

A Biennial Report on the

State's Compensation System for Fiscal Years 2006 and 2007

September 2004

Report No. 05-701



State's Compensation System for Fiscal Years 2006 and 2007

Overall Conclusion

The average state employee's pay is 17 percent less than the pay of employees performing similar jobs in government or private industry. In addition, the State's compensation system no longer provides competitive salary ranges. A "one-size-fits-all" solution will not immediately address these problems. However, a mix of compensation strategies can make the State's compensation system and state employee pay competitive with those of similar jobs in government and private industry. This approach could provide a long-term solution and help the State achieve statewide goals by attracting a quality workforce in the coming tight labor market.

Key Points

The State's compensation system is not competitive with similar government or private industry jobs.

More than 25 percent of state positions analyzed are 15 percent or more behind the market.

State salary schedules for non-law enforcement positions lag the market by 10 percent overall.

The State salary schedule for law enforcement officers lags the market. For senior level officers, the structure lags 17 percent; for state trooper positions, the structure is approximately 8 percent behind market.

To address the compensation system, the State Classification Office has developed three options for consideration by the Legislature. Each option includes routine maintenance and structure changes and moves the compensation system to a specific market point.

State employees' actual pay is not competitive with pay for similar government or private industry jobs.

Forty-five percent of state employees are paid at rates near the bottom of their pay ranges. In addition, 18 percent of eligible state employees received some form of merit award in fiscal year 2003. These numbers are significantly below standard compensation practices.

Background Information

The Compensation System

- The State's compensation system consists of the State Classification Plan (Plan) and corresponding pay ranges.
- The Plan includes 871 individual job classifications, which are matched to specific pay ranges.

Salary Schedules

- Three groups of pay ranges outline the minimum and maximum pay for each position in the Plan:
 - ♦ Schedule A: skilled craft, technical, and paraprofessional positions
 - ♦ Schedule B: professional and managerial positions
 - ♦ Schedule C: law enforcement officers

Employee Pay

- Wages and salaries paid to employees



To address employee pay, solutions could include targeted funding for pay equity adjustments, merits, rewards, and other increases; legislation empowering agencies with competitive compensation tools; and a strategic statewide approach toward compensation.

Summary of Objective, Scope, and Methodology

The objectives of this study were to determine the competitiveness of the compensation system (Plan) with the labor market and to determine whether changes are needed. In addition, this report provides an overview of the total compensation package provided to state employees. It also identifies the tools needed to correct issues with the compensation system, as well as associated risks.

The scope of this study included a review of positions' placement within the compensation system, a review of employee pay in relation to market pay, and a review of law enforcement pay. The State Classification Office (SCO), part of the State Auditor's Office, conducted this review in accordance with the Position Classification Act in Texas Government Code, Chapter 654.

The SCO conducts periodic studies of salary rates and trends in the private industry and other governmental agencies for work similar to that performed in state government. This research was completed using generally accepted compensation practices.

Contents

Detailed Results

Chapter 1	
Report Overview	1
Chapter 2	
The Compensation System	4
Chapter 3	
Employee Pay	10

Appendices

Appendix 1	
Objectives, Scope, and Methodology	16
Appendix 2	
How Does Employee Pay Change?	20
Appendix 3	
Additional Information on Benchmark Jobs	23
Appendix 4	
Detailed Job Classification Series Recommendations	30
Appendix 5	
Costs of Implementing Options 1, 2, or 3 by Occupational Group for Salary Schedules A and B	33
Appendix 6	
Estimated Annual Costs of Implementing Options 1, 2 or 3 by Agency for Salary Schedule A and B Changes	34
Appendix 7	
Methodology for Market Analysis of Salary Schedule C Positions	37
Appendix 8	
Proposed Salary Schedules for Law Enforcement Positions	40
Appendix 9	
Incentive Pay for Law Enforcement Positions	41

Appendix 10	
Total Compensation Chart	43
Appendix 11	
Total Compensation for the Average Employee	44
Appendix 12	
Total Compensation Cost Comparison.....	45
Appendix 13	
Estimated Total Compensation Costs for Fiscal Year 2003	46
Appendix 14	
Benefits, Retirement, and the Work Experience	48
Appendix 15	
Average Salary Increases by Agency Size and Article	51
Appendix 16	
Recommended Statutory Changes	53

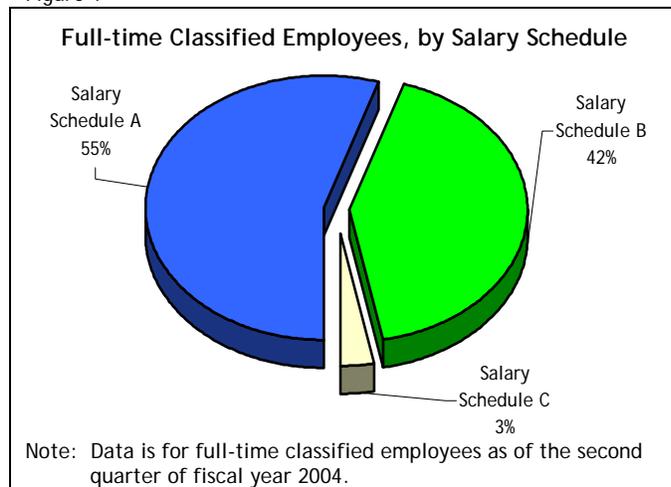
Detailed Results

Chapter 1

Report Overview

The compensation system covers more than 146,000 employees in 122 state agencies and applies to most hourly, part-time, temporary, and full-time classified employees. The compensation system currently includes 871 individual job classifications as

Figure 1



well as corresponding salary ranges for those positions. These salary ranges are listed in three separate salary schedules, which detail the minimum and maximum pay rates for each position. Salary schedule A includes skilled craft, technical, and paraprofessional positions; salary schedule B includes professional and managerial level jobs; and salary schedule C includes law enforcement positions. Figure 1 shows the percentage of the state workforce in each of these groups.

Prior to each legislative session, the State Classification Office (SCO) reviews these job classifications and salary rates for similar positions in private industry and other government entities. This review is done by

identifying benchmark jobs for market comparisons to determine the “going rate” in the labor market.

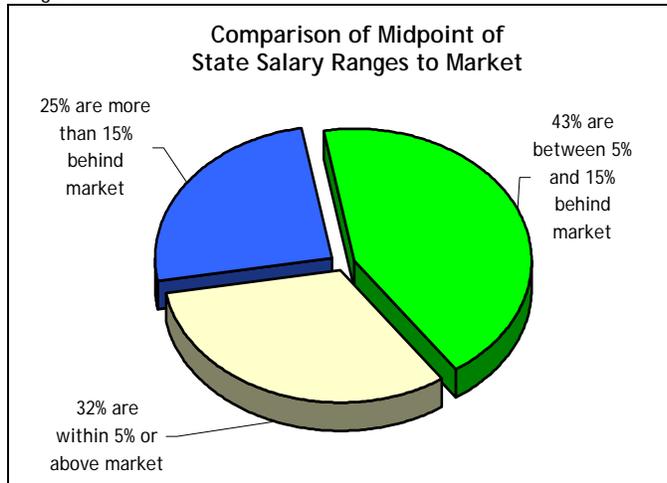
To address compensation system discrepancies, the SCO developed three options for consideration. All three options address routine maintenance and structure changes and move the positions within the compensation system to a specific market point. Based on available funding, the Legislature may implement the option that best supports statewide objectives. The implementation costs of these options range from \$5.6 million to \$40.5 for salary schedules A and B and from \$21.4 million to \$30.2 million for salary schedule C. Chapter 2 of this report outlines those changes.

Chapter 1-A

Research Indicates that the State’s Compensation System and Employee Pay Lag the Market

The compensation system no longer provides competitive salary ranges. An employee’s pay is driven by placement within specific job classifications in the compensation system. Therefore, when job classifications and corresponding salary ranges fall behind the market, the capacity to pay employees competitively is compromised. Without changes to the compensation system, state agencies will face an increased risk of turnover and the inability to compete for and retain qualified employees. When comparing the midpoint of state salary ranges to the market, the

Figure 2



SCO found that the majority of positions reviewed fall more than 5 percent behind the market (see Figure 2).

Chapter 1-B

The Most Effective Way to Address Employee Pay and Salary Structure Issues Is Through a Mix of Compensation Solutions

There are many options available to address employee compensation. One solution is to move all employees to the midpoints of their pay ranges. On the surface, this appears to be the most equitable way to improve

employee compensation. However, the cost could be close to \$596 million per year and would not necessarily address all the problems currently facing the State's compensation system, such as the lack of a competitive pay structure and employees' low placement in pay ranges.

How Does Employee Pay Change?

After employees are hired, their pay can change for a variety of reasons.

- Promotions
- Reclassifications
- Changes to the Plan or salary structures
- Market or equity adjustments
- Pay for performance or merit increases
- Cost of living or general wage increases

A summary of how other organizations use these types of changes is presented in Appendix 2.

Therefore, the SCO suggests exploring other options that will not only attend to equity issues but also provide long-term solutions. This mix should include strategies that address the compensation system, equity adjustments for agencies, and merit increases. Legislative funding for these items would go a long way in addressing current compensation problems.

Implementing a mix of solutions now will also position the compensation structure and employee pay for refinements during future legislative sessions. The key lies in finding the right mix of solutions that will create value for employees and state agencies, align employee pay with agency objectives, and maximize the use of state funds.

Changes to the compensation system during the 79th Legislative Session will allow for future refinements.

Compensation systems need routine maintenance; however, there are many indications that the State's system may need major changes or restructuring in the near future. Streamlining the system now would make refining it in the future easier. Future changes could include wider pay ranges for positions, the addition of more occupationally specific job classifications, and the combination of salary schedules A and B.

The SCO's research indicates that both the State's overall compensation system and its employee pay are further behind the market than the SCO reported during the 78th Legislative Session. This is important because pay rates in the labor market can change. In 2004, a study by WorldatWork showed that the majority of organizations had salary increases ranging between 3 and 4 percent. Projections indicate that the economy is improving and that there may be more open positions than qualified

employees in the near future. Therefore, making changes to the compensation system during the 79th Legislative Session will be critical in enabling agencies to compete for jobs in fiscal years 2006 and 2007.

A compensation strategy will align employee compensation with statewide goals and objectives.

Texas state government has no comprehensive compensation strategy or plan for managing employee pay. However, the State could develop a compensation strategy that provides a method for the State and agencies to align compensation processes and procedures with statewide goals and objectives.

Compensation Strategies

Successful organizations have a written compensation philosophy. In a survey by WorldatWork, 91% of organizations had a compensation philosophy. They also determined that articulating pay philosophy was a distinguishing characteristic of companies with the highest total shareholder return as well as Fortune's Most Admired Companies.

A recent survey by the SCO of public sector organizations in Texas as well as other states indicated that 74 percent have a compensation philosophy.

General guidance from state leadership regarding how to spend appropriated funds on employee compensation would help establish an overall state compensation philosophy. Then, revisions to the Legislative Appropriations Request (LAR) process could align performance measures, employee compensation, and business strategies.

With this alignment, agencies could develop specific compensation strategies that articulate how they will use the State's compensation system and appropriated funds to achieve specific agency strategies and statewide goals. Additionally, compensation strategies would articulate how agencies will reward high-performing employees and retain talent that is critical to agencies' missions. A defined compensation strategy would be an effective way to attract, retain, and motivate qualified employees.

Compensation strategies can also be used as a communication device to educate employees on state compensation and opportunities for pay increases, promotions, and other rewards. Studies show that employees who understand how pay decisions are made are more satisfied with their pay, more likely to stay with their organizations, more committed and loyal, and more trusting of management.

The Compensation System

The State's compensation system consists of job classifications and corresponding pay ranges that serve as a foundation for employee pay. If employees are not placed within the appropriate job classifications based on their duties and responsibilities, they may not be fairly compensated for the work they perform. This is detrimental because it may create legal risks for the State due to inequitable pay decisions, and it may cause increased turnover and an inability to compete for qualified employees.

Chapter 2-A

A Sound Compensation System Will Decrease Risk to the State

The proper classification of positions and a sound compensation system are vital to reduce potential risks to the State. Risk can be described as any issue that can impede an organization's ability to achieve its goals. Effective compensation programs ensure that pay ranges for positions are competitive with the market. They also help to ensure that employees are classified appropriately and paid according to their experience, education, and skills.

Compensation Risks

Problems with employee compensation can be associated with business, financial and service risks. Some of these risks include:

- Inability to hire skilled employees.
- Disconnect between the agency's mission and goals and its compensation programs.
- Ensuring that large expenditures for pay and benefits are spent as intended.
- Decreasing the risk of lawsuits by classifying and compensating employees equitably.

Well-designed compensation systems decrease risk by creating a consistent and equitable framework in which to place and reward employees. However, positions that are misclassified may result in additional costs to the State. These costs occur when agencies:

- Classify positions at too low a level in a class series. This occurs when employees are performing at higher levels than their pay reflects. These misclassifications could reduce motivation and productivity and increase turnover and its associated costs.
- Classify positions too high in a class series. This occurs when employees are paid more than warranted given the work they perform. These misclassifications result in agencies' paying more for a position than necessary.

Chapter 2-B

Salary Schedules A and B Need Updates

The SCO conducted extensive research to determine the market or "going rate" for a job classification in the labor market. We used 18 survey sources to find relevant job matches for state job classifications, which included both private and public sector sources of data.

Private sector survey data was associated with similar jobs within Texas, while public sector survey data included data from other states, as well as Texas cities and counties. In addition, the SCO obtained information from specific organizations to fill in gaps for market data. The lists of surveys used can be found in Appendix 1.

Benchmark Jobs

During research, the SCO analyzed 202 benchmarks that represented 134 job class series within the system. These benchmarks covered 84 percent of the state workforce (excluding salary schedule C positions). The SCO used this data to review positions, ensure that internal relationships among job classifications were maintained, and make recommendations to update the compensation system.

Benchmark Jobs

For this report, the SCO more than doubled the number of benchmark jobs analyzed in the 2002 report. Benchmarks are jobs that have strong private and public sector market matches and duties that are equal in scope and responsibility to corresponding state jobs. These benchmarks are used to compare state jobs to the market, as well as to compare the relative worth of positions that do not have market matches.

Overall, benchmark jobs indicated that both salary schedules A and B lag the market by 10 percent. As Table 1 shows, the compensation system for 22 of the positions we reviewed fell more than 20 percent behind the market, while 26 of them were at or above the market. Individual benchmarks ranged from 44 percent behind the market to 12 percent above the market. Additional information on the benchmarks can be found in Appendix 3.

Table 1

Comparison of State Compensation System Salaries with Market Salaries for 202 Benchmark Jobs	
Number of benchmark Jobs for which midpoint of the salary range in the state compensation system is:	
More than 20% behind market	22
More than 15% but no more than 20% behind market	28
More than 10% but no more than 15% behind market	48
More than 5% but no more than 10% behind market	40
No more than 5% behind market	38
At or above market	26

Recommended Changes to Salary Schedules A and B

Salary schedules A and B are composed of 222 job class series and 833 job classifications. To update these schedules, the majority of job class series need revisions. This includes routine system maintenance such as changing titles, deleting and creating job classifications, and reallocating positions to assign them to higher or lower pay ranges due to changes in the external labor market. Table 2 summarizes the recommended changes to the compensation system for each option.

Table 2

Summary of Proposed Changes to the State's Compensation System			
Changes	Option 1	Option 2	Option 3
Job Classification Additions	59	60	60
Job Classification Deletions	171	211	226
Job Classification Title Changes	30	27	27
Difference from Current System	-111	-151	-165
Total Job Classifications	760	720	706

To address gaps in the current system, the SCO recommends the addition of 19 new job class series. These new series include the addition of a Contract Administration Manager, Government Relations Representative, Management Analyst, Health and Human Services Program Coordinator, and Certified Nurse Assistant, among others. Detailed information on these proposed changes by occupational group and job class series can be found in Appendix 4.

Cost to Improve the Compensation System

Salary and Pay Compression

Pay compression occurs when employees with more organizational seniority and experience receive lower salaries than newer employees. This often occurs when an agency needs to hire outside employees at a competitive market salary but cannot adjust current employee pay.

Another variation of pay compression exists when the pay of a subordinate comes close to (and at times exceeds) the pay of a direct supervisor.

The cost to implement these changes will vary depending on the option used. Option 1 moves most salary midpoints within 15 percent of the market; Option 2 moves them to within 10 percent; and Option 3 to within 5 percent. Table 3 shows a summary of the annual costs to move (or reallocate) employees to the minimum of the new pay ranges under each option.

If recommended changes to the compensation system are approved, agencies are required to implement them. Therefore, legislative funding of these changes may be appropriate, as well as funding for "equity" adjustments within agencies. This would address any salary compression issues that arise by ensuring that employees who are more experienced or tenured or who are high-performing are placed at higher pay rates than other employees

who are not yet at that level.

Table 3

Options to Change Salary Schedule A and B			
Cost/Percentage of Payroll or Workforce	Option 1	Option 2	Option 3
Estimated Annual Cost	\$5,577,527	\$18,794,647	\$40,545,801
Percentage of State Payroll ^a	0.11%	0.36%	0.78%
Percentage of State Workforce in Affected Job Class Series	36.1%	66.7%	70.1%
^a Percentage of payroll costs are based on 2003 state agency employees salary and wages, which were \$5,209,362,964. This includes all classified employees.			

Table 4 shows the top five occupational groups for each option according to annual implementation costs. Additional information on these costs and detailed costs for each agency are available in Appendices 5 and 6.

Table 4

Occupational Groups with the Highest Implementation Costs					
Option 1		Option 2		Option 3	
Occupational Group	Annual Cost	Occupational Group	Annual Cost	Occupational Group	Annual Cost
Administrative Support	\$ 944,236	Legal	\$ 5,093,967	Social Services	\$ 11,387,712
Legal	\$ 915,454	Social Services	\$ 3,748,459	Legal	\$ 5,138,415
Medical and Health	\$ 593,999	Medical and Health	\$ 1,494,498	Administrative Support	\$ 5,119,116
Maintenance	\$ 570,110	Administrative Support	\$ 1,426,509	Medical and Health	\$ 3,504,095
Natural Resources	\$ 536,063	Natural Resources	\$ 1,054,355	Engineering and Design	\$ 2,865,914
Percentage of Total Costs	63.8%		68.2%		69.1%

Chapter 2-C

Recommended Changes to Salary Schedule C

Texas employs more than 4,300 law enforcement officers, and these positions represent 3 percent of the total state agency workforce. Although the majority of these employees work for the Department of Public Safety, law enforcement officers also work for the Parks and Wildlife Department, the Alcoholic Beverage Commission, and the Department of Criminal Justice.

Overall, research indicates that salary schedule C pay ranges lag the market and are too narrow to allow for competitive law enforcement salaries. Using the same practices and methodology used to analyze the other positions in the compensation system, the SCO found the following:

- For Troopers (C3), the midpoint of the pay range lags the market by 8 percent and average pay lags the market by 10 percent.
- For Sergeants (C4), the midpoint of the pay range lags the market by 16 percent and average pay lags the market by 14 percent.
- For Lieutenants (C5), the midpoint of the pay range lags the market by 15 percent and average pay lags the market by 11 percent.
- For Captains (C6), the midpoint of the pay range lags the market by 22 percent and average pay lags the market by 17 percent.

The SCO used three different methodologies to review salary schedule C positions.

Traditionally, the SCO reviews positions in the compensation system by comparing the average salary for similar work in other organizations with the salaries for state positions. However, because of legislation passed during the 78th Legislative Session, the SCO is also required to compare the maximum pay rates for the five highest-paying local law enforcement entities in Texas that employ more than 1,000

commissioned peace officers and report our findings to the Legislature. This methodology is established in Texas Government Code, Section 654.037(b).

Because the statutory methodology is different from the methods used to analyze positions in salary schedules A and B, the SCO performed two additional analyses of salary schedule C. Each of the three methods compares salary schedule C to the market; however, “the market” is defined differently in each option. To determine which option to implement, the Legislature will need to decide what it considers the market to be for law enforcement positions.

- **Option 1:** Compares the maximum pay for the five highest-paying local law enforcement entities in Texas that employ more than 1,000 commissioned peace officers as per statute.
- **Option 2:** Compares the maximum pay for all local law enforcement entities in Texas that employ more than 1,000 commissioned peace officers. This includes the same entities as Option 1, with the addition of data from the City of El Paso and Harris County. These two organizations are excluded from Option 1 because of lower salary rates.
- **Option 3:** Includes data from cities and counties in Texas with populations of more than 50,000 as well as data for troopers in other central states. This last option is consistent with the methodology used by the SCO in reviewing salary schedule A and B positions and compares average salary with maximum pay.

Table 5 shows a summary of the costs involved for these three options to adjust all salary schedule C employees. Additional details on these methodologies can be found in Appendix 7. Revised salary schedules for each of the three options are available in Appendix 8.

Table 5

Options to Change Salary Schedule C			
Cost/Percentage of Payroll or Workforce	Option 1	Option 2	Option 3
Estimated Annual Cost	\$30,163,015	\$21,428,582	\$24,651,967
Percentage of State Payroll ^a	0.58%	0.41%	0.47%
Percentage of State Workforce in Affected Job Class Series	3%	3%	3%
^a Percentage of payroll costs are based on 2003 state agency employees salary and wages, which were \$5,209,362,964.			

Local law enforcement agencies use a variety of compensation incentives.

With the exception of hazardous duty pay, the State does not provide any type of incentive pay to law enforcement officers. However, most local law enforcement agencies use incentive compensation as a way to supplement base salaries for their officers. These incentives usually include education pay, certification pay, field training officer pay, language pay, and shift differentials.

Incentive Pay for State Law Enforcement Officers

The only incentive pay earned by salary schedule C employees is hazardous duty pay. The maximum payment for someone who has 30 years of hazardous duty pay service is \$2,520. Based on this information, current state employees in law enforcement earn approximately \$9,217 less in incentive compensation than other employees in this market.

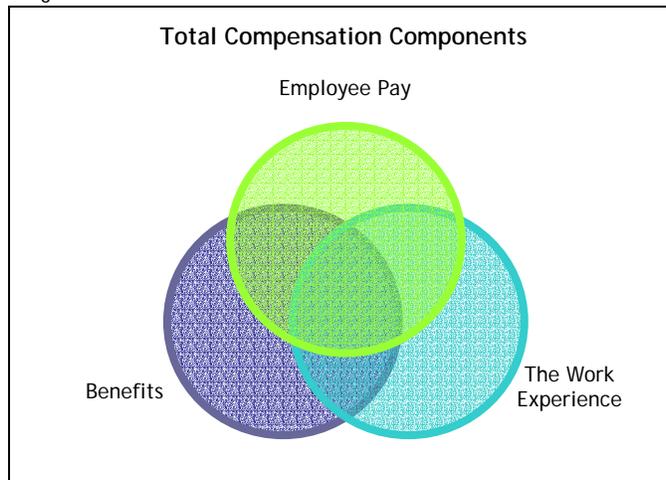
The use of incentive pay is prevalent; however, the exact mixture and types of incentives vary. Information on the incentive pay on the top five local law enforcement agencies is included in Appendix 9. All of these agencies provide education pay, shift differential pay, and language pay. Four of them also provide certification pay and field training officer pay. Consideration of these incentives indicates that the State's

maximum total compensation for officers at the Trooper, Game Warden, Agent, and Investigator levels in salary group C3 lags the market by approximately 27 percent.

If the Legislature decides it is appropriate to provide incentive pay to salary schedule C employees, it may be appropriate to fund these payments in agency bill patterns within the General Appropriations Act. This would allow agencies to tailor incentive compensation to their specific needs and make recommendations prior to each session that are responsive to market changes.

Although the purpose of this report is to focus on employee pay, employees do receive more than just a paycheck while working for the State. Total compensation (or total rewards) is a phrase used to describe the complete reward and recognition package that an employee receives. This package includes an employee's base salary, benefits, and other perquisites that the State provides, and it can be divided into three main categories—employee pay, benefits, and the work experience (as shown in Figure 3):

Figure 3



- Employee pay includes all wages and salary provided to employees.
- Benefits include federally mandated programs such as Social Security and unemployment and core benefits that satisfy an employee's basic expectation for health insurance, retirement, and time off.
- The work experience includes components that are important to employees and the State but that are less tangible than employee pay and benefits.

Detailed information on total compensation in the State is available in Appendices 10–14.

Chapter 3-A

Average Employee Pay Lags the Market

Average state employee pay increased 10 percent between fiscal years 2000 and 2003, even with a slow economy and budget shortfalls. On the surface, this appears

Percentage of Workforce Receiving Base Pay Increases

According to WorldatWork's *Salary Budget Survey, 2004-2005*, organizations indicate that 87 percent of employees will receive a base pay increase in 2004, up from 83 percent in 2003.

By comparison, only 42 percent of state employees received a base pay increase in fiscal year 2003.

to be good news; however, employee pay still lags the market. Historically, state employee pay has not been competitive with similar government or private industry jobs, and the amount of money dedicated to bringing employee pay into a competitive range has been limited. As a result, despite an overall increase in pay, there is still a 17 percent gap between the average state employee's salary and that of other government and private industry workers.

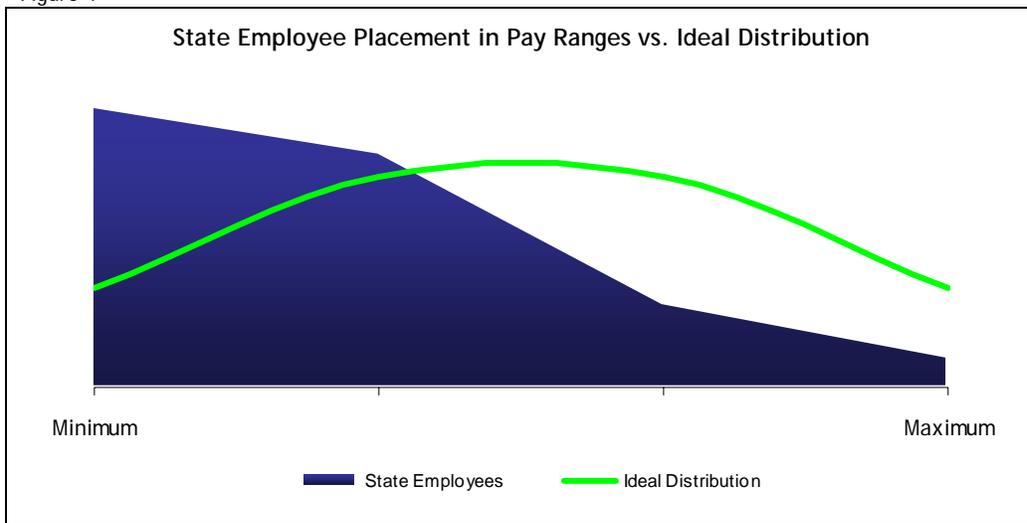
This gap has formed because employees in the State do not receive increases on a frequent basis, because average increases are minimal, and because employees are placed too low within pay ranges. In the State, this placement may be a result of budget constraints, agency policy and culture, and a lack of systematic merit increases.

Not all employees should be at the midpoint of a salary range. Certain employees are at the entry level. These employees are new to the field or are less skilled performers. Employees close to the midpoint of the pay range should be an agency's skilled performers, as well new employees who bring strong experience to the job.

Employees at the maximum of a pay range should be an agency's consistent top performers and employees who are critical skill experts.

This creates a "normal" or bell curve distribution of employee pay around the midpoint. A normal distribution of employees accommodates different levels of skill and experience, as well as varying degrees of performance. However, as shown in Figure 4, employees in the State are grouped toward the bottom of pay ranges. Although there are many circumstances when it is appropriate and desirable to place employees lower in pay ranges due to limited experience, education, or skills, it is unusual to have so many employees placed near the low end of a pay range.

Figure 4



State agencies are using a variety of rewards for employees.

Employees Are Concerned about Their Rate of Pay

The Survey of Organizational Excellence reports that "fair pay" received the lowest satisfaction scoring on its fiscal year 2004 survey. Using a scale from 1 to 5, with 5 being the most satisfied, the survey asked employees how they felt about various issues within their organizations. Although employees feel that their performance is evaluated fairly (average score: 3.72) they do not feel their pay fairly reflects the work they perform (average score: 2.39).

Employees also do not think their pay keeps pace with the cost of living or is competitive with similar jobs in the community. Unless pay issues are addressed, employee dissatisfaction over pay could lead to higher turnover rates for agencies in the near future.

Agencies have the ability to reward employees through different mechanisms such as promotions, merit increases, and career ladder progressions. The State spent \$197 million on merit increases, promotions, career ladder progressions, and targeted pay increases between fiscal year 2002 and fiscal year 2003. This is 14 percent more than it spent in the previous biennium, due in part to funds awarded during the 77th Legislative Session for targeted pay increases. Table 6 shows the breakdown of those expenditures.

Table 6

Expenditures for Salary Actions, FY 2002 and 2003			
Category	FY 2002	FY 2003	Total Cost
One-Time Merit Awards	\$4,778,049	\$7,386,056	\$12,164,105
Merit Increases	\$13,715,367	\$15,488,120	\$29,203,487
Career Ladder Progressions	\$44,235,136	\$8,429,502	\$52,664,638
Promotions	\$27,579,356	\$24,727,142	\$52,306,498
Targeted Increases	\$35,371,117	\$15,379,030	\$50,750,147
Totals	\$125,679,025	\$71,409,850	\$197,088,875

The majority of state agencies use merit increases; however, due to limited funding and recent budget shortfalls, the ability to grant increases to a large number of employees is limited. The average dollar amount awarded to employees has increased during the past two years; however, the number of employees receiving increases has declined (see Figures 5 and 6). In fiscal year 2003, only 13 percent of eligible employees received merit increases, and only 5 percent of eligible employees received one-time merits.

Figure 5

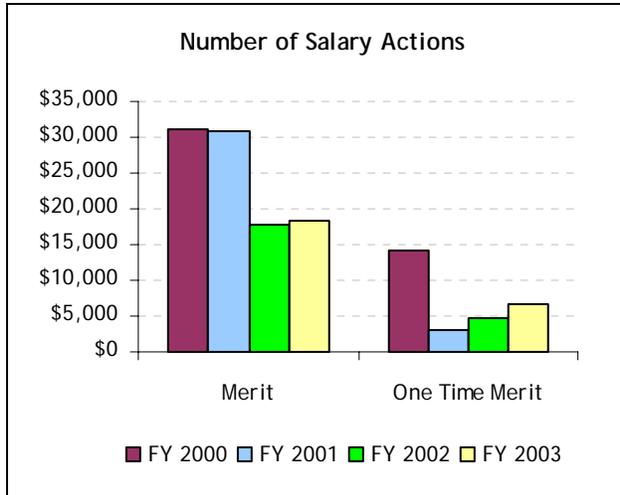


Figure 6

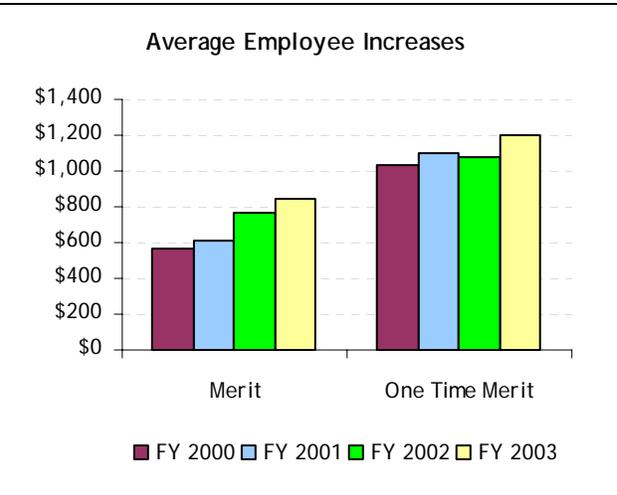
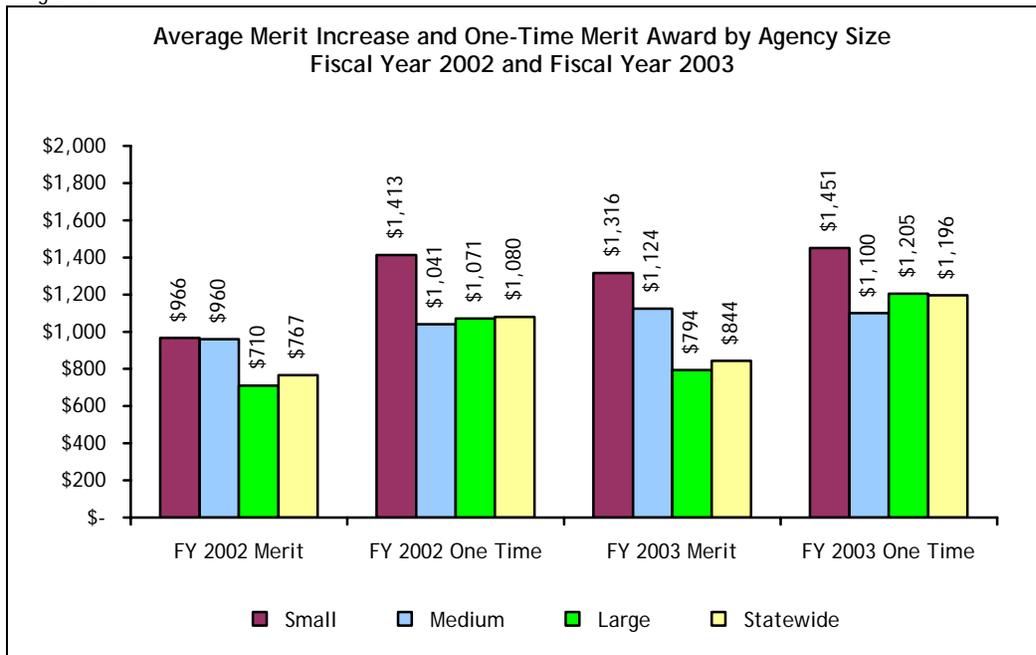


Figure 7 shows the average merit increase and one-time merit award provided categorized by agency size. Additional information on merit increases can be found in Appendix 15.

Figure 7



For merit increases to be an effective rewards strategy, agencies need continued funding for them. This would allow agencies to begin addressing gaps in employee compensation, place employees more appropriately within pay ranges, and help to provide competitive salaries to state employees.

Chapter 3-B

Minor Changes to Statutory Language Are Needed

Although the State has a strong mix of compensation tools available for use in agencies, there are some gaps in the current system. Therefore, the State should ensure that agencies have a variety of alternative reward programs from which to choose. These reward components will allow agencies to tailor compensation programs to their individual needs and strategies. The SCO recommends minor statutory changes that will increase agency flexibility when rewarding employees. The changes are outlined in Table 7, and details are available in Appendix 16.

Table 7

Recommended Changes to Statute		
Category	Proposed Change	Texas Government Code Section
Equity Adjustments	Add language that allows agencies to make equity adjustments. This will address concerns over salary compression when changes to the compensation system are implemented. Equity adjustments also provide agencies with the flexibility to adjust employee pay if the labor market shifts.	659.2591
Spot Incentives	Add language to allow agencies to offer spot incentives (up to a maximum of \$1,000 per employee per fiscal year) to employees as a way to reward performance for specific projects or events.	659.2552
Employee Awards	Increase the maximum dollar amount for award and recognition programs from \$50 to \$100.	2113.201
Flexible and Alternative Work Schedules	Encourage the use of flexible and alternative work schedules for state agencies and institutions of higher education.	658.011

Equity Adjustments

In all three options that address the compensation system, employees who are paid relatively low in their pay ranges, especially those whose pay lags the market substantially, receive the benefit of increases if they are reallocated to higher pay ranges. However, moving pay ranges closer to the market will not entirely address employee pay issues. As a result, agencies need the authority to move employees' salaries within their pay ranges. Equity adjustments would allow agencies to ensure that employees are placed in job classifications that match their level of work and to account for specific experience, tenure, and skills.

In the State's current system, it is not unusual for employees to start at the minimum of a salary group. This process itself is not flawed; however, the way employees move through the pay ranges may be. Currently, there is limited funding available for merit increases, and no authority exists for agencies to provide equity adjustments. For these reasons, some employees may stay at the minimum pay level even after they have gained experience in their jobs. Equity adjustments would help alleviate this problem and could be granted as a single adjustment or in combination with a merit increase.

For equity adjustments to be effective, agencies would have to identify a uniform methodology to allocate funding for these adjustments throughout their agencies. These adjustments need to take place in a systematic way. Generally, this could be accomplished if adjustments are based on market pay and relevant and valuable experience and skills, as well as other factors that are clearly defined. The criteria used by agencies would need to be standardized and documented so that they would be applied fairly and consistently. If equity adjustments are adopted by the Legislature, the SCO can help provide guidance to agencies to help in this process.

Spot Incentives

Agencies often want to reward employees for noteworthy performance but hesitate to use the traditional merit programs. To help agencies reward employees in these types of situations, the SCO suggests implementing a spot-incentive program. While performance-based pay or merit increases are normally part of an ongoing evaluation,

spot incentives are not given at regular intervals. They are typically short-term in nature and can be based on the performance of an individual, a group of workers operating as a team or unit, a division, or an entire agency. Creating a spot incentive program would allow agencies to provide immediate recognition to employees to assist them in retaining and motivating their employees.

Variable Pay

The 2004-2005 Salary Budget Survey by WorldatWork reports that the use of variable pay in organizations is on the rise:

- 77 percent of organizations report that they use some type of variable pay program.
- 43 percent of organizations use spot incentives to attract and retain employees.

Examples of situations that warrant spot incentives may include the completion of certification programs,

assumption of additional duties during another employee's absence, achieving clean safety records, or performing a task or project that allowed an agency to meet specific goals. To reward employees under these circumstances, agencies could offer either cash or other items of value up to \$1,000 per employee per fiscal year.

Employee Awards

Agencies may buy awards to present to employees for professional achievement or outstanding service. Currently, the maximum amount for these awards is \$50. To keep pace with current costs, the SCO recommends that this amount be increased to \$100.

Flexible and Alternative Work Schedules

Organizations that use flexible work schedules or alternative work schedules do so as part of an effort to help employees balance their personal responsibilities with work commitments. Generally, a flexible or alternative work schedule provides an employee with flexibility regarding work hours. In most cases, there is a set of core hours during which time the employee must be at work. This should be consistent with the accomplishments of an organization's operational needs, the wishes of the employee, and any legal or regulatory restrictions.

To encourage the continued use of these arrangements, the SCO proposes statutory language that clarifies for all agencies that flexible work hours and alternative work schedules are encouraged. Other portions of Texas Government Code, Chapter 658 - Hours of Labor will require modification to ensure that they do not conflict with the proposed section.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this study were to determine:

- The competitiveness of the State's Position Classification Plan (Plan) with the labor market and whether realignment, additions, or deletions of positions are needed in the Plan.
- The total compensation package provided to state employees.
- The tools needed to correct dated or missing components of the compensation system.
- Risk associated with the State's compensation system.
- Competitive law enforcement salaries.

Scope

The scope of this study included a review of placement of positions within the Plan, a review of employee pay in relation to market pay, and a review of law enforcement pay. The State Classification Office (SCO) conducted this review in accordance with the Position Classification Act, Texas Government Code, Chapter 654, which requires the SCO to:

- Make periodic studies of salary rates in other governmental units and in industry for similar work performed in state government and report those findings.
- Maintain the Plan and keep it current.
- Make necessary and desirable recommendations to improve the Plan.

Methodology

The SCO in the State Auditor's Office conducts periodic studies of salary rates and trends in the private industry and other governmental agencies for work similar to that performed in state government. In addition, the SCO is responsible for reviewing the Plan and providing recommendations to ensure that the Plan effectively meets the needs of its users. In developing our recommendations, the SCO analyzed the following:

- Salary schedules A, B, and C as approved during the 78th Legislative Session.
- Market salaries for benchmarked positions. These positions represented a broad spectrum of jobs in the State's pay schedules and occupational groups.

Benchmark positions were compared with positions in the relevant labor market for the state of Texas by using the following surveys that captured wage data:

- ♦ 2003 Central States Survey
- ♦ 2003–2004 Watson Wyatt geographic reports on compensation—for profit data, which include:
 - *Accounting and Finance Personnel Compensation*, June 2003
 - *Hospital and Health Care Professional, Nursing and Allied Services Personnel Compensation*, March 2003
 - *Middle Management Compensation*, March 2003
 - *Office Personnel Compensation*, January 2003
 - *Technician and Skilled Trades Personnel Compensation*, January 2003
 - *Professional Personnel Compensation*, March 2003
- ♦ 2004 *Austin Area Pay and Benefits Survey* by Aon Consulting
- ♦ AFT Public Employees Compensation Survey 2003
- ♦ Compensation Data – Texas, The 2003 Texas Wage and Salary Survey, Private and Public Sector Data
- ♦ National Association of State Personnel Executives, Total Rewards Survey for Southeastern and Central States 2004
- ♦ Texas Association of Counties, Salary Survey, January 2004
- ♦ Texas Society for Healthcare Human Resources Administration and Education Wage Survey 2004
- ♦ Texas Municipal League, *Salaries and Fringe Benefits Survey*, January 2004
- ♦ The Quorum Group, May 2003
- ♦ SCO Law Enforcement Salary Survey, May 2004
- ♦ City of Austin Salary Survey, April 2004
- ♦ Various phone salary surveys conducted by SCO staff, May–June 2004
- Sources used to compile data for full-time classified state employees and their salaries:
 - ♦ Average salary for each job class/class series as of the second quarter of fiscal year 2004

- ♦ The number of incumbents in each job class/class series as of the second quarter of fiscal year 2004
- ♦ Turnover data for each job class/class series for fiscal year 2003
- ♦ Use of the salary ranges as of the second quarter of fiscal year 2004
- Other survey sources and research were gathered from the following:
 - ♦ Letters from individual agencies, which included research and requests
 - ♦ Survey of Compensation Practices of Public Sector Entities
 - ♦ Texas Government Code
- Market salary was determined using generally accepted compensation practices. The market data was weighted by the number of employees in each survey. This is an average calculated by multiplying each occurrence of data by a weighting factor (for example, average salary reported by the number of incumbents in the position in each survey used). The results were added and then divided by the weighting of that factor (that is, the total number of incumbents reported).
- Market salary data was aged to January 1, 2005.
- The annual cost of each option of the recommendations was estimated as follows:
 - ♦ To determine the cost for the recommendations for reallocations and deletions for each option, we used the number of full-time classified employees in each of the affected classes as of the end of the second quarter of fiscal year 2004. This information was extracted from the Comptroller of Public Accounts' Human Resources Information System and the Uniform Statewide Payroll/Personnel System.
 - ♦ The minimum estimated costs for implementing the reallocations were calculated by moving the affected incumbents to the minimum of the new or revised class.
- The estimated cost to bring employee pay to the market average or midpoint of the respective salary range average was determined for each job class series. This was done by determining the percentage increase needed to bring the series up to the market average or, in the absence of a benchmark for the series, to the midpoint position for the series.

The following members of the State Auditor's Office's staff conducted this review in accordance with the Position Classification Act, Texas Government Code, Chapter 654:

- Christine Bailey, CCP (Project Manager)
- Kevin McCabe
- Stacey Robbins McClure, PHR

- Floyd Quinn, M.Ed., PHR
- Sharon Schneider, PHR
- Juliette Torres, CCP, PHR
- Debra S. Serrins (Information Systems Analyst)
- Chuck Dunlap, CPA (Quality Control Reviewer)
- Tony Garrant, PHR (Acting State Classification Officer)

How Does Employee Pay Change?

Employee pay can change in a number of ways. The following information provides additional detail on these change mechanisms as well as results from various surveys on this subject.

Promotions

A promotion is an employee's change in duty assignment from one position to another position. To qualify as a promotion, the change must move the employee to a salary group with a higher minimum salary rate. The position must require higher qualifications, such as greater skill or longer experience, and involve a higher level of responsibility.

- In the *2003–2004 Geographic Report on Professional Personnel Compensation* conducted by Watson Wyatt, participants reported that the average salary increase was 7.1 percent for promotions into higher level, non-management positions. For promotions into management positions, salary increases averaged 8.2 percent.
- Approximately 43 percent of survey respondents indicated that their pay increase budgets include funding for promotions in the *Compensation Data 2003–Texas* salary survey prepared by Compdata.

Reclassifications

A reclassification is needed when an employee's classification does not match the duties the employee performs. The employee is reclassified to the proper job classification.

Changes to the Classification Plan

These changes, known as reallocations, refer to the assignment of jobs to higher or lower grades or ranges in the organization's classification structure due to significant changes in the going rate for comparable jobs in the external labor market.

Salary Structures Increase

A salary structure increase moves the entire schedule forward by a flat dollar amount or percentage. This type of increase keeps salary ranges competitive with the market. It usually allows all employees to receive the increase and to keep their relative positions within the salary structure.

- WorldatWork, in its *Salary Budget Survey, 2004–2005*, reported that salary structure increases in 2004 will average 2.0 percent.
- Survey participants in the *Compensation Data – Texas 2003* salary survey indicated an average increase of 3.71 percent to pay ranges.
- In the *2004 Austin Area Pay and Benefits Survey* conducted by Aon Consulting, the reported last salary structure increase for employees exempt from the requirements of the Fair Labor Standards Act (FLSA) averaged 3.3 percent. For

non-exempt office employees, the average salary structure increase reported was 3.4 percent. For non-exempt labor employees, the average salary structure increase reported was 3.2 percent.

Equity Adjustments

This type of adjustment brings employees' salaries into a more appropriate relationship with others who have the same or similar education, experience, or job skills. Other uses may include moving employees who are either unnecessarily low in their pay ranges or in critical jobs to a more competitive pay rate. Equity adjustments help deal with compression issues as well as ensure fairness related to pay within a job class or job class series.

In 2004, the SCO surveyed public sector organizations, including Texas cities, counties, and major public institutions of higher education, as well as other states. Thirty-three percent of respondents reported that they fund equity and market increases in a separate line item in their budgets.

Pay for Performance or Merit Increases

A merit increase is given only to those employees who demonstrate outstanding performance on the job. This increase is an adjustment to an individual's base pay rate based on established individual performance measures.

- Participants in the *2003–2004 Geographic Report on Professional Personnel Compensation* conducted by Watson Wyatt indicated that professionals who received their organization's highest performance ratings received salary increases that averaged 5.9 percent. The same survey reported that employees who received average performance ratings received salary increases that averaged 3.6 percent.
- The average merit increase reported by participants in the *2004 Austin Area Pay and Benefits Survey* was 2.7 percent for exempt employees, 2.6 percent for non-exempt office employees, and 3.1 percent for non-exempt labor employees.
- In 2004, the SCO surveyed public sector organizations, including Texas cities, counties, and major public institutions of higher education, as well as other states. Thirty-seven percent of respondents indicated that they fund merit increases with a separate budget line item.

Cost-of-Living Adjustment or General Wage Increases

A cost-of-living adjustment (COLA) increases employees' base salaries. The increase can be either a flat dollar amount or a percentage of a salary. Given to all employees or to a group of employees, these increases help employees pay maintain purchasing power in the face of inflation.

- In the *Compensation Data 2003–Texas* survey by CompData, 17.2 percent of survey participants reported that COLAs were a component of their pay increase budgets.

- In 2004, the SCO surveyed public sector organizations, including Texas cities, counties, and major public institutions of higher education, as well as other states and found the following:
 - ♦ Forty-one percent of respondents indicated that they will or did provide base salary increases to employees in 2004. The average salary increase was 3.05 percent.
 - ♦ Forty-four percent of respondents indicated that they provided base salary increases in 2003. The average salary increase was 3.23 percent.
 - ♦ Sixty-three percent of respondents provided base salary increases in 2002. The average salary increase was 3.34 percent.

Additional Information on Benchmark Jobs

A benchmark job refers to a job or a group of jobs that is used for making pay comparisons, either within or outside an organization. In general, a benchmark job is a job for which survey sources agree on general job duties and responsibilities. The SCO used these benchmarks to determine where an entire job class series fell in relation to market. Table 8 provides some general statistics regarding the benchmark analysis.

Table 8

Benchmark Statistics	
Total Number of Benchmarks	202
Total Number of Benchmarks in Schedule A	76
Total Number of Benchmarks in Schedule B	126
Benchmarks of Current Positions	183
Benchmarks for Proposed Positions	19
Percentage of Workforce Represented by Benchmarks	84%
Percentage of Job Class Series Represented by Benchmarks	55%
Average Market Index of Benchmark Jobs	.90
Average Number of Survey Incumbents for Each Benchmark	2,686

Table 9 identifies each benchmarked job and pay group, the number of employees and the midpoint of the salary range for the job, the average pay for an equivalent job (market average), a comparison of the state job to the market average (market index), and the number of employees represented by the market data. A market index of 1.00 indicates that a job's pay rate is fully competitive with the market. A market index of 0.80 indicates that a job's pay rate is behind the market by 20 percent, whereas an index of 1.05 indicates that the pay rate is 5 percent above market.

The majority of benchmark jobs in the table have at least three strong market matches. However, in some cases, the benchmark jobs may have only one or two matches. In these situations, the market data is specific to the public sector and is clearly representative of the job. This public sector data generally represents data from a number of states, cities, or counties.

Table 9

Benchmark Market Data							
Job Class Number	Job Classification	Pay Group	Number of Employees	Salary Range Midpoint	Market Average	Market Index	Number of Survey Incumbents
1010	Accountant I	B03	233	\$ 27,894	\$ 34,071	0.82	2,389
1014	Accountant III	B08	377	\$ 37,590	\$ 40,608	0.93	4,298
1018	Accountant V	B11	207	\$ 47,034	\$ 52,802	0.89	1,662
	Accounting Technician I	A11		\$ 27,666	\$ 28,157	0.98	1,110
	Accounting Technician II	A13		\$ 31,116	\$ 32,568	0.96	907
1074	Accounts Examiner II*	B05	130	\$ 31,380	\$ 40,713	0.77	1,372
2804	Actuary III	B17	3	\$ 70,872	\$ 81,897	0.87	154
150	Administrative Assistant I	A08	1,863	\$ 22,566	\$ 26,694	0.85	1,469
152	Administrative Assistant II	A11	3,740	\$ 27,666	\$ 30,822	0.90	13,524
156	Administrative Assistant IV	A15	2,015	\$ 35,082	\$ 33,913	1.03	2,458
225	ADP Equipment Operator III	A11	40	\$ 27,666	\$ 31,242	0.89	662
227	ADP Equipment Operator IV	A14	52	\$ 33,048	\$ 36,707	0.90	131
233	ADP Supervisor I*	B08	19	\$ 37,590	\$ 44,253	0.85	77
9036	Air Conditioning and Boiler Operator III*	A11	14	\$ 27,666	\$ 44,128	0.63	1,147
9636	Aircraft Mechanic II*	A17	3	\$ 39,588	\$ 50,124	0.79	178
9626	Aircraft Pilot III	B13	1	\$ 53,196	\$ 60,625	0.88	597
2262	Architect III*	B12	9	\$ 50,034	\$ 57,641	0.87	329
3501	Attorney I	B09	38	\$ 39,912	\$ 57,179	0.70	1,179
3503	Attorney III	B13	228	\$ 53,196	\$ 68,890	0.77	2,061
1842	Audio/Visual Technician III*	A14	6	\$ 33,048	\$ 38,811	0.85	23
1042	Auditor II	B07	166	\$ 35,370	\$ 40,656	0.87	1,616
1046	Auditor IV	B11	299	\$ 47,034	\$ 51,601	0.91	566
1156	Budget Analyst II	B09	61	\$ 39,912	\$ 47,447	0.84	823
5227	Case Manager II	B05	72	\$ 31,380	\$ 36,660	0.86	6,865
5212	Caseworker II	B04	167	\$ 29,568	\$ 35,408	0.84	12,862
	Certified Nurse Assistant I	A05		\$ 20,334	\$ 19,610	1.04	5,760
5082	Chaplain II	B09	87	\$ 39,912	\$ 38,848	1.03	611
2471	Chemist I	B05	8	\$ 31,380	\$ 36,651	0.86	181
2473	Chemist III	B09	23	\$ 39,912	\$ 48,062	0.83	517
2475	Chemist V*	B13	43	\$ 53,196	\$ 49,118	1.08	606
5541	Child Support Officer II*	B05	413	\$ 31,380	\$ 35,004	0.90	3,209
5543	Child Support Officer IV*	B09	298	\$ 39,912	\$ 41,863	0.95	770
	Claims Analyst I	B07		\$ 35,370	\$ 36,755	0.96	2,293
	Claims Assistant	A12		\$ 29,322	\$ 30,628	0.96	223
51	Clerk I	A02	46	\$ 16,674	\$ 22,373	0.75	2,015
55	Clerk III	A06	2,603	\$ 20,334	\$ 25,685	0.79	17,416
59	Clerk V	A10	1,733	\$ 26,094	\$ 27,731	0.94	2,279
5221	Clinical Social Worker II	B05	13	\$ 31,380	\$ 35,494	0.88	435
5222	Clinical Social Worker III	B07	40	\$ 35,370	\$ 40,431	0.87	1,717

Benchmark Market Data

Job Class Number	Job Classification	Pay Group	Number of Employees	Salary Range Midpoint	Market Average	Market Index	Number of Survey Incumbents
1976	Contract Specialist I*	B07	92	\$ 35,370	\$ 40,350	0.88	48
8117	Cook II	A04	105	\$ 18,402	\$ 19,258	0.96	1,036
8118	Cook III	A06	186	\$ 20,334	\$ 21,170	0.96	882
4503	Correctional Officer III	A11	7,734	\$ 27,666	\$ 30,605	0.90	96,020
6054	Criminalist III	B11	29	\$ 47,034	\$ 49,886	0.94	586
8005	Custodian III	A05	207	\$ 19,320	\$ 21,456	0.90	9,191
	Customer Service Representative I	A09		\$ 23,886	\$ 24,808	0.96	3,315
	Customer Service Representative II	A11		\$ 27,666	\$ 29,169	0.95	1,424
273	Data Base Administrator III	B12	39	\$ 50,034	\$ 59,850	0.84	3,484
203	Data Entry Operator I	A06	29	\$ 20,334	\$ 21,593	0.94	175
205	Data Entry Operator II	A08	173	\$ 22,566	\$ 23,692	0.95	4,258
4482	Dental Assistant II*	A06	4	\$ 20,334	\$ 21,999	0.92	52
4489	Dental Hygienist	A16	13	\$ 37,284	\$ 46,140	0.81	109
4455	Dentist I*	B17	9	\$ 70,872	\$ 74,503	0.95	29
3622	Deputy Clerk II	A11	26	\$ 27,666	\$ 26,571	1.04	1,735
4007	Dietitian	B07	1	\$ 35,370	\$ 40,760	0.87	566
1622	Director III	B19	431	\$ 85,350	\$ 94,837	0.90	273
2180	Drafting Technician II	A13	3	\$ 31,116	\$ 40,015	0.78	472
2182	Drafting Technician IV	A17	1	\$ 39,588	\$ 44,653	0.89	274
642	Economist II*	B10	21	\$ 44,232	\$ 46,934	0.94	97
644	Economist III*	B12	0	\$ 50,034	\$ 63,386	0.79	637
9804	Electrician III	A16	8	\$ 37,284	\$ 42,752	0.87	1,966
	Electronics Technician I	A15		\$ 35,082	\$ 37,137	0.94	715
	Electronics Technician II	A17		\$ 39,588	\$ 41,141	0.96	381
3022	Employment Specialist III*	B04	132	\$ 29,568	\$ 36,223	0.82	4,866
2151	Engineer II	B12	9	\$ 50,034	\$ 56,699	0.88	2,340
2153	Engineer IV	B14	111	\$ 56,616	\$ 58,824	0.96	3,106
2155	Engineer VI	B16	83	\$ 66,546	\$ 76,900	0.87	933
2156	Engineer VII	B17	87	\$ 70,872	\$ 87,933	0.81	925
2127	Engineering Specialist I	B09	474	\$ 39,912	\$ 40,581	0.98	2,654
2121	Engineering Technician I	A08	1,063	\$ 22,566	\$ 26,642	0.85	2,400
2123	Engineering Technician III	A12	1,538	\$ 29,322	\$ 34,923	0.84	5,181
2125	Engineering Technician V	A16	622	\$ 37,284	\$ 38,624	0.97	3,737
2652	Environmental Specialist III	B09	103	\$ 39,912	\$ 39,118	1.02	1,403
2655	Environmental Specialist VI	B15	7	\$ 62,460	\$ 63,739	0.98	54
4083	Epidemiologist II*	B13	28	\$ 53,196	\$ 49,290	1.08	305
	Equipment Operator II	A11		\$ 27,666	\$ 28,622	0.97	2,788
160	Executive Assistant I	B09	348	\$ 39,912	\$ 36,801	1.08	4,626
162	Executive Assistant II	B11	133	\$ 47,034	\$ 42,564	1.11	1,003
1080	Financial Analyst I	B11	13	\$ 47,034	\$ 48,777	0.96	343

Benchmark Market Data

Job Class Number	Job Classification	Pay Group	Number of Employees	Salary Range Midpoint	Market Average	Market Index	Number of Survey Incumbents
1082	Financial Analyst II*	B13	14	\$ 53,196	\$ 58,846	0.90	272
1100	Financial Examiner I	B07	42	\$ 35,370	\$ 38,302	0.92	167
1104	Financial Examiner III	B11	67	\$ 47,034	\$ 52,365	0.90	538
1106	Financial Examiner IV	B13	30	\$ 53,196	\$ 54,760	0.97	403
1110	Financial Examiner VI	B17	33	\$ 70,872	\$ 74,971	0.95	2,132
1112	Financial Examiner VII	B19	34	\$ 85,350	\$ 95,896	0.89	914
8102	Food Service Worker I	A02	241	\$ 16,674	\$ 16,557	1.01	1,690
2360	Geologist III*	B11	7	\$ 47,034	\$ 46,962	1.00	400
2364	Geologist V*	B13	16	\$ 53,196	\$ 56,114	0.95	654
	Grant Coordinator I	B10		\$ 44,232	\$ 45,522	0.97	1,544
2167	Graphic Designer II	A14	9	\$ 33,048	\$ 38,818	0.85	196
2168	Graphic Designer III	A16	25	\$ 37,284	\$ 41,301	0.90	345
8032	Groundskeeper II	A05	45	\$ 19,320	\$ 23,005	0.84	563
	HHS Program Coordinator II*	B12		\$ 50,034	\$ 53,856	0.93	777
1727	Human Resources Assistant	A11	125	\$ 27,666	\$ 29,572	0.94	770
1729	Human Resources Specialist I	B05	115	\$ 31,380	\$ 35,162	0.89	2,481
1733	Human Resources Specialist III	B09	129	\$ 39,912	\$ 43,954	0.91	2,772
1737	Human Resources Specialist V	B13	47	\$ 53,196	\$ 54,474	0.98	1,566
5702	Human Services Specialist III*	B05	3,913	\$ 31,380	\$ 36,425	0.86	16,280
9814	HVAC Mechanic III	A14	45	\$ 33,048	\$ 36,090	0.92	797
2460	Hydrologist III*	B11	22	\$ 47,034	\$ 53,838	0.87	955
1830	Information Specialist I	B06	56	\$ 33,324	\$ 37,132	0.90	276
1832	Information Specialist III	B10	171	\$ 44,232	\$ 49,109	0.90	1,921
1320	Inspector I	B01	17	\$ 24,918	\$ 25,146	0.99	792
1322	Inspector III	B05	119	\$ 31,380	\$ 36,635	0.86	2,023
1325	Inspector VI	B10	135	\$ 44,232	\$ 42,043	1.05	620
2843	Insurance Specialist III*	B08	69	\$ 37,590	\$ 38,449	0.98	223
1913	Inventory Coordinator II	A14	246	\$ 33,048	\$ 39,118	0.84	267
1353	Investigator IV	B09	224	\$ 39,912	\$ 43,631	0.91	2,681
4522	Juvenile Correctional Officer III*	A11	530	\$ 27,666	\$ 31,619	0.87	3,800
4142	Laboratory Technician II	A07	27	\$ 21,396	\$ 21,551	0.99	971
2050	Land Surveyor I*	B11	7	\$ 47,034	\$ 44,937	1.05	631
3572	Legal Assistant II	B06	95	\$ 33,324	\$ 39,492	0.84	351
3576	Legal Assistant IV	B10	66	\$ 44,232	\$ 50,979	0.87	257
3567	Legal Secretary III	A13	97	\$ 31,116	\$ 33,984	0.92	2,911
7402	Librarian II	B07	8	\$ 35,370	\$ 45,758	0.77	1,747
7404	Librarian IV	B11	13	\$ 47,034	\$ 58,876	0.80	885
7352	Library Assistant II*	A09	8	\$ 23,886	\$ 21,344	1.12	345
4432	Licensed Vocational Nurse II	A11	831	\$ 27,666	\$ 31,313	0.88	14,530
9733	Machine Service Technician I	A13	1	\$ 31,116	\$ 33,717	0.92	3,530

Benchmark Market Data

Job Class Number	Job Classification	Pay Group	Number of Employees	Salary Range Midpoint	Market Average	Market Index	Number of Survey Incumbents
9734	Machine Service Technician II	A16	8	\$ 37,284	\$ 39,065	0.95	1,459
9512	Machinist II	A13	11	\$ 31,116	\$ 36,316	0.86	829
9004	Maintenance Assistant	A04	13	\$ 18,402	\$ 22,055	0.83	3,703
	Maintenance Specialist I	A09		\$ 23,886	\$ 27,742	0.86	1,845
	Maintenance Specialist III	A13		\$ 31,116	\$ 30,722	1.01	3,318
	Maintenance Specialist V	A17		\$ 39,588	\$ 38,055	1.04	3,010
1602	Manager III	B15	542	\$ 62,460	\$ 70,495	0.89	1,692
	Management Analyst II*	B12		\$ 50,034	\$ 50,728	0.99	2,131
1823	Marketing Specialist III	B08	15	\$ 37,590	\$ 45,033	0.83	135
1824	Marketing Specialist IV	B10	14	\$ 44,232	\$ 55,546	0.80	431
4374	Medical Aide II	A05	14	\$ 19,320	\$ 21,722	0.89	4,016
4402	Medical Technologist III	B07	15	\$ 35,370	\$ 40,800	0.87	3,276
5122	MHMR Services Assistant II*	A07	1,330	\$ 21,396	\$ 25,189	0.85	16,427
4221	Microbiologist III	B07	19	\$ 35,370	\$ 42,168	0.84	781
9418	Motor Vehicle Technician III	A12	171	\$ 29,322	\$ 33,041	0.89	2,034
9419	Motor Vehicle Technician IV	A14	130	\$ 33,048	\$ 42,142	0.78	609
7466	Museum Curator	B07	1	\$ 35,370	\$ 58,438	0.61	11
2683	Natural Resources Specialist III	B09	117	\$ 39,912	\$ 44,648	0.89	3,074
287	Network Specialist I	B08	191	\$ 37,590	\$ 40,876	0.92	90
289	Network Specialist III	B12	213	\$ 50,034	\$ 50,283	1.00	4,098
291	Network Specialist V	B16	44	\$ 66,546	\$ 63,549	1.05	1,602
4442	Nurse I	B06	29	\$ 33,324	\$ 36,897	0.90	1,203
4446	Nurse III	B10	490	\$ 44,232	\$ 48,497	0.91	25,119
4448	Nurse IV	B12	568	\$ 50,034	\$ 53,300	0.94	14,389
4451	Nurse Practitioner	B15	7	\$ 62,460	\$ 67,357	0.93	843
2697	Park Ranger III	A10	92	\$ 26,094	\$ 34,206	0.76	943
2687	Park Specialist II*	B08	0	\$ 37,590	\$ 33,875	1.11	2,687
4541	Parole Officer II	B07	960	\$ 35,370	\$ 38,102	0.93	7,696
4544	Parole Officer V	B12	18	\$ 50,034	\$ 49,459	1.01	1,028
4492	Pharmacist II	B14	23	\$ 56,616	\$ 80,581	0.70	3,025
4493	Pharmacist III	B16	52	\$ 66,546	\$ 90,438	0.74	864
4498	Pharmacy Technician II	A08	32	\$ 22,566	\$ 26,610	0.85	3,011
365	Photographer I	A14	3	\$ 33,048	\$ 43,485	0.76	128
	Physician Assistant	B17		\$ 70,872	\$ 72,152	0.98	1,080
4437	Physician II	B21	52	\$121,932	\$125,544	0.97	494
518	Planner III	B12	49	\$ 50,034	\$ 47,589	1.05	1,545
6095	Police Communications Operator I	A12	124	\$ 29,322	\$ 29,784	0.98	1,648
335	Printing Services Technician VI	A16	31	\$ 37,284	\$ 35,289	1.06	60
241	Programmer III	B10	89	\$ 44,232	\$ 49,228	0.90	4,189
244	Programmer VI	B16	132	\$ 66,546	\$ 74,924	0.89	1,102

Benchmark Market Data

Job Class Number	Job Classification	Pay Group	Number of Employees	Salary Range Midpoint	Market Average	Market Index	Number of Survey Incumbents
1994	Property Manager III	B12	4	\$ 50,034	\$ 57,642	0.87	415
4462	Psychologist II	B14	18	\$ 56,616	\$ 57,806	0.98	722
4072	Public Health Technician II	B05	189	\$ 31,380	\$ 39,635	0.79	782
1954	Purchaser I	B04	91	\$ 29,568	\$ 33,093	0.89	880
1956	Purchaser III	B08	122	\$ 37,590	\$ 39,521	0.95	1,752
1958	Purchaser V	B12	39	\$ 50,034	\$ 51,731	0.97	291
5130	Qualified Mental Retardation Professional I*	B05	4	\$ 31,380	\$ 31,898	0.98	526
4292	Radiological Technologist II	A08	1	\$ 22,566	\$ 40,152	0.56	2,008
5142	Recreation Program Specialist II	A11	9	\$ 27,666	\$ 29,702	0.93	296
4360	Registered Therapist Assistant	A11	17	\$ 27,666	\$ 39,640	0.70	695
4364	Registered Therapist IV	B10	28	\$ 44,232	\$ 54,127	0.82	1,795
2761	Rescue Specialist I*	B08	20	\$ 37,590	\$ 43,032	0.87	4,906
2763	Rescue Specialist III*	B11	3	\$ 47,034	\$ 55,814	0.84	1,414
604	Research Specialist III	B10	30	\$ 44,232	\$ 44,642	0.99	2,005
4428	Respiratory Care Practitioner	A11	9	\$ 27,666	\$ 38,889	0.71	1,965
2082	Right of Way Agent II*	B06	47	\$ 33,324	\$ 41,563	0.80	643
2731	Safety Officer II	B09	80	\$ 39,912	\$ 48,488	0.82	455
2733	Safety Officer IV	B13	9	\$ 53,196	\$ 60,701	0.88	737
2584	Sanitarian III*	B11	20	\$ 39,912	\$ 44,591	0.90	952
2585	Sanitarian V*	B13	16	\$ 53,196	\$ 60,316	0.88	311
	Security Officer I	A08	58	\$ 22,566	\$ 21,245	1.06	969
6234	Security Officer III	A12	32	\$ 29,322	\$ 32,133	0.91	398
4510	Sergeant of Correctional Officers*	B07	1,800	\$ 35,370	\$ 36,585	0.97	11,058
1552	Staff Services Officer III	B11	38	\$ 47,034	\$ 43,128	1.09	113
5113	Substance Abuse Counselor II	B06	25	\$ 33,324	\$ 33,085	1.01	1,050
6	Switchboard Operator II	A05	57	\$ 19,320	\$ 22,600	0.85	1,470
254	Systems Analyst I	B08	131	\$ 37,590	\$ 44,728	0.84	949
256	Systems Analyst III	B12	575	\$ 50,034	\$ 57,997	0.86	4,523
235	Systems Support Specialist I	A10	36	\$ 26,094	\$ 36,638	0.71	175
237	Systems Support Specialist III	A14	209	\$ 33,048	\$ 39,127	0.84	1,772
1060	Taxpayer Compliance Officer II*	B04	67	\$ 29,568	\$ 32,587	0.91	1,358
1871	Technical Writer II	B09	16	\$ 39,912	\$ 48,374	0.83	1,236
283	Telecommunications Specialist III	B10	49	\$ 44,232	\$ 54,488	0.81	2,589
4350	Therapist Technician III*	A05	355	\$ 19,320	\$ 25,250	0.77	2,875
1783	Training Specialist III	B09	109	\$ 39,912	\$ 45,766	0.87	2,069
9307	Transportation Maintenance Specialist III	A16	124	\$ 37,284	\$ 34,920	1.07	11,639
9309	Transportation Maintenance Specialist V	A18	89	\$ 42,120	\$ 43,129	0.98	3,823
9323	Vehicle Driver III	A07	35	\$ 21,396	\$ 23,788	0.90	1,562

Benchmark Market Data							
Job Class Number	Job Classification	Pay Group	Number of Employees	Salary Range Midpoint	Market Average	Market Index	Number of Survey Incumbents
4125	Veterinarian I*	B14	14	\$ 56,616	\$ 60,932	0.93	134
5063	Vocational Rehabilitation Counselor II*	B08	158	\$ 37,590	\$ 43,848	0.86	2,312
4551	Warden I*	B15	57	\$ 62,460	\$ 74,516	0.84	2,309
4552	Warden II*	B16	29	\$ 66,546	\$ 79,191	0.84	1,117
278	Web Administrator II	B11	2	\$ 47,034	\$ 57,738	0.81	1,966

Note: Asterisks (*) represent those benchmarks with fewer than 3 market matches. The matches used for these positions generally were from public sector data sources and are representative of the relevant labor market.

Detailed Job Classification Series Recommendations

The State's Position Classification Plan, or compensation system, currently has multiple levels for most jobs. However, when comparing these jobs with the market, these levels create many difficulties in matching market data. In the market and within most organizations, there may be only three levels of a particular job: entry, journey, and senior. Many jobs in the State's compensation system have six or seven classification levels.

In order to make more accurate market matches, the SCO reviewed the Plan and defined entry, journey, or senior levels for all classifications. These categories were used to compare the Plan to survey data. The following describes each level.

- **Entry-level:** Typically require little or no previous training or experience and few, if any, specific skills. The work at this level is usually routine in nature, and the position is closely supervised.
- **Journey-level:** Typically require previous training or experience, and specific skills are often required. The position requires limited supervision.
- **Senior-level:** Typically require a high level of responsibility, training, experience and competence. Individuals in these jobs may assume lead worker status, and the position receives general supervision and direction.

Then, the SCO reviewed how a job series fell across pay groups and attempted to set up series that were consistently two pay groups apart. After market and benchmarks were determined, the SCO used that data to "re-create" job series. Then we mapped current job classifications to each option and calculated minimal costs for these changes.

Changes to individual job classifications, as well as the levels used for market comparisons, are available in the supplemental appendix for this report. The following information outlines the information contained in the detailed job classification series recommendations.

Information on Graphs (see figure 8 for example)

Market Average – Indicates the average of the salary data collected from the relevant labor market

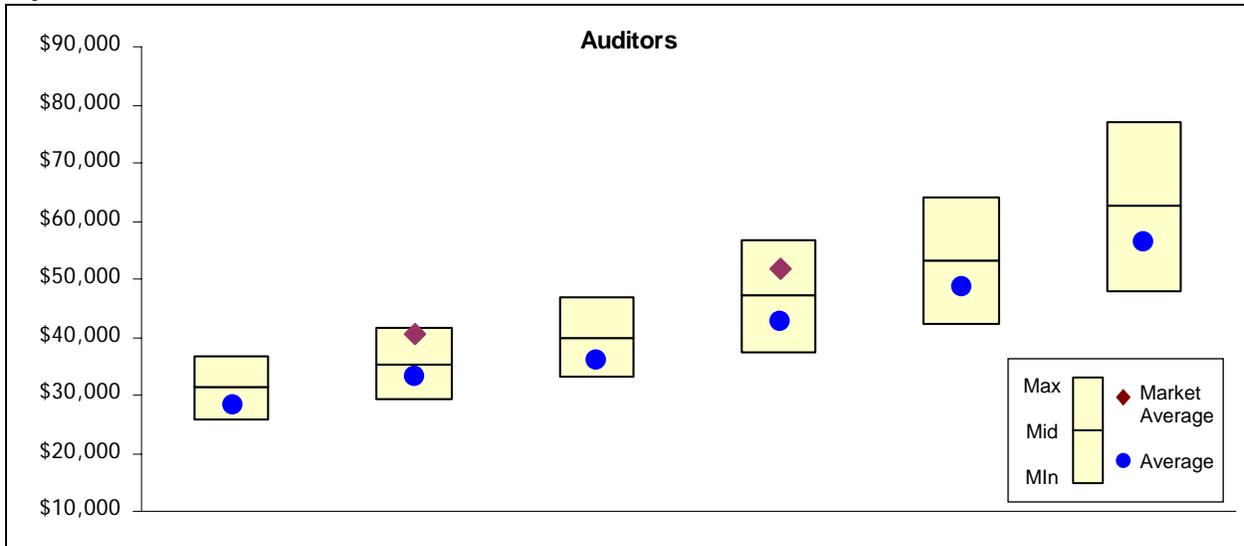
Average – Indicates the average pay for state incumbents in the position

Minimum – The salary that represents the lower limit of the salary group

Midpoint – The salary that represents the middle of the salary group

Maximum – The salary that represents the upper limit of the salary group

Figure 8



Information in Charts (see table 10 for example)

Job Classification – Indicates the title of the job

Class Number – Provides identification for the job classification in the Position Classification Plan

Level – Indicates the level of worked performed (e.g., entry, journey, senior) in the job classification

Incumbents – Indicates the number of classified regular full-time employees in the job classification during the second quarter of fiscal year 2004

Turnover Rate – Indicates the rate of employee separations during fiscal year 2003 within the job class

Salary Group – Indicates the salary group (e.g., A03, B05) that the job class has been assigned to for pay and classification purposes

Average Salary – Indicates the average salary of the classified regular full-time employees at the end of the second quarter of fiscal year 2004

Midpoint – The salary that represents the middle of the salary group

New Level – Description used to identify the proposed level of worked performed (e.g., entry, journey, senior) in the job classification

New Salary Group – The new salary group proposed based on the analysis of the labor market conditions for the job classification and job classification series

Cost – Represents the annual minimum cost to move the job class to the new salary group

Table 10

Job Classification	Auditor I	Auditor II	Auditor III	Auditor IV	Auditor V	Auditor VI
Class Number	1040	1042	1044	1046	1048	1050
Level	Entry	Journey	Journey	Senior	Senior	Senior
Incumbents	23	166	211	299	318	227
Turnover Rate	22%	12%	14%	12%	10%	13%
Salary Group	B05	B07	B09	B11	B13	B15
Average Salary	\$ 28,115	\$ 33,001	\$ 36,036	\$ 42,560	\$ 48,454	\$ 56,280
Midpoint	\$ 31,380	\$ 35,370	\$ 39,912	\$ 47,034	\$ 53,196	\$ 62,460

Costs of Implementing Options 1, 2, or 3 by Occupational Group for Salary Schedules A and B

Table 11 presents a summary of each option's cost by occupational category, excluding law enforcement. All three options address routine maintenance and structure changes.

- Option 1 brings most jobs to within 15 percent of the market.
- Option 2 brings most jobs to within 10 percent of the market.
- Option 3 brings most jobs to within 5 percent of the market.

Table 11

Costs by Occupational Group			
Occupational Group	Option 1	Option 2	Option 3
Accounting and Finance	\$ 260,924	\$ 981,159	\$ 1,882,104
Administrative Support	944,236	1,426,509	5,119,116
Criminal Justice	10,908	10,908	376,634
Custodial and Domestic	170,628	312,924	657,895
Education	13,860	13,860	13,860
Employment	2,715	52,995	52,995
Engineering and Design	358,888	822,439	2,865,914
Human Resources	-	-	456,044
Information Technology	96,907	805,213	1,995,055
Inspectors and Investigators	35,448	545,351	545,351
Insurance	504	75,348	101,518
Land Surveying, Appraising, and Utilities	2,640	22,518	61,863
Legal	915,454	5,093,967	5,138,415
Library and Records	77,120	304,975	641,132
Maintenance	570,110	875,247	1,392,990
Medical and Health	593,999	1,494,498	3,504,095
Natural Resources	536,063	1,054,355	1,662,656
Office Services	15,180	27,756	37,992
Planning, Research, and Statistics	23,340	30,732	57,726
Procedures and Information	86,990	144,080	335,460
Program Management	357,562	419,202	419,202
Property Management and Purchasing	-	332,199	1,173,020
Public Safety	61,017	77,870	135,797
Safety	7,371	122,085	531,257
Social Services	435,662	3,748,459	11,387,712
Totals	\$5,577,527	\$18,794,647	\$40,545,801

Estimated Annual Costs of Implementing Options 1, 2 or 3 by Agency for Salary Schedule A and B Changes

Table 12 presents a summary of each option's cost by agency, excluding law enforcement. All three options address routine maintenance and structure changes. Agencies with no minimum costs were not listed.

- Option 1 brings most jobs to within 15 percent of the market.
- Option 2 brings most jobs to within 10 percent of the market.
- Option 3 brings most jobs to within 5 percent of the market.

Table 12

Cost by Agency				
Agency Number	Agency Name	Option 1	Option 2	Option 3
211	Court of Criminal Appeals	\$ -	\$ 2,257	\$ 2,761
212	Office of Court Administration	1,716	241,475	249,467
221	Court of Appeals - First Court of Appeals District	-	25,240	25,240
222	Court of Appeals - Second Court of Appeals District	-	18,813	18,813
223	Court of Appeals - Third Court of Appeals District	-	18,043	18,043
224	Court of Appeals - Fourth Court of Appeals District	-	1,906	1,906
225	Court of Appeals - Fifth Court of Appeals District	-	57,703	57,703
226	Court of Appeals - Sixth Court of Appeals District	-	3,084	3,084
227	Court of Appeals - Seventh Court of Appeals District	-	3,264	3,263
228	Court of Appeals - Eighth Court of Appeals District	-	5,562	5,562
230	Court of Appeals - Tenth Court of Appeals District	-	5,352	5,352
232	Court of Appeals - Twelfth Court of Appeals District	-	15,454	15,454
234	Court of Appeals - Fourteenth Court of Appeals District	1,164	1,164	2,040
242	State Commission on Judicial Conduct	16,476	19,188	19,188
243	State Law Library	636	4,496	14,408
301	Office of the Governor	9,260	28,804	38,104
302	Office of the Attorney General	441,037	2,935,831	3,062,432
303	Texas Building and Procurement Commission	75,276	123,572	203,818
304	Comptroller of Public Accounts	95,100	128,659	496,288
305	General Land Office	12,400	46,870	64,534
306	Library and Archives Commission	11,748	48,536	105,399
307	Secretary of State	5,088	15,301	25,142
312	State Securities Board	8,784	93,036	97,032
313	Department of Information Resources	1,344	15,089	38,945
318	Commission for the Blind	23,764	64,085	75,242
320	Texas Workforce Commission	37,009	159,402	323,949
323	Teacher Retirement System	1,044	18,540	29,376
324	Department of Human Services	252,573	617,071	2,104,417

Cost by Agency

Agency Number	Agency Name	Option 1	Option 2	Option 3
327	Employees Retirement System	\$ 1,680	\$ 15,360	\$ 18,199
329	Real Estate Commission	1,836	14,976	18,468
330	Rehabilitation Commission	159,769	851,877	960,640
332	Department of Housing and Community Affairs	3,588	6,768	20,100
337	Board of Tax Professional Examiners	-	1,140	1,140
340	Department on Aging	-	984	984
344	Commission on Human Rights	-	4,808	6,200
347	Texas Public Finance Authority	-	672	672
352	Bond Review Board	-	-	1,025
356	Texas Ethics Commission	-	-	1,044
359	Office of Public Insurance Counsel	828	936	936
360	State Office of Administrative Hearings	-	86,664	87,696
362	Texas Lottery Commission	1,920	56,292	66,780
401	Adjutant General's Department	23,508	135,918	262,596
403	Veterans Commission	3,420	43,968	52,956
405	Department of Public Safety	318,023	903,804	1,441,605
406	Texas Military Facilities Commission (National Guard Armory Board)	2,124	3,816	3,816
411	Commission on Fire Protection	1,179	2,511	4,887
450	Savings and Loan Department	-	22,584	40,776
451	Department of Banking	3,317	3,533	6,245
452	Department of Licensing and Regulation	1,212	15,936	15,936
453	Workers' Compensation Commission	47,148	232,603	438,398
454	Department of Insurance	36,764	166,332	226,655
455	Railroad Commission	32,455	70,551	148,319
456	Board of Plumbing Examiners	2,232	2,232	2,232
457	Board of Public Accountancy	-	6,444	6,444
458	Alcoholic Beverage Commission	29,712	125,650	237,946
460	Board of Professional Engineers	-	672	672
466	Office of Consumer Credit Commission	-	492	10,507
469	Credit Union Department	1,320	1,320	2,112
472	Structural Pest Control Board	-	11,087	11,087
473	Public Utility Commission of Texas	876	7,320	10,032
475	Office of Public Utility Counsel	4,188	8,008	8,008
476	Racing Commission	-	4,008	4,008
477	Commission on Emergency Communications	2,892	9,711	9,711
479	State Office of Risk Management	26,067	39,566	50,572
481	Board of Professional Geoscientists	6,408	11,424	11,424
501	Department of Health	245,473	857,960	1,605,374
502	Board of Barber Examiners	-	1,184	1,184
503	Board of Medical Examiners	1,728	39,828	43,032

Cost by Agency				
Agency Number	Agency Name	Option 1	Option 2	Option 3
504	Board of Dental Examiners	\$ 5,364	\$ 19,644	20,520
505	Cosmetology Commission	-	2,628	2,628
507	Board of Nurse Examiners	156	3,345	3,345
514	Texas Optometry Board	-	1,920	1,920
515	Board of Pharmacy	5,537	39,272	70,940
517	Commission on Alcohol and Drug Abuse	-	-	1,815
520	Board of Examiners of Psychologists	2,410	2,962	2,962
529	Health and Human Services Commission	34,594	139,620	457,847
530	Department of Protective and Regulatory Services	181,404	767,362	975,816
532	Interagency Council on Early Childhood Intervention (Administered by 501)	8,436	8,436	9,924
551	Department of Agriculture	69,904	131,635	178,860
554	Animal Health Commission	1,308	16,356	24,408
580	Water Development Board	480	11,832	16,788
582	Commission on Environmental Quality	401,409	738,785	855,542
592	Soil and Water Conservation Board	4,682	7,962	16,086
601	Department of Transportation	175,020	802,621	3,130,221
655	Department of Mental Health/Mental Retardation	1,244,849	4,346,581	13,409,858
665	Juvenile Probation Commission	1,008	1,008	1,008
694	Youth Commission	93,011	279,074	849,702
696	Department of Criminal Justice	735,623	1,633,926	5,340,275
701	Texas Education Agency	9,744	30,000	63,282
705	State Board for Educator Certification	-	10,620	10,791
771	Texas School for the Blind and Visually Impaired	-	2,028	12,564
772	Texas School for the Deaf	27,756	44,209	74,641
802	Parks and Wildlife Department	592,619	1,204,016	1,977,539
808	Texas Historical Commission	26,458	56,070	79,446
809	Preservation Board	1,668	6,000	9,696
Total		\$5,577,527	\$ 18,794,647	\$ 40,545,801

Methodology for Market Analysis of Salary Schedule C Positions

In addition to our regular review of the Plan, state statute requires the SCO to conduct a survey of the five highest-paying local law enforcement agencies in Texas with 1,000 or more commissioned law enforcement officers. In addition, the SCO collected information from the two additional law enforcement agencies with 1,000

Texas Government Code, Section 654.037 (b)

(b) The classification officer shall conduct, before September 1 of each even-numbered year, a survey of local law enforcement departments that employ more than 1,000 commissioned law enforcement officers to gather information about the total compensation provided by the departments to law enforcement officers. Before January 1 of each odd-numbered year, the classification officer shall analyze the findings of the most recent survey conducted in accordance with this subsection and shall submit to the legislature a report on the findings of the survey and analysis. The report must identify the five local law enforcement departments that provide the highest average total compensation to local law enforcement officers who have been employed by the local law enforcement departments at the maximum salary level.

or more commissioned law enforcement officers in Texas. The SCO also used the standard practices and methodology used when reviewing the other positions included in the Position Classification Plan. Table 13 provides detail on the organizations and surveys used to conduct the market analysis of salary schedule C.

This resulted in three different options to change pay for law enforcement positions.

- Option 1 includes the five highest-paying law enforcement agencies in Texas with 1,000 or more commissioned law enforcement officers.
- Option 2 includes all law enforcement agencies in Texas with more than 1,000 commissioned law enforcement officers.
- Option 3 includes cities and counties in Texas with

populations of more than 50,000 and includes data for Troopers in other state governments.

Table 13

Organizations and Surveys Used in Market Analysis of Salary Schedule C		
Option 1	Option 2	Option 3
City of Austin	City of Austin	Texas Municipal League Survey
City of Dallas	City of Dallas	Texas Associations of Counties Survey
City of Fort Worth	City of El Paso	Central State Salary Survey
City of Houston	City of Fort Worth	State Classification Office Law Enforcement Survey
City of San Antonio	City of Houston	
	City of San Antonio	
	Harris County	

Salary Schedule C Market Analysis

Option 1 Analysis

- The analysis based on data gathered from the five highest-paying local law enforcement agencies with 1,000 or more officers in the state indicated that Troopers' midpoint pay lags the market by 12 percent. The maximum pay lags the market by 16 percent.
- The lag of the midpoint pay for senior level officers (Sergeants, Lieutenants, and Captains) ranges from 25 to 28 percent. The maximum pay for this group lags the market by approximately 23 percent.
- The ranking of the maximum salary level in each of the organizations included in the SCO law enforcement survey for the top five local law enforcement agencies with 1,000 or more commissioned officers is as follows:

Table 14

Ranking Based on Maximum of Salary Range for Police Officer		
Organization	Ranking	Maximum of Salary Range
City of Austin	1	\$65,012
City of Dallas	2	\$58,637
City of Fort Worth	3	\$58,541
City of San Antonio	4	\$47,820
City of Houston	5	\$47,167

Option 2 Analysis

- Two other local law enforcement agencies (the City of El Paso and Harris County) have 1,000 or more commissioned officers. For this reason, the SCO felt it was appropriate to analyze their data because it presents a more complete and accurate picture of this labor market.
- The analysis based on data gathered from the top seven local law enforcement agencies with 1,000 or more officers in the state indicated that Troopers' midpoint pay lags the market by 9 percent. The maximum pay lags the market by 13 percent.
- The lag of the midpoint pay for senior level officers (Sergeants, Lieutenants, and Captains) ranges from 23 to 25 percent. The maximum pay for this group lags the market by approximately 20 percent, on average.

Option 3 Analysis

- In the analysis for option three, the SCO used the same methodology that was used for the other jobs in the Position Classification Act. This methodology considered pay for Police and Deputy Sheriffs in cities and counties that had a population of 50,000 or more. It also included data from the Central States Salary Survey.
- The analysis indicated that the midpoint pay for Trooper Trainees lagged the market by 9 percent. The Trooper position lagged the market by 8 percent, and the pay for the senior level officers lagged the labor market by approximately 17 percent.

Table 15 compares the results of all three options.

Table 15

Salary Schedule C Market Analysis					
Current Salary Schedule C					
	Trooper Trainee	Trooper	Sergeant	Lieutenant	Captain
Salary Range Midpoint	\$ 30,200	\$ 41,392	\$ 48,880	\$ 55,120	\$ 61,360
Salary Range Maximum	\$ 30,200	\$ 46,384	\$ 52,624	\$ 58,864	\$ 65,104
Option 1					
Average Pay Analysis	\$ 32,732	\$ 46,929	\$ 65,391	\$ 75,244	\$ 84,966
Market Index - Average Pay	0.92	0.88	0.75	0.73	0.72
Maximum Average Pay Analysis		\$ 55,435	\$ 68,098	\$ 76,221	\$ 86,138
Market Index - Maximum Pay		0.84	0.77	0.77	0.76
Option 2					
Average Pay Analysis		\$ 45,270	\$ 63,744	\$ 73,270	\$ 82,191
Market Index - Average Pay		0.91	0.77	0.75	0.75
Maximum Average Pay Analysis		\$ 53,393	\$ 64,508	\$ 72,767	\$ 82,676
Market Index - Maximum Pay		0.87	0.82	0.81	0.79
Option 3					
Average Pay Analysis	\$ 33,241	\$ 45,134	\$ 58,076	\$ 64,872	\$ 78,259
Market Index - Average Pay	0.91	0.92	0.84	0.85	0.78

Proposed Salary Schedules for Law Enforcement Positions

The following tables are suggested salary schedules that would bring salary schedule C employees to the market average for each option. In addition, in the review of market conditions, the SCO recommended the expansion of salary schedule C to add levels for 20 or more years of service. This recommendation is reflected in all of the proposed options.

Table 16

Option 1: Salary Schedule C for Fiscal Years 2006-2007						
Salary Group	Less than 4 Years of Service	≥ 4 Years of Service	≥ 8 Years of Service	≥ 12 Years of Service	≥ 16 Years of Service	≥ 20 Years of Service
C1	\$32,500					
C2	\$36,000					
C3	\$39,500	\$42,900	\$46,300	\$49,700	\$53,100	\$56,500
C4		\$55,500	\$58,900	\$62,300	\$65,700	\$69,100
C5		\$63,700	\$67,100	\$70,500	\$73,900	\$77,300
C6		\$73,800	\$77,200	\$80,600	\$84,000	\$87,400
C7		\$90,800	\$90,800	\$90,800	\$90,800	\$90,800
C8		\$94,200	\$94,200	\$94,200	\$94,200	\$94,200

Table 17

Option 2: Salary Schedule C for Fiscal Years 2006-2007						
Salary Group	Less than 4 Years of Service	≥ 4 Years of Service	≥ 8 Years of Service	≥ 12 Years of Service	≥ 16 Years of Service	≥ 20 Years of Service
C1	\$31,300					
C2	\$34,700					
C3	\$38,100	\$41,500	\$44,900	\$48,200	\$51,700	\$55,100
C4		\$51,860	\$55,260	\$58,660	\$62,060	\$65,460
C5		\$60,286	\$63,686	\$67,086	\$70,486	\$73,886
C6		\$70,292	\$73,692	\$77,092	\$80,492	\$83,892
C7		\$87,292	\$87,292	\$87,292	\$87,292	\$87,292
C8		\$90,692	\$90,692	\$90,692	\$90,692	\$90,692

Table 18

Option 3: Salary Schedule C for Fiscal Years 2006-2007						
Salary Group	Less than 4 Years of Service	≥ 4 Years of Service	≥ 8 Years of Service	≥ 12 Years of Service	≥ 16 Years of Service	≥ 20 Years of Service
C1	\$33,240					
C2	\$36,240					
C3	\$39,240	\$42,640	\$46,040	\$49,440	\$52,840	\$56,240
C4		\$51,276	\$54,676	\$58,076	\$61,476	\$64,876
C5		\$58,072	\$61,472	\$64,872	\$68,272	\$71,672
C6		\$71,458	\$74,858	\$78,258	\$81,658	\$85,058
C7		\$88,458	\$88,458	\$88,458	\$88,458	\$88,458
C8		\$91,858	\$91,858	\$91,858	\$91,858	\$91,858

Incentive Pay for Law Enforcement Positions

The SCO reviewed other law enforcement agencies' use of incentive payments. The following table shows the average incentive payments that employees of the five highest-paying Texas local law enforcement agencies receive in specific situations.

Table 19

Average Incentive Pay for Top 5 Local Law Enforcement Agencies	
Incentive Pay Type	Annual Incentive
Education Pay- Bachelor's Degree	\$ 2,668
Certification Pay - Intermediate Certification	860
Longevity Pay	2,581
Language Pay	1,320
Field Training Officer Duty Pay	2,070
Shift Differential Pay	<u>2,238</u>
Potential Total Incentive Pay	\$ 11,737
Maximum State Hazardous Duty Pay	<u>2,520</u>
Difference between Potential Total Incentive Pay and Maximum State Hazardous Duty Pay	\$ 9,217
Note: These calculations are based on average salary for the respective organization.	

The SCO also examined the incentive payments of cities with populations of 50,000 or more. More than half of the cities that participated in the Texas Municipal League survey indicated that they provide educational incentive pay for employees with bachelor's degrees. More than half of these cities also offered certification pay at the intermediate and advanced levels.

Because of the prevalence of incentive payments for law enforcement positions, the SCO suggests that the Legislature consider implementing similar programs. Table 20 provides the SCO's proposed incentive payment amounts, which are based on medians from the Texas Municipal League survey.

Table 20

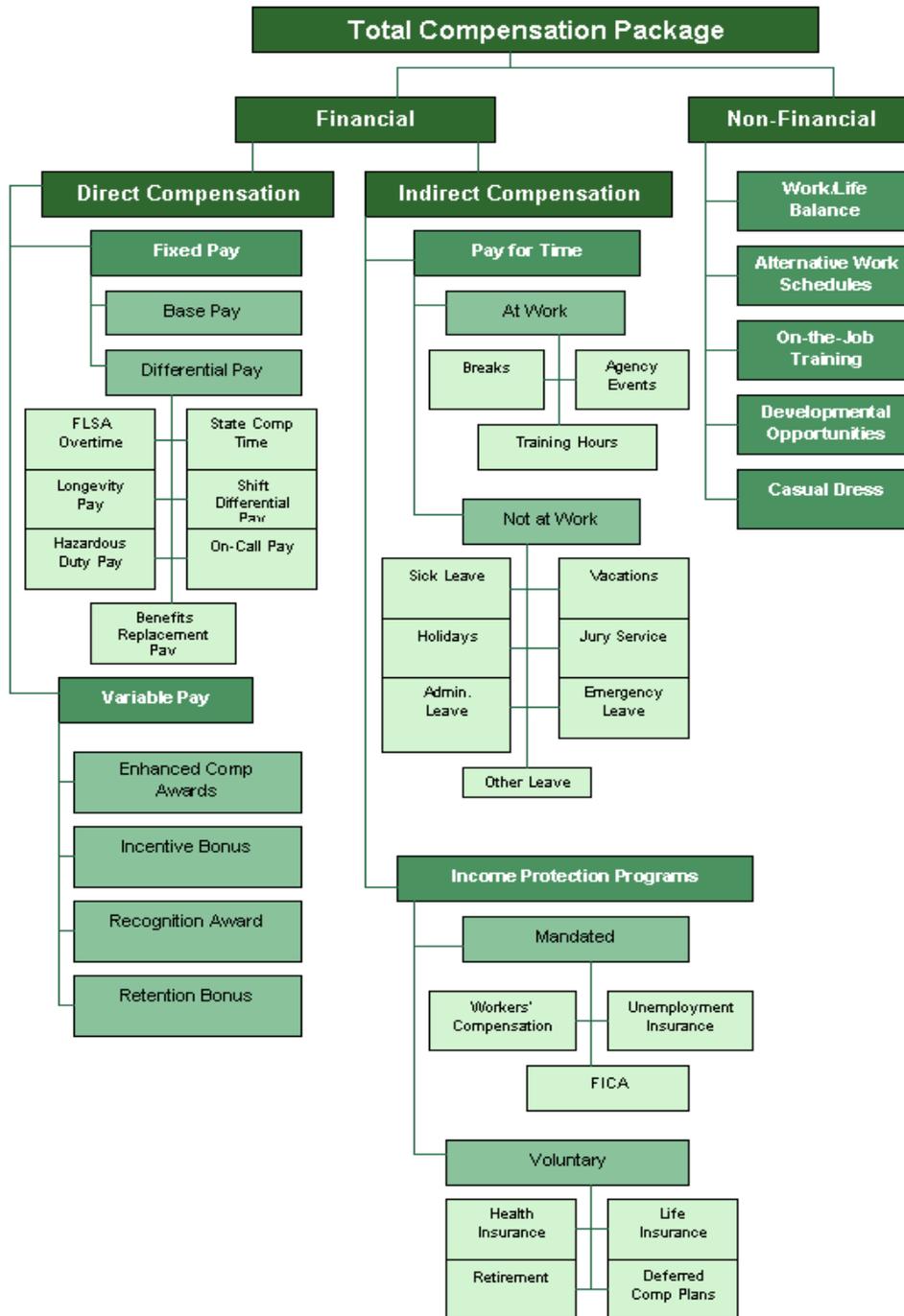
Proposed Annual Incentive Pay Amounts Based on Medians From Texas Municipal League Data	
Type of Incentive Pay	Annual Payment
Education Pay:	
Associate's Degree	\$ 600
Bachelor's Degree	\$1,200
Master's Degree	\$1,800
Certification Pay:	
Intermediate	\$ 600
Advanced	\$1,200
Master	\$1,800
Shift Pay:	
Evening Shift	\$ 600
First Watch Shift	\$1,200
Field Training Officer Assignment	\$1,200
Language Pay - Speak	\$ 600

If the Legislature is interested in providing these incentives, the SCO can work with each agency to determine the yearly cost. Agencies will need to provide information as to the number of employees eligible for each of the incentives before a cost can be determined.

Total Compensation Chart

The diagram below describes an employee's total compensation package. Additional information is available online at www.hr.state.tx.us/Compensation/totalcompensationpackage.html

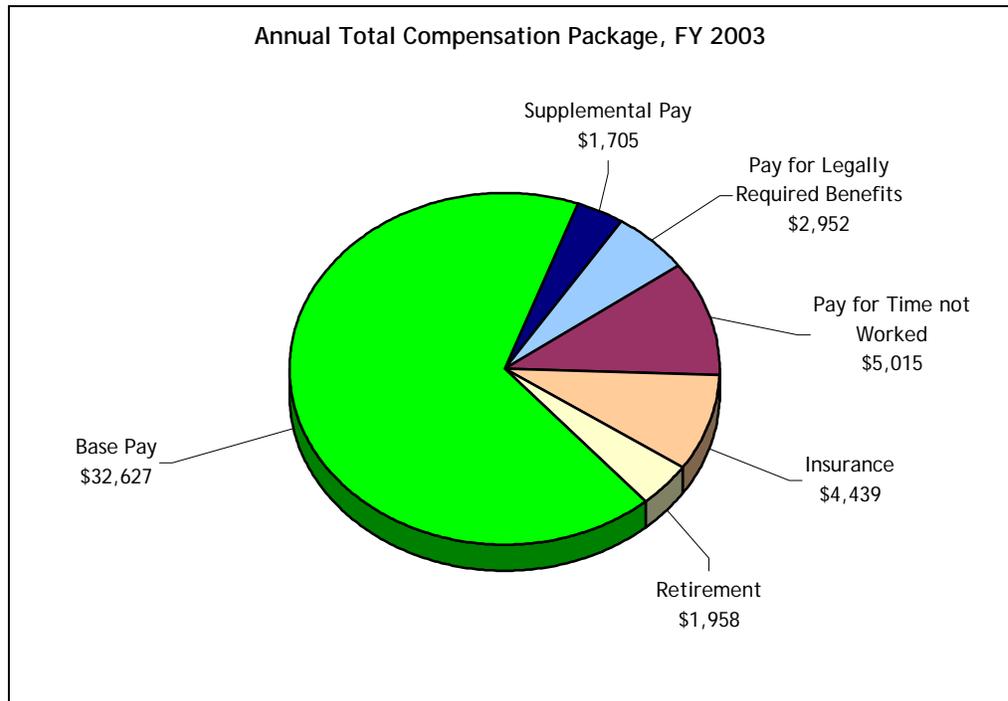
Figure 9



Total Compensation for the Average Employee

In fiscal year 2003, the average full-time classified employee made \$32,627 per year. However, the paid time off, health and insurance programs, and other benefits added another \$16,069 to the average full-time classified employee's total compensation package. Figure 10 shows each of these categories.

Figure 10



Total Compensation Cost Comparison

The concept of total compensation is key to any review of the State's compensation system. Total compensation is a measure of an employee's base salary, benefits, and other perquisites provided by an employer. Table 21 compares the State's total financial compensation package with that for the civilian workforce compiled by the Bureau of Labor Statistics, a division of the U.S. Department of Labor.

Table 21

Total Compensation Comparison		
	State of Texas ^a	Bureau of Labor Statistics ^b
Base Pay	\$ 32,627	\$ 36,442
Supplemental Pay (for example, overtime, shift differentials)	1,705	1,248
Total Direct Compensation	\$ 34,332	\$ 37,690
Pay for Legally Required Benefits (for example, Social Security, Medicare, workers' compensation, unemployment insurance)	2,952	4,056
Pay for Time Not Worked (for example, sick leave, holidays, vacation, administrative leave, emergency leave)	5,015	3,411
Insurance (for example, health insurance, life insurance)	4,439	3,869
Retirement (Employees Retirement System and Teacher Retirement System contributions)	1,958	1,830
Other Benefits (includes severance pay and supplemental unemployment benefits)		83
Total Indirect Compensation	\$ 14,364	\$ 13,250
Total Compensation	\$ 48,696	\$ 50,939

^a State of Texas data is from fiscal year 2003, average pay for full-time classified regular employees.

^b U.S. Bureau of Labor Statistics data is for September 2003.

Estimated Total Compensation Costs for Fiscal Year 2003

Table 22 shows estimated total compensation costs for fiscal year 2003.

Table 22

Estimated Total Compensation Costs for Fiscal Year 2003 ^a		2003 Expenditures (All Funds)
Direct Compensation		
Base Salary		
Salaries and Wages - Line Item Exempt	\$	80,823,042
Salaries and Wages - Classified and Non-Classified Permanent Full-Time Employees		4,410,067,045
Salaries and Wages - Classified and Non-Classified Permanent Part-Time Employees		53,749,905
Salaries and Wages - Classified and Non-Classified Non-Permanent Full-Time Employees		9,498,222
Salaries and Wages - Classified and Non-Classified Non-Permanent Part-Time Employees		11,542,787
Salaries and Wages - Hourly Full-Time Employees		73,759,683
Salaries and Wages - Hourly Part-Time Employees		7,936,424
Salaries and Wages - Permanent Full-Time Employees Receiving Twice-a-Month Salary Payment		<u>262,644,889</u>
Total Base Salary	\$	4,910,021,997
Differential Pay		
Overtime Pay	\$	68,239,793
Longevity Pay		102,580,558
Benefit Replacement Pay		75,848,072
Hazardous Duty Pay		26,401,087
Lump-Sum Termination Payment		35,929,996
Termination Pay - Death Benefits		1,082,974
Compensatory Time Pay		4,747,127
Hardship Station Pay		93,600
Emoluments and Allowances (includes shift differentials and corporal allowances)		<u>15,187,228</u>
Total Differential Pay	\$	330,110,435
Variable Compensation		
One-Time Merit Increase	\$	7,899,085
Productivity Bonus Awards		170,678
Employee Incentive Bonus		51,521
Performance Rewards		417,191
Recruitment and Retention Bonus		1,034,401
Food Stamp Bonus Pay		<u>5,545,015</u>
Total Variable Compensation	\$	15,117,891
Total Direct Compensation	\$	5,255,250,323
^a 2003 expenditure data taken from Fiscal Year 2003 Texas Annual Cash Report, Table 15, Net Expenditures by Object. Salary and Wages exclude expenditures for institutions of higher education.		

Estimated Total Compensation Costs for Fiscal Year 2003 ^a	
	2003 Expenditures (All Funds)
Indirect Compensation (Estimated using cost calculated for the benefits as a percentage of salary for Fiscal Year 2003) ^b	
Pay for Legally Required Benefits (for example, Social Security, Medicare, workers' compensation, unemployment insurance)	\$ 454,224,240
Pay for Time Not at Work (for example, sick leave, holidays, vacations, administrative leave, jury service, emergency leave)	771,658,050
Insurance (for example, health insurance, life insurance)	683,028,930
Retirement (for example, Employees Retirement System and Teacher Retirement System contributions)	<u>301,277,460</u>
Total Indirect Compensation	\$ 2,210,188,680
Total Direct and Indirect Compensation	\$ 7,465,439,003
^b Based on total state employee headcount of 153,870 in fiscal year 2003	

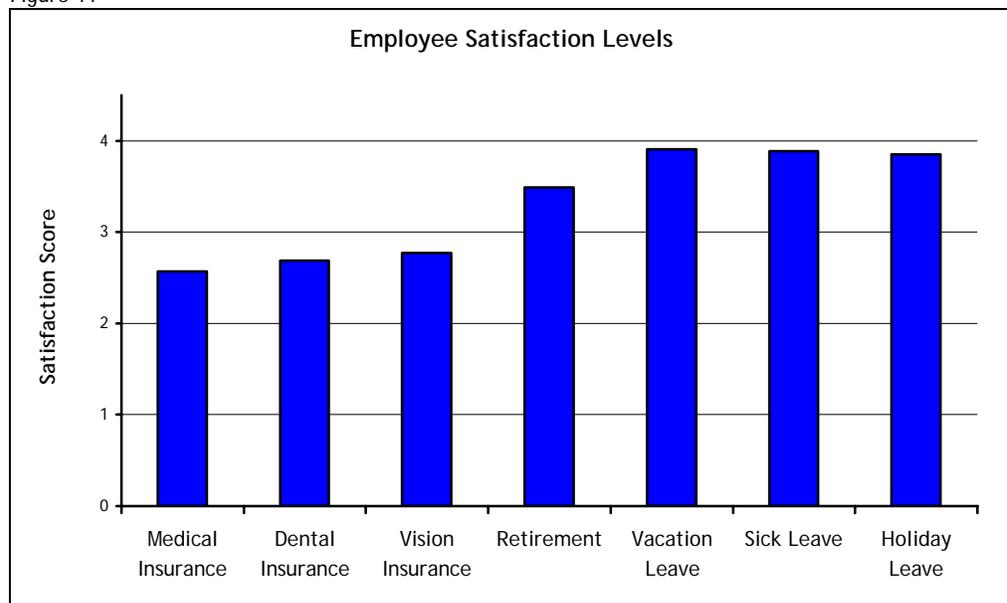
Benefits, Retirement, and the Work Experience

Employee Benefits

Benefits are a portion of the total compensation package offered to employees. Benefits include federally mandated programs such as Social Security and unemployment as well as core benefits that satisfy an employee's basic expectation for health insurance and time off. Although the cost of benefits has increased, the State still provides a comprehensive benefits and retirement package.

According to the Survey of Organizational Excellence (2003–2004), employees appear to be satisfied with their paid time off but are concerned about other benefits. Results (on a scale from 1 to 5) are shown in Figure 11.

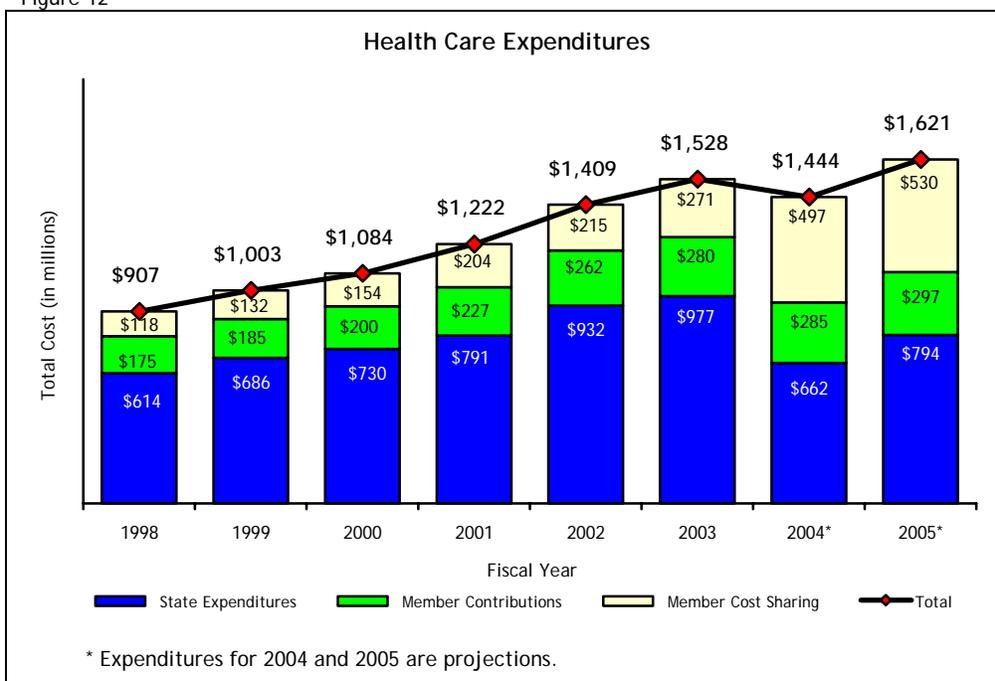
Figure 11



The cost to provide health insurance benefits to state employees increased 45 percent from fiscal year 2000 to fiscal year 2003.

In fiscal year 2003, the State spent \$1.8 billion to provide health insurance benefits to employees. Member contributions accounted for 36 percent of the total cost; the remainder of the cost was paid from appropriated funds and other funding sources. Although employees have seen an increase in their contributions, the State still provides the majority of funding for this program. Figure 12 shows these costs since fiscal year 1998, including projections for fiscal years 2004 and 2005. Despite increasing costs, the State has been consistent in funding 100 percent of member-only coverage (full-time employees only) and 50 percent of dependent coverage.

Figure 12



The State maintains a strong retirement package.

The State offers both defined benefit and defined contribution retirement plans to employees. The defined benefit or traditional pension plan is designed to reward employees who spend the majority of their careers in state service. The popularity of this type of program is declining in many organizations due in part to the high cost of plan maintenance, as well the high number of short-service employees. According to the Society for Human Resource Management’s *2004 Benefits Survey Report*, only 44 percent of organizations maintain a defined benefit plan, while 77 percent use a defined contribution plan. In the State, employees can participate in both types of plans.

Currently, state employees contribute 6 percent of their salaries to the retirement plan, or defined benefit plan. In fiscal year 2003, the State, as trustees for the Employee Retirement Fund, processed benefit payments to 57,024 retirees and beneficiaries in the amount of \$1,006,199,641. The State contributed \$301,555,437 to the retirement fund in fiscal year 2003.

Employees also have the opportunity to contribute to defined contribution plans such as 401(k) or 457(k) accounts. These accounts can supplement the current state retirement plan, and they offer employees the option of choosing how they will invest money. These plans offer better portability options for employees who may not plan a career in public service. During fiscal year 2003, a total of 37,783 employees took deferrals in the State’s defined contribution plans. Currently, the State does not match employee contributions for these plans.

The Work Experience

The final piece of the total compensation package is the “work experience.” This includes components that are important to employees and the State but that are less

tangible than compensation and benefits. Work experience can include things such as acknowledgement and recognition, the balance of work and life issues, opportunities for development, and the actual work environment.

Currently, state agencies have the ability to create programs that specifically meet the needs of their employees. Some of these programs include flexible work schedules, casual dress policies, training and development opportunities, recognition programs, wellness programs, and telecommuting. In a survey conducted by the SCO in November 2003, agencies were asked to indicate if they used any of these programs. Table 23 below summarizes some of these findings.

Table 23

Type of Program	Percentage Participating
Casual Dress	94%
Training and Development Opportunities	92%
Flexible or Reduced Work Schedules	87%
Recognition Programs	60%
Tuition Reimbursement	46%
Wellness Program	42%
Telecommuting	41%

Average Salary Increases by Agency Size and Article

One method of increasing employee pay is through merit increases and one-time merit increases. In fiscal year 2003, the average merit increase was approximately \$844, and the average one-time merit award was \$1,196. Agencies appear to be willing to provide higher one-time merit awards than merit increases. This practice may be because one-time merits do not increase base wages. Although this practice provides an appropriate mechanism to control payroll cost, the long-term effect on an employee's position in the pay range could be damaging. Currently, merit increases are the only mechanism available to move employees through a salary group. The following table provides a four-year trend of the average merit increase and one-time merit award.

Table 24

Trend Data for Merit Increases and One-Time Merit Increases for Fiscal Years 2000 through 2003								
	Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2002		Fiscal Year 2003	
	# of Actions	Average Amount						
Merit Increase	30,920	\$ 567	30,796	\$ 602	17,889	\$ 767	18,358	\$ 844
One-Time Merit Award	3,221	\$ 1,029	2,939	\$ 1,095	4,425	\$ 1,080	6,175	\$ 1,196

In addition, the SCO analyzed the average amount of merit increases and one-time merit increases. The following tables provide an overview of this information, which is arranged according to articles in the General Appropriations Act.

Table 25

Average Merit Increase by Article for Fiscal Years 2000 through 2003								
Average Merit Increase	Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2002		Fiscal Year 2003	
	# of Actions	Average Amount						
01 – General Government	3,764	\$ 597	3,207	\$ 624	3,109	\$ 748	2,596	\$ 1,065
02 – Health and Human Services	8,983	\$ 494	9,980	\$ 595	3,862	\$ 1,136	5,868	\$ 869
03 – Education	801	\$ 924	658	\$ 1,057	861	\$ 1,247	432	\$ 1,643
04 – Judiciary	225	\$ 1,307	189	\$ 996	203	\$ 1,687	101	\$ 1,623
05 – Public Safety and Criminal Justice	2,338	\$ 522	3,480	\$ 498	2,304	\$ 578	943	\$ 905
06 – Natural Resources	2,055	\$ 737	1,226	\$ 848	903	\$ 955	1,253	\$ 1,082
07 – Business and Economic Development	11,323	\$ 539	10,711	\$ 566	5,890	\$ 474	6,780	\$ 605
08 – Regulatory	1,431	\$ 687	1,345	\$ 658	757	\$ 787	385	\$ 1,130
Statewide Averages and Totals	30,920	\$ 567	30,796	\$ 602	17,889	\$ 767	18,358	\$ 844

Table 26

Average One -Time Merit Award by Article for Fiscal Years 2000 through 2003								
	Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2002		Fiscal Year 2003	
	# of Actions	Average Amount						
01 – General Government	159	\$ 1,539	286	\$ 1,674	1,139	\$ 1,280	382	\$ 1,196
02 – Health and Human Services	1,073	\$ 1,007	946	\$ 884	389	\$ 812	2,234	\$ 1,085
03 – Education	95	\$ 634	77	\$ 700	409	\$ 507	342	\$ 618
04 – Judiciary	38	\$ 1,346	37	\$ 846	15	\$ 1,317	77	\$ 2,099
05 – Public Safety and Criminal Justice	22	\$ 1,418	22	\$ 2,061	452	\$ 960	202	\$ 1,264
06 – Natural Resources	516	\$ 946	680	\$ 1,090	1,310	\$ 1,272	1,682	\$ 1,460
07 – Business and Economic Development	1,005	\$ 1,074	553	\$ 1,280	524	\$ 813	547	\$ 1,100
08 – Regulatory	313	\$ 889	338	\$ 956	187	\$ 1,338	709	\$ 1,158
Statewide Averages and Totals	3,221	\$ 1,029	2,939	\$ 1,095	4,425	\$ 1,080	6,175	\$ 1,196

Recommended Statutory Changes

Equity Adjustments

Equity adjustments deal with compression issues in order to ensure fairness within a job class or job class series. Currently, agencies do not have the authority to provide equity adjustments to employees. For agencies to use this widely accepted compensation practice, an addition to the Texas Government Code, Chapter 659, would be required. The proposed language for this statutory change is as follows:

Add Government Code, Section 659.2591 Equity Adjustments

§ 659.2591. (a) This section applies only to positions classified under the state's position classification plan.

(b) Notwithstanding other provisions of this subchapter, agencies are authorized to adjust a position's salary rate within the salary range of the applicable salary group for the purpose of maintaining:

(1) equitable internal relationships; or

(2) equitable salary rates in the job market.

Spot Incentives

To enhance the State's collection of monetary rewards, the SCO is proposing the creation of a spot-incentive program. This incentive would be available to those employees who have demonstrated noteworthy performance. For agencies to use this widely accepted compensation practice, an addition to the Texas Government Code, Chapter 659, would be required. The proposed language for this statutory change is as follows:

Add Government Code, Section 659.2552 Spot Incentives

§ 659.2552. (a) This section applies only to positions classified under the state's position classification plan.

(b) A spot incentive award is a reward for employee or group performance that is deserving of recognition in the following situations:

(1) completion of a substantial project that affects the achievement of the organization's goal and/or mission;
or

(2) recognition of an employee or group who has completed training, attained new skills, or attained certifications that enhance that organization's ability to meet its mission and goals.

(c) An agency may provide spot-incentive payments to employees up to a maximum value of \$1,000 per employee per fiscal year.

(d) Notwithstanding other provisions of this subchapter, agencies are authorized to award monetary spot incentives to employees to reward noteworthy performance.

Employee Awards

The SCO believes that an increase in the employee award amount would be beneficial. Currently, the maximum amount of these awards is \$50. We recommend that this amount be increased to \$100. The following statutory language details our recommended changes to this statute.

Government Code, Section 2113.201 Employee Awards

§ 2113.201. (a) A state agency may use appropriated money to purchase service awards, safety awards, and other similar awards to be presented to its employees for professional achievement or outstanding service under policies adopted by the agency.

(b) The cost of awards purchased under this section may not exceed ~~[\$50]~~ \$100 for an individual employee.

Flexible and Alternative Work Schedules

The SCO proposes statutory language that encourages agencies to use flexible work hours and alternative work schedules for their employees. Other portions of Chapter 658, Hours of Labor, will require modification to ensure that they do not conflict with the proposed section. The following language is the proposed addition to current statute.

Add Government Code 658.011 Flexible and Alternative Work Schedules

§ 658.011. FLEXIBLE AND ALTERNATIVE WORK SCHEDULES

(a) The State of Texas supports state agencies and institutions of higher education in implementing flexible or alternative work schedules to meet the needs of the organization and the employee's needs and preferences when such schedules do not diminish the productivity or quality of services provided by the organization.

(b) A flexible work schedule is defined as one during which an employee works the core hours as defined by the organization, and the employee works at least 8 hours per day. Suggested flexible work schedules include but are not limited to the following:

_____ (1) Five 8-hour days per week with the work hours from 7:00 a.m. until 4:00 p.m.;

_____ (2) Five 8-hour days per week with work hours from 9:00 a.m. until 6:00 p.m.; or

_____ (3) Five 8-hour days per week with work hours from 10:00 a.m. until 7:00 p.m.

(c) An alternative work schedule is defined as one during which the required work is performed on a non-standard schedule. Suggested alternative work schedules include but are not limited to the following:

_____ (1) Four 10-hour days per week—"4/10"—permitting one additional day off per week;

_____ (2) Eight 9-hour days and one 8-hour day over two weeks – "9/80" – permitting an additional day off every other week; or

(3) Four 9-hour days and one 4-hour day per week, permitting an additional afternoon or morning off every week.

(d) Agencies and institutions of higher education may develop policies and procedures outlining their guidance for flexible and alternative work schedules.

(e) All employees are eligible to request such schedules as long as the request does not conflict with the overall mission and goals of the organization.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Talmadge Heflin, House Appropriations Committee
The Honorable Brian McCall, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Chairs, Members, and/or Executive Directors of the following entities:

Senate Finance Committee
House Appropriations Committee
Legislative Budget Board
Office of the Comptroller of Public Accounts



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.state.tx.us.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9880 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.