

A Salary Parity Study of the

State's Fiscal Management Employees

July 2002

Report No. 02-705



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Overall Conclusion

The State Classification Office reviewed 2,547 fiscal management positions and found that 20 percent of these positions may be misclassified. While the State's salary structure for these positions provides a salary range that is competitive with the market, the positions' actual salaries remain below the midpoint of the salary structure.

Chief Financial Officer (CFO) positions in large and medium agencies have competitive salary structures. Actual salaries for CFOs in large agencies are not competitive with the market; however, salaries for CFOs in medium agencies are competitive.

Background Information

- Texas Government Code, Section 654.036 (2) and (3), specifies that the State Classification Office "shall advise and assist state agencies in equitably and uniformly applying the [classification] plan and conduct classification compliance audits to ensure conformity with the plan."
- The Salary Parity Study of the State's Fiscal Management Employees is the first Web-based job evaluation system used by the State.

Key Points

Twenty percent of fiscal management positions may be misclassified.

Of the 2,547 fiscal management positions reviewed, 519 were identified as potentially misclassified. The majority of misclassifications occur when an agency classifies a position at too high or too low a level within the correct class series based on the employee's duties. A small number of misclassifications resulted from agencies' classifying positions in the wrong class series.

The salary structure for fiscal management positions is competitive; however, actual salaries remain below the midpoint of the salary structure.

Although the State's salary structure provides a salary range that is competitive with the market, actual salaries for most positions reviewed remain below the midpoint of the salary structure.

Comparisons with the market show that, on average, the State's salary structure is 4 percent behind the market for fiscal management positions. Actual salaries for fiscal management positions are 11 percent behind the market.

For CFO positions, the salary structure is 7 percent behind the market for large agencies and 11 percent behind the market for medium agencies. However, the actual salaries for CFOs at large agencies are 20 percent behind the market. We believe this large of a salary discrepancy is a risk in the State's efforts to recruit and retain the top-level financial positions in the largest state agencies. CFOs at medium agencies are only 5 percent behind the market, reflecting good use of the appropriate state salary ranges.



This study was conducted in accordance with Government Code, Section 654.036.

For more information regarding this report please contact Kelli Vito, CCP, PHR, State Classification Officer, (512) 936-9500.

Summary of Objectives, Scope, and Methodology

The objectives of this study were to determine whether:

- Fiscal management positions are properly classified to ensure that positions performing comparable work receive comparable pay across state agencies.
- These positions' salaries are competitive with the market.

The scope of this study included employees classified within the Accountant, Budget Analyst, Financial Analyst, and Reimbursement Officer class series. We also reviewed positions that agencies identified as performing work related to fiscal management but were classified in other class series. In addition, we reviewed employees who oversee fiscal management operations, including CFOs.

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Detailed Results

Chapter 1

Fiscal Management Positions

Fiscal management positions for this study included Accountants, Budget Analysts, Financial Analysts, and Reimbursement Officers (see Table 1). We also reviewed positions that agencies identified as performing work related to fiscal management but were classified in other class series. In addition, we reviewed employees who oversee fiscal management operations.

Table 1

Fiscal Management Positions Reviewed	
Job Class Series	Number of Employees
Accountants	1,676
Budget Analysts	271
Financial Analysts	28
Reimbursement Officers	112
Managers	411
Other Classes	49
Total	2,547

Chapter 1.1

Classification

Most agencies appropriately classify their fiscal management positions. We found, however, that 20 percent of the positions reviewed (519 out of 2,547) may be misclassified.

When determining proper classification, the State Classification Office does not focus on specific differences between one level and the next in a job class series (for example, Accountant I versus Accountant II). We look at whether an employee is appropriately classified within broad responsibility levels, such as Staff Accountant versus Senior Accountant.

As Table 2 shows, the majority of possible misclassifications were a result of agencies' either classifying a position too high in the series (an Accountant VI performing Staff Accountant work) or too low in a series (an Accountant II performing Senior Accountant work). In a few cases, agencies classified employees in the wrong series (an Accountant III performing clerical work or a Program Specialist II performing Staff Accountant work). Table 2 excludes misclassifications of CFOs, which are in Table 5.

Table 2

Misclassifications of Fiscal Management Positions			
Class Series	Overclassifications	Underclassifications	Wrong Series
Accountants	96	235	53
Budget Analysts	40	42	10
Financial Analysts	2	13	5
Reimbursement Officers	0	0	3
Fiscal Management Managers	0	1	13
Total Misclassifications	138	291	84

The State Classification Office notified the agencies of their possible misclassifications so that the agencies can take action. To address each potential misclassification, agencies can reclassify the employee to a class title consistent with the work performed or change the employee's duties to conform to the assigned class title.

Chapter 1.2

Market Comparison

The salary structure for fiscal management positions is competitive although actual salaries remain below the midpoint of the salary structure.

Comparisons to the market show that, on average, the State's salary structure for fiscal management positions is 4 percent behind the market. We believe that this difference is acceptable for a government entity and is consistent with the State's compensation philosophy. The State Classification Office considers an unacceptable difference to be present when position salaries fall behind the market by 15 percent or more.

However, actual salaries for these positions remain below the midpoint of the salary structure (see Table 3). This situation reflects a statewide trend of agencies' not using the full range of the salary structure. To ensure the State retains employees in fiscal management positions, agencies should use the entire salary range. When hiring, agencies should consider paying experienced individuals salaries that are closer to the midpoint of the range established in the salary structure.

Table 3

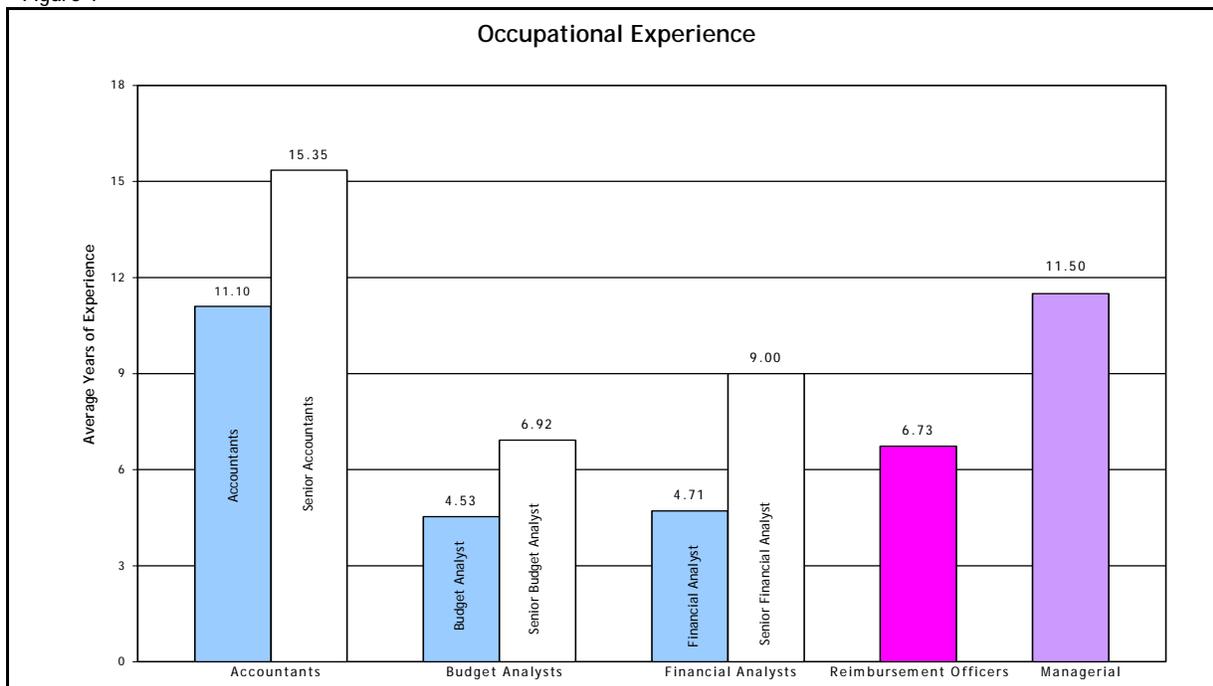
Market Analysis					
Class Series	Average State Salary	Market Weighted Average Salary	Average State Salary vs. Market	Salary at Midpoint of Structure	Structure vs. Market
Accountants	\$31,251	\$38,978	(20%)	\$35,286	(9%)
Senior Accountants	\$46,274	\$47,592	(3%)	\$51,252	8%
Budget Analysts	\$34,979	\$41,705	(16%)	\$37,530	(10%)
Senior Budget Analysts	\$46,489	\$51,799	(10%)	\$51,252	(1%)
Financial Analysts	\$44,984	\$47,967	(6%)	\$51,252	7%
Senior Financial Analysts	\$59,639	\$59,803	0%	\$63,420	6%
Reimbursement Officers	\$31,531	\$25,501	24%	\$33,786	32%
Fiscal Management Managers					
Program Administrators	\$42,977	\$51,719	(17%)	\$48,990	(5%)
Managers	\$58,325	\$68,208	(14%)	\$65,694	(4%)
Directors	\$77,397	\$91,418	(15%)	\$103,470	13%
Overall			(11%)		(4%)

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Chapter 1.3 Financial Management Experience and Qualifications

To better understand the experience level of financial positions, we surveyed the number of years employees had in their occupational fields. As Figure 1 shows, for those occupations that we identified as having both staff and senior level positions, the senior level positions have more occupational experience than staff level positions.

Figure 1



We also looked at educational levels for the occupational groups (see Table 4).

Table 4

Fiscal Management Employees' Levels of Education				
Occupational Level	High School	Associates	Bachelors	Graduate
Accountants	54.27%	11.14%	32.43%	2.16%
Senior Accountants	30.95%	7.16%	53.97%	7.93%
Budget Analysts	18.75%	4.69%	60.94%	15.63%
Senior Budget Analysts	19.67%	6.01%	59.56%	14.75%
Financial Analysts	14.29%	14.29%	71.43%	0.00%
Senior Financial Analysts	0.00%	4.76%	57.14%	38.10%
Reimbursement Officers	58.43%	14.61%	22.47%	4.49%

Furthermore, we reviewed the occupational groups' professional certifications. Only 9 percent of Senior Accountants are Certified Public Accountants (CPA), and only 8 percent of fiscal management staff hold professional certifications.

This study also included a review of 121 fiscal management positions that have been designated as CFOs at state agencies. We identified a CFO as one who administers and directs the staff of the agency's financial operations. We surveyed the CFOs to gain an understanding of each agency's financial operations.

Chapter 2.1

Salary Parity

Based on the survey responses, there is a low correlation between CFO salaries and the complexity of an agency's financial operations, the number of agency strategies, and the amount of federal funds received. Thus, it appears that additional factors may affect the salaries for CFOs. These factors could include the agency's organizational structure and the salaries of other employees within the agency.

For the State Classification Office to determine whether the differences in CFOs' salaries were appropriate, we determined the appropriate classification for CFOs based on agency size. We believe that large-agency CFOs who may have responsibility for multiple areas such as accounting, budgeting, funds management, and purchasing should be classified in the upper levels of the Director class series (Director III through Director V). We believe that medium-agency CFOs who have responsibility for accounting and budgeting should be classified either in the Manager or lower levels of the Director series (Manager I through Director III).

Small agencies are unique because their employees often have responsibilities in several areas. While an employee could perform the general functions of the highest level financial manager within a small agency, he or she most likely will also be responsible for other administrative functions. At very small agencies, this position may be classified appropriately in the Accountant or Staff Services Officer class series. At other small agencies, the Executive Director may be ultimately responsible for these functions. If a small agency has a position with financial management as the major function, then we generally believe that the employee in that position should be classified in the Program Administrator or lower level of the Manager series (Program Administrator I through Manager I).

As Table 5 shows, two positions at small agencies may be misclassified based on the duties performed. Our recommended guidelines for CFO classifications show that four medium agencies might have overclassified CFOs. In the case of the Texas Education Agency and the Health and Human Services Commission, the combination of many factors including size of the agency budget, the receipt of significant federal funding, and the significant number of agency strategies would support the classification of the positions representative of a large agency.

Table 5

Misclassifications of Chief Financial Officers			
Class Series	Overclassifications	Underclassifications	Wrong Series
CFO - Large Agencies	0	0	0
CFO - Medium Agencies	4	0	0
CFO - Small Agencies	0	1	1

Chapter 2.2

Market Comparison

The salary structure for CFO positions provides a range that is competitive; however, actual salaries for CFOs are generally not competitive with the market. Comparisons to the market show that, on average, the State's salary structure for CFO positions in large agencies is 7 percent behind the market. For medium agencies, the structure is 11 percent behind the market. We believe that these differences are acceptable for state government.

However, the actual salaries for CFOs at large agencies are 20 percent behind the market. We believe this large of a salary discrepancy is a risk in the State's efforts to recruit and retain the top-level financial positions in the largest state agencies. CFOs at medium agencies are only 5 percent behind the market, reflecting good use of the appropriate state salary ranges (see Table 6).

Because of the varied nature of work performed by the CFOs at small agencies, a comparison of actual pay to the market pay is not possible because good job matches are not readily available.

Table 6

Market Analysis					
State Job Level	Average State Salary	Market Weighted Average Salary	Average State Salary vs. Market	Salary at Midpoint of Structure	Structure vs. Market
CFOs - Large Agencies	\$94,335	\$117,960	(20%)	\$109,236 ^a	(7%)
CFOs - Medium Agencies	\$79,062	\$83,648	(5%)	\$74,628 ^b	(11%)

^a State midpoint for large agency CFO positions was determined using the Director III-V classes.

^b State midpoint for medium agency CFO positions was determined using the Manager I-Director III classes.

Chapter 2.3

Chief Financial Officer Experience and Qualifications

On average, the CFOs in state government possess eight years of experience in fiscal management (for example, accounting or budget fields).

CFOs within large and medium agencies are well educated. Approximately 98 percent of CFOs in large and medium agencies hold a bachelor's or higher level degree.

Overall, 31 percent of CFOs have some type of certification. Of the CFOs with certification, most are CPAs. Thirty-eight percent of CFOs in large agencies and 61 percent of CFOs in medium agencies have certifications.

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Appendix

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this study were to determine whether:

- Fiscal management positions are properly classified to ensure that positions performing comparable work receive comparable pay across state agencies.
- These positions' salaries are competitive with the market.

Scope

The scope of our review included employees classified within the Accountant, Budget Analyst, Financial Analyst, and Reimbursement Officer class series. We also reviewed positions that agencies identified as performing work related to fiscal management but were classified in other class series.

In addition, we reviewed employees who oversee fiscal management operations at state agencies subject to the Classification Plan. We also requested that agencies identify a Chief Financial Officer (CFO).

Methodology

In determining whether fiscal management positions were appropriately classified, we reviewed the following:

- State job descriptions
- Surveys completed by employees
- Organizational reporting relationships
- Internal salary relationships

The State Classification Office has automated our job evaluation process. Our office populated the database of employees whose positions were reviewed. Agency human resources departments verified our office's database to ensure that all positions were included. Employees were then notified to complete on-line surveys. Employees were allowed to add duties they perform that were not listed in the survey. Employees also identified the percentage of time they spend performing their duties. Supervisors were then automatically notified to complete their reviews of the employees' surveys. Completed survey results were then sent through the automated job evaluation system, which gave an initial determination of whether the positions were appropriately classified.

The State Classification Office piloted the automated job evaluation system with the Texas Rehabilitation Commission (TRC). Fiscal management positions at TRC participated in both the manual and automated process in order to validate the accuracy of the automated system’s determinations. The automated system’s results adequately duplicated our manual process. We appreciate TRCs serving as our pilot agency. Its feedback was invaluable in helping us improve the system.

We obtained market salaries of fiscal management positions and compared those to the State’s salary range midpoints to determine the State’s relative position to the market. Salary data was gathered from the following surveys and adjusted to reflect current market rates:

- 2001 Central States Salary Survey
- Compdata Compensation Data 2001, Texas
- 2002 ERI Economic Research Institute Salary Assessor
- HayGroup 2002 Austin Area Pay and Benefits Survey
- The Quorum Group 2001 Texas Wage & Salary Survey
- Texas Association of Counties Wage and Salary Survey - 2002
- Texas Municipal Salaries and Fringe Benefits Report - 2002
- Watson Wyatt 2001/2002 Geographic Report on Accounting and Finance Personnel Compensation
- Watson Wyatt 2001/2002 Geographic Report on Middle Management Compensation
- Watson Wyatt 2001/2002 Geographic Report on Professional and Scientific Personnel Compensation

The State Classification Office had a 100 percent completion rate of returned position surveys for the fiscal management parity study. We also surveyed agencies’ CFOs to obtain information on financial responsibilities and operations within state agencies. The return rate for CFO surveys was 98 percent. Table 7 identifies the agencies that did not complete CFO surveys.

Table 7

Survey Exceptions		
Agency Number	Agency	Survey Type
229	Ninth Court of Appeals, Beaumont	CFO
325	Fire Fighters’ Pension Commissioner	CFO
354	Texas Aerospace Commission	CFO

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