

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

February 13, 2006

Members of the Legislative Audit Committee:

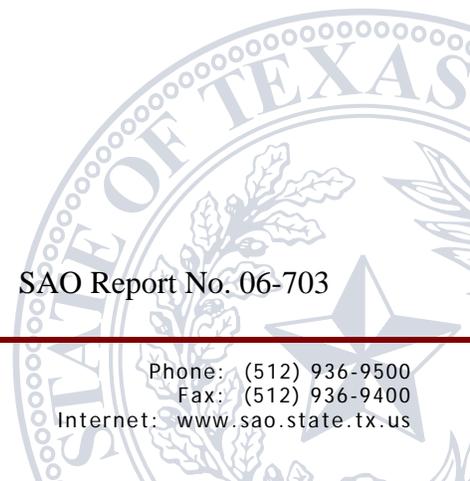
The minimum value of the total compensation package for the average classified, full-time state employee for fiscal year 2005 was \$48,716, or \$23.42 per hour. This is an increase of 48 percent over the average annual salary of \$32,848, or \$15.79 per hour. The State's total compensation package is 67 percent salary and 33 percent benefits. This compares favorably with other state and local governments' compensation packages, which average 68 percent salary and 32 percent benefits according to the U.S. Bureau of Labor Statistics.

As part of a total compensation package, State of Texas employees receive both direct compensation, or pay, for time worked, as well as indirect compensation, which includes core benefits. Core benefits included in the assessment of the compensation package's competitiveness are as follows: employer payroll expenses (Social Security and Medicare taxes, unemployment compensation, and workers' compensation), time not worked (holidays, sick leave, and vacation), health insurance, retirement, and miscellaneous pay (benefit replacement pay and longevity pay).

There are other benefits offered by the State of Texas that were not included in the assessment of the compensation package's competitiveness. For example, agencies provide state-paid or -sponsored training. While this benefit cannot be easily quantified for the State, it is a real and valuable benefit to employees at all skill levels who receive such training and development.

The State also offers other benefits, such as extended sick leave and military leave, that cannot be easily quantified but that are valuable benefits offered to state employees.

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



SAO Report No. 06-703

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

Sincerely,

John Keel, CPA
State Auditor

Attachment



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Attachment

Employer Expenditures for Salary and Benefits for Texas State Employees in Fiscal Year 2005

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The following charts show the breakdown of the State's total compensation package.

Total Compensation Package

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

Table 1

TOTAL COMPENSATION Full-Time Classified Agency Employees in Texas State Government for Fiscal Year 2005				
Type of Core Benefit		Estimated Annual Dollar Value	Category Total	Percentage of Total Compensation
Employer Payroll Expenses	FICA (Social Security and Medicare Taxes)	\$ 2,513		
	Unemployment Compensation	\$ 44		
	Workers' Compensation ^a	\$ 315	\$2,871	6%
Time Not Worked	Payment for Holidays (average of 14 days)	\$ 1,751		
	Sick Leave Pay (8 hours/month)	\$ 1,516		
	Payment for Vacations (average of 16 days)	\$ 2,017	\$5,284	11%
Health and Insurance Programs			\$4,688	10%
Retirement Programs			\$1,971	4%
Miscellaneous Pay	Benefit Replacement Pay ^b	\$ 412		
	Longevity Pay ^c	\$ 641	\$1,054	2%
Average Annual Salary (Full-Time Classified Employee)			\$32,848	67%
Total Compensation Package ^d			\$48,716	100%

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

^a Average claim per person per year.

^b Entitlement to benefit replacement pay (BRP): Employees who, on August 31, 1995, had their Social Security contributions paid for by the State under the authorization of Section 606.064 of the Texas Government Code are entitled to BRP of up to \$1,026.86 per calendar year according to Section 659.123 of the Texas Government Code and Comptroller's Notice to State Agencies FM 96-20. BRP is paid to 40.1 percent of full-time classified employees.

^c Longevity pay is provided to employees who are full-time state employees on the first work day of the month, are not on leave without pay on the first work day of the month, and have at least three years of lifetime service credit accrued by the last day of the preceding month according to Section 659.043 of the Texas Government Code. Longevity pay is paid to 72.3 percent of full-time classified employees.

^d Total benefits for state employees who are not eligible for benefit replacement pay or longevity pay are \$14,815, or 31.1 percent of total compensation.

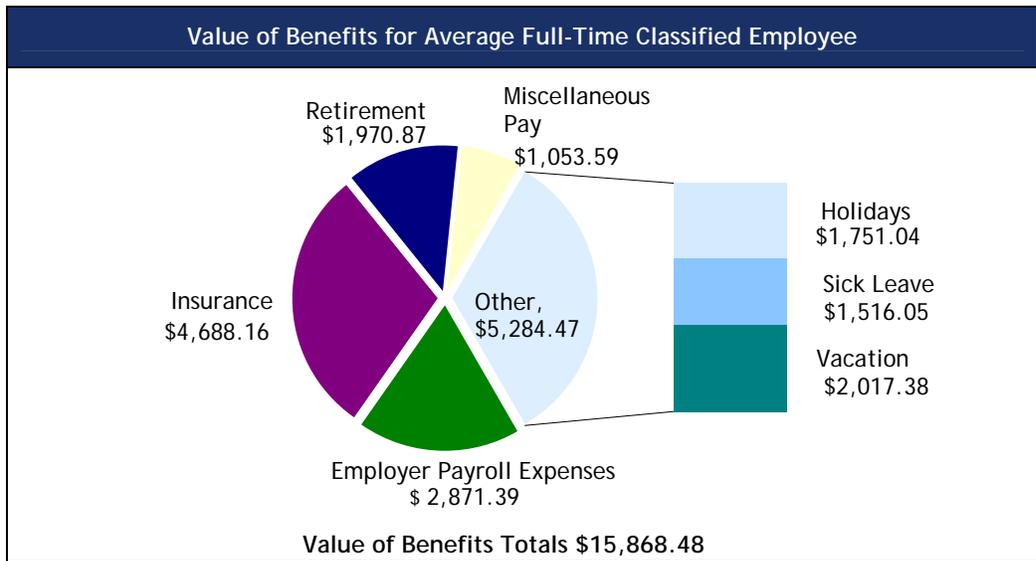
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The State also offers other benefits, such as extended sick leave and military leave, that cannot be easily quantified but that are valuable benefits offered to state employees.

Estimated Value of Benefits

Figure 1 shows the value of core benefits for the average full-time, classified employee, excluding salaries.

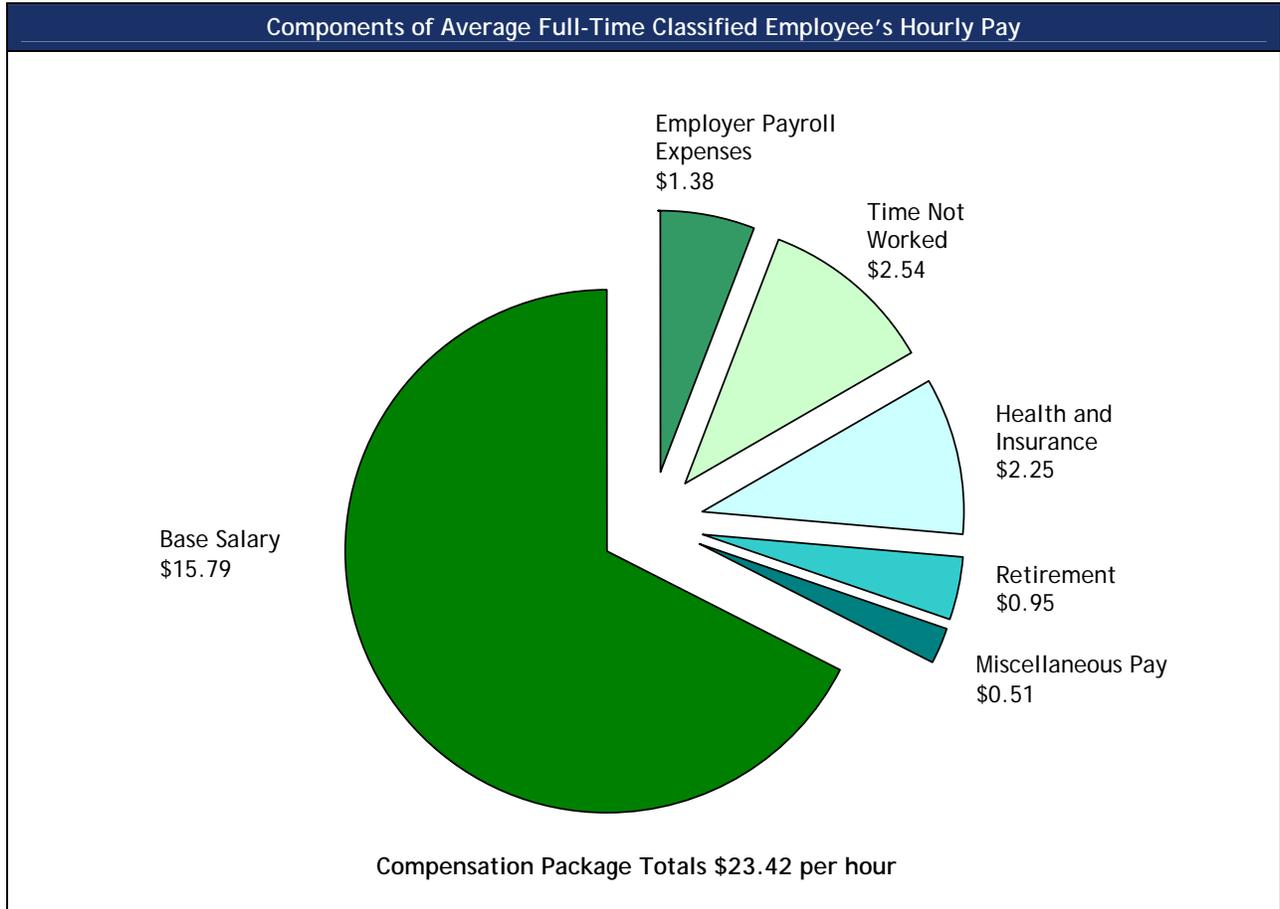
Figure 1



Components of the Average Payroll Dollar

Based on the average salary of a full-time classified employee, Figure 2 shows (by hourly rate) how various categories contribute to a total compensation rate. For fiscal year 2005, the average total compensation was \$23.42 per hour.

Figure 2



Objective, Scope, and Methodology

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

The scope included the average annual salary for full-time classified employees and core benefits offered by the State in fiscal year 2005. Core benefits included in the assessment of the compensation package's competitiveness are as follows: employer payroll expenses (Social Security and Medicare taxes, unemployment compensation, and workers' compensation), time not worked (holidays, sick leave, and vacation), health insurance, retirement, and miscellaneous pay (benefit replacement pay and longevity pay).

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

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

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