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State Auditor

A Report on

**State Employee Benefits as a
Percentage of Total Compensation for
Fiscal Year 2021**

June 2022
Report No. 22-705



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**Project Objective and
 Scope**

Objective: identify and determine the estimated value, including salary and benefits, of the compensation package provided to employees of the State of Texas.

Scope: the average annual salary and quantifiable benefits for classified, regular full-time employees that the State offered in fiscal year 2021, excluding employees at higher education institutions.

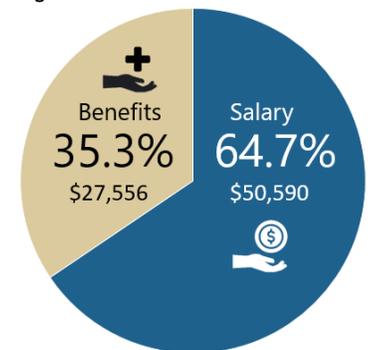
See Appendix 1 for more details on the scope.

State employees receive more than just base salary; the State also offers a wide variety of benefits. Those benefits, combined with base salary, form the total compensation package for state employees.

The value of the total compensation package for the average classified, regular full-time State employee for fiscal year 2021 was \$78,146, or \$37.57 per hour. The average was composed of:

- \$50,590 in average annual salary, and
- \$27,556 in average annual benefits.

Figure 1



The percentage breakdown between salary and benefits is similar to that of other state and local governments. Figure 2 compares the State’s average total compensation breakdown with the averages for state and local governments and the private sector. Salary accounted for a higher percentage of total compensation for private industry than for the State or other state and local governments.

Figure 2

Percentage Comparisons between the State of Texas and State and Local Government and Private Industry			
	State of Texas	State and Local Government	Private Industry
Salary	64.7%	62.0%	70.8%
Benefits	35.3%	38.0%	29.2%

Sources: Various state agencies and state information systems and *Employer Costs for Employee Compensation*, September 2021, U.S. Bureau of Labor Statistics.

Additional Pay, Benefits, and Rewards

Although these items are not included in the total compensation calculation, employees may also receive:

Additional Pay: This includes benefit replacement pay, shift differential pay, hazardous duty pay, and overtime pay.

Additional Benefits: This includes state compensatory time, military leave, emergency leave, educational activities leave, wellness leave, extended sick leave, and other types of leave.

Rewards: Cannot be easily quantified, but provide indirect, real value to an employee's work experience. Rewards may include flexible work schedules, telework, state-paid or sponsored professional development and training, and employee recognition programs.

More information on leave types, pay, and benefits is available in the State Auditor's Office Texas Human Resources Management Statutes Inventory at:

<https://hr.sao.texas.gov/Resources/StatutesInventory/>

Components of the State's Total Compensation Package

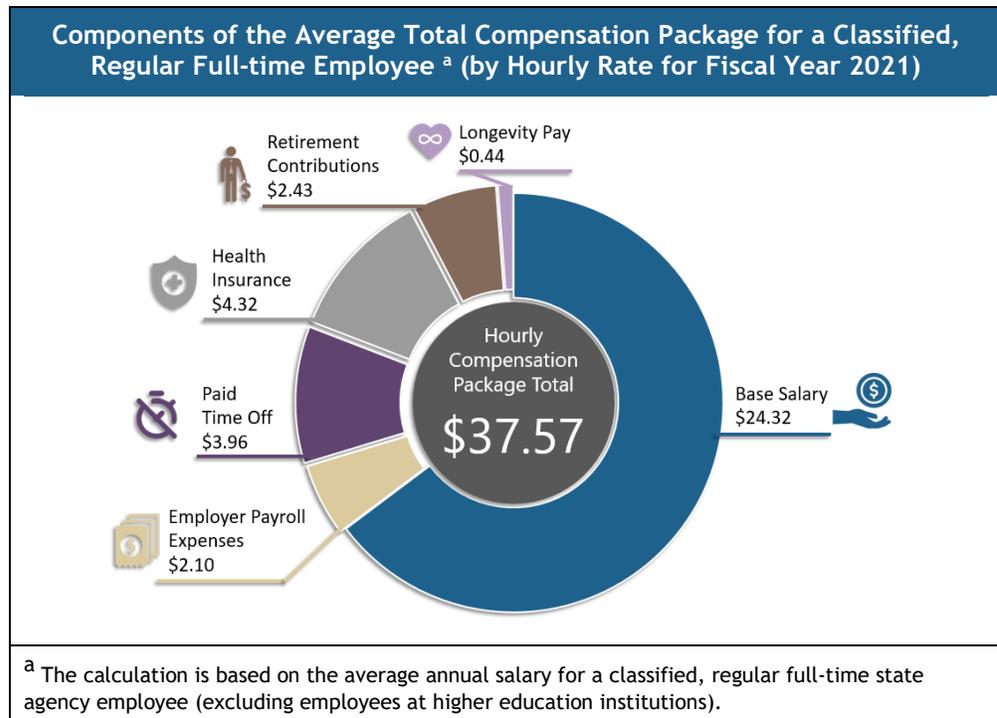
The State's total compensation package, with an average value for fiscal year 2021 of \$78,146, or \$37.57 per hour, consists of *direct compensation*, or wages paid to employees in exchange for work, and *indirect compensation*, which consists of quantifiable benefits. Figure 3 breaks out the compensation components.

For the purposes of this report, the salary total (direct compensation) is the average base salary paid to employees, while the benefits total (indirect compensation) is calculated using the following quantifiable benefits:

- Employer payroll expenses—includes Social Security and Medicare taxes, unemployment compensation, and workers' compensation.
- Paid time off—includes holidays, sick leave, and vacation leave.
- Health insurance.
- Retirement contributions.
- Longevity pay.¹

See Appendix 2 for additional information on some of these benefits.

Figure 3



Sources: Various state agencies and state information systems.

¹ Longevity pay is authorized in Texas Government Code, Section 659.043. For the purposes of this report, longevity pay is calculated as a benefit because it is an entitlement based on total state service.

Table 1 shows a further breakdown of the State’s average total compensation package for fiscal year 2021, expressed in average annual dollar amounts.

Table 1

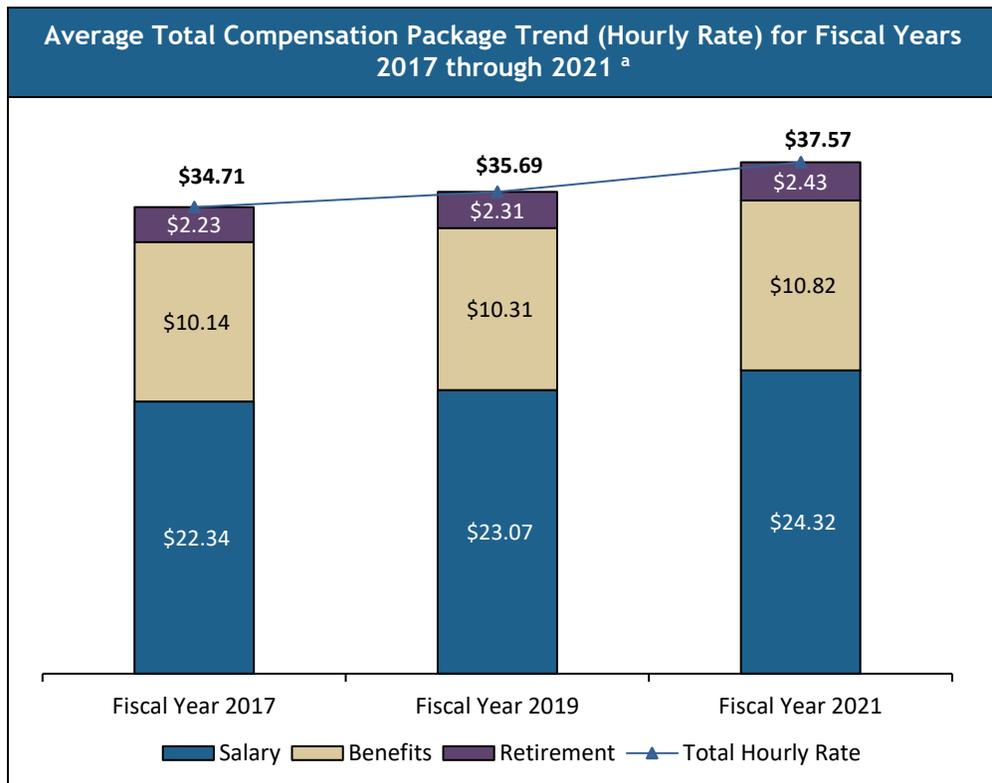
Total Compensation Package Category Details for a Classified, Full-time Employee by Average Annual Dollar Amounts for Fiscal Year 2021			
Type of Benefit	Estimated Annual Dollar Value	Category Total	Percentage of Total Compensation
 Employer Payroll Expenses		\$4,363	5.6%
Social Security and Medicare Taxes	\$3,870		
Unemployment Compensation ^a	\$263		
Workers Compensation ^b	\$230		
 Paid Time Off		\$8,235	10.5%
Holidays	\$2,724		
Sick Leave	\$2,335		
Vacation Leave	\$3,176		
 Health Insurance ^c		\$8,993	11.5%
 Retirement Contributions		\$5,059	6.5%
 Longevity Pay		\$906	1.2%
	Total Benefit Cost	\$27,556	35.3%
 Average Annual Salary (Classified, Full-time Employee)		\$50,590	64.7%
	Total Compensation Package	\$78,146	100.0%
<p>^a During fiscal year 2021, the COVID-19 pandemic was ongoing, and the Texas unemployment rate was higher compared to previous fiscal years.</p> <p>^b This is the average claim cost for employees of General Revenue-funded state agencies who are eligible for workers’ compensation. The average claim cost calculation excludes agencies with workforces composed entirely of unclassified employees, agencies that do not participate in the State Office of Risk Management’s assessment program, and state active duty personnel.</p> <p>^c This is an average state contribution for all active employees of state agencies funded from General Revenue.</p>			

Sources: Various state agencies and state information systems.

The Value of the State’s Total Compensation Package Has Steadily Increased Over the Past Five Years

Salary, benefits, and retirement contributions are the three main components of the State’s average total compensation package. Figure 4 shows the trend in hourly rates for salary, benefits, and retirement contributions paid by the State for fiscal years 2017 through 2021. The value of the total compensation package for 2021 increased by 5.3 percent from 2019 and by 8.2 percent from 2017.

Figure 4



^a Benefits include paid time off, health insurance, longevity pay, and employer payroll expenses.

Sources: Various state agencies and state information systems.

Appendices

Appendix 1

Objective, Scope, and Methodology

The objective of this project was to identify and determine the estimated value, including salary and benefits, of the compensation package provided to employees of the State of Texas.

The scope of this project included the average annual salary and quantifiable benefits for classified, regular full-time employees that the State offered in fiscal year 2021, excluding employees at higher education institutions. Quantifiable benefits included in the calculation of the State's total compensation package were employer payroll expenses (Social Security and Medicare taxes, unemployment compensation, and workers' compensation); paid time off (holidays, sick leave, and vacation leave); health insurance; retirement contributions; and longevity pay.

To determine the average value of the total compensation package, the estimated dollar values of the quantifiable benefits were added to the average annual salary for a classified, regular full-time employee. That analysis was prepared from summary information received from the Employees Retirement System, the Texas Workforce Commission, the State Office of Risk Management, and the Electronic Classification Analysis System (E-CLASS), which contains data gathered from the Office of the Comptroller of Public Accounts' Uniform Statewide Payroll/Personnel System (USPS), the Standardized Payroll/Personnel Reporting System (SPRS), and the Human Resources Information System (HRIS).

The information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subjected to certain quality control procedures to ensure accuracy.

The following members of the State Auditor's Office staff completed this project:

- J. Taylor Sams, MBA, CIA, CGAP (Project Manager)
- Juan R. Sanchez, MPA
- Sharon Schneider, CCP, PHR, SHRM-CP (Managing Classification Analyst)
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)

Benefits Further Defined

Benefits include federally mandated programs such as Social Security contributions and unemployment compensation, as well as core benefits that satisfy an employee’s basic expectations for health insurance, retirement programs, and paid time off. Those benefits, and others, provide security for employees and their families. Table 2 further defines some of these benefits.

Table 2

Benefit Package Components Further Defined	
Type of Benefit	Benefit Description
Employee Leave	<p>The State provides employees with paid time off for vacation leave, sick leave, and holiday leave. Those types of leave are included in the total compensation calculation.</p> <p>In addition to those traditional forms of paid time off, employees may benefit from other types of leave that the State offers to employees for specific situations. Examples include but are not limited to military leave, emergency leave for a death in the employee’s family, and parental leave. Depending on an agency’s policies and procedures, employees also may receive extended sick leave and administrative leave. Individual agencies also may provide paid time off for the State’s wellness initiatives. These other types of leave were not included in the calculation of the average total compensation package.</p>
Health Insurance	<p>Health insurance for most employees is available through the Employees Retirement System. For a full-time employee², the State pays all of the employee’s health insurance premium and 50 percent of dependents’ health insurance premiums. An employee’s health insurance coverage also includes limited basic term life insurance and limited accidental death and dismemberment coverage.</p> <p>In addition, state employees can purchase other types of insurance, such as dental, vision, additional term life, dependent term life, and short- and long-term disability, through the group benefits program. The State also offers employees who are eligible for State insurance plans the option of participating in health and dependent care flexible spending accounts.</p>

² For the purpose of determining state contributions for health insurance, full-time employees are those employees working 30 hours or more per week.

Benefit Package Components Further Defined	
Type of Benefit	Benefit Description
Retirement	The State offers a defined benefit retirement plan. The defined benefit retirement plan (or defined benefit pension plan) is designed to reward employees who spend the majority of their careers in state service. Employees also have the opportunity to contribute to a deferred compensation plan, such as a 401(k) or 457 plan, as a supplement to their state retirement plan.
Longevity Pay	An entitlement based on total state service. It is paid each month in addition to base salary. Employees earn longevity pay at the rate of \$20 per month for every 2 years of lifetime service credit, up to a maximum of \$420 per month for 42 years of lifetime service credit.

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Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor



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