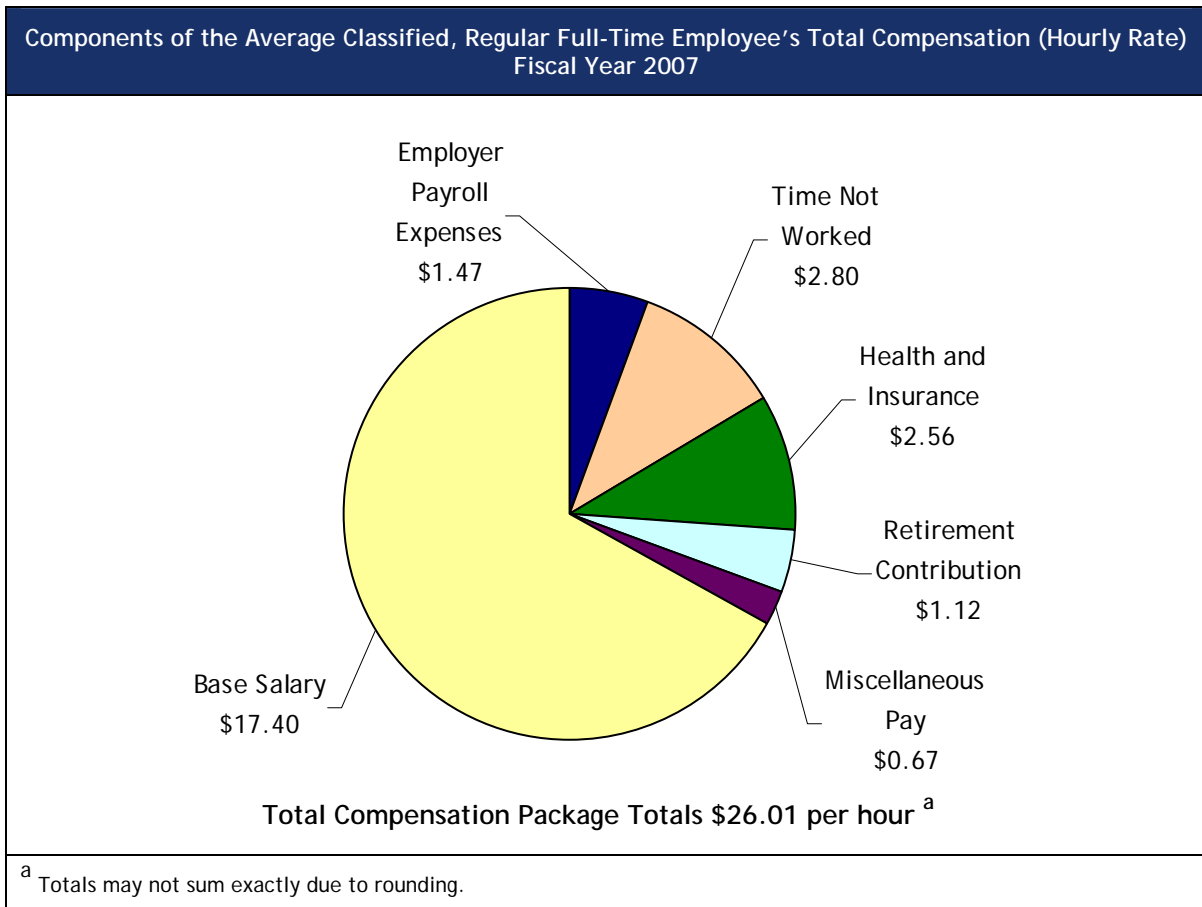


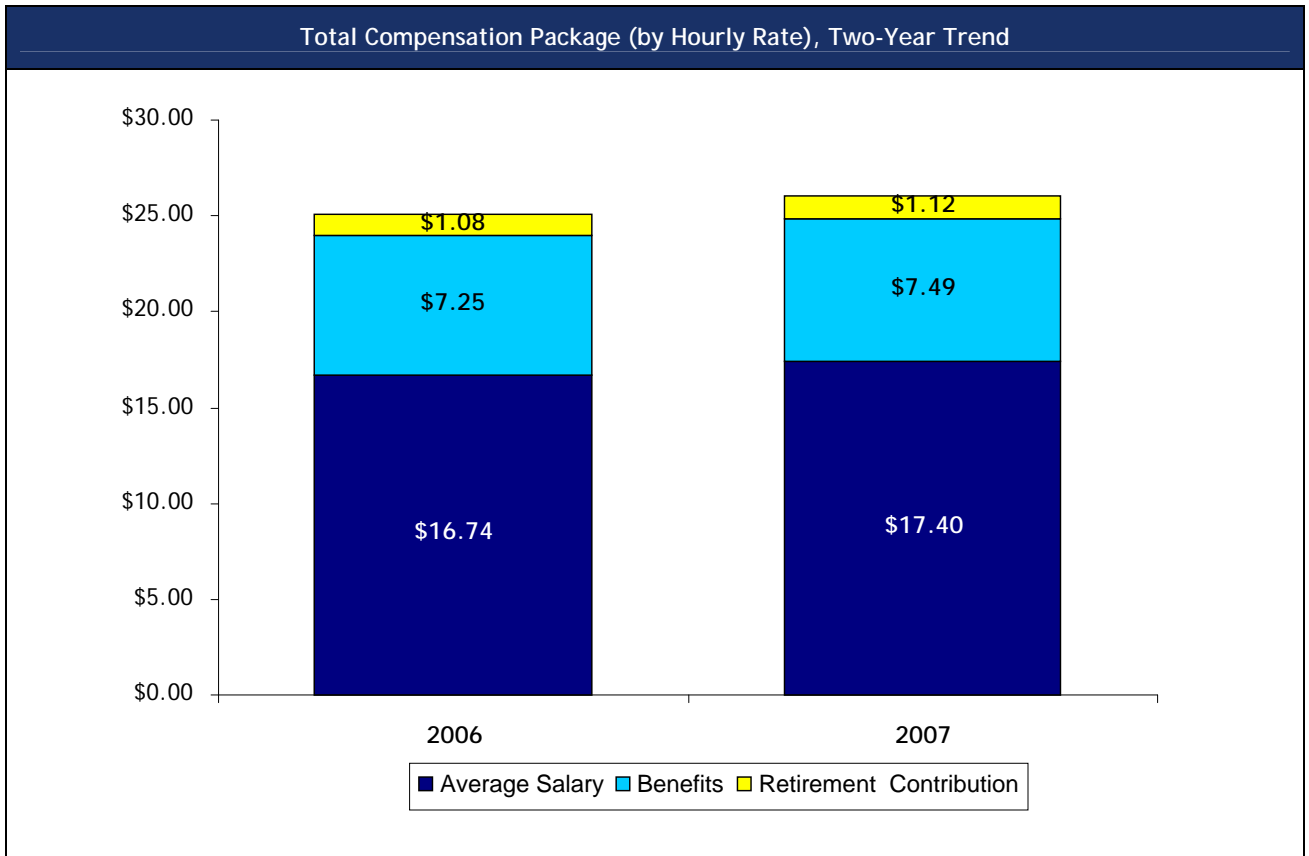
Figure 2



The value of the State's total compensation package has increased since fiscal year 2006.

The value of the State's total compensation package has increased by 3.8 percent since fiscal year 2006, as shown (by hourly rate) in Figure 3 on the next page. This increase may be partially attributed to the employee pay raise of 3.0 percent in fiscal year 2007.

Figure 3



## *Objective, Scope, and Methodology*

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

The scope included the average annual salary and quantifiable benefits for classified, regular full-time employees offered by the State in fiscal year 2007, excluding employees at higher education institutions. Quantifiable 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 leave), health insurance, retirement contribution, and miscellaneous pay (benefit replacement pay and longevity pay).

To determine the value of the total compensation package, the estimated dollar values of quantifiable benefits were added to the average annual salary for classified, regular full-time employees.

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

- Juliette Torres, CCP, PHR (Project Manager)
- Stacey McClure, MBA, PHR
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- Kelly Furgeson Linder, MSCRP, CGAP (Audit Manager)