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Key Points of Report

A Biennial Report on Recommended Adjustments to the Classification Salary Schedules

October 2000

Overall Conclusion

The State of Texas faces new challenges in recruiting, developing, and retaining a qualified workforce. The changing demographics and availability of the labor force are already affecting the State's ability to recruit and retain qualified workers. A qualified workforce enables the State to provide appropriate services to the public.

The State's salary schedules, as well as actual salaries, have not kept pace with those of the private sector or even other public sector entities. While this has been the case for several years, we believe that continuing to lag behind the market places the State in a position that could affect overall services. The issue of pay needs more attention given both the strong Texas economy and the forecast of a significant labor shortage.

Any change to a compensation system must take into account the overall salary structure, the relative position of individual jobs compared to similar jobs in the market, and actual employee pay. This report deals with salary schedule increases needed to place the State in a more competitive position.

Key Facts and Findings

- We recommend that the salary range spreads of both Salary Schedules A and B be adjusted to reflect industry recommendations for specific job types. This adjustment would give agencies more flexibility to pay employees at higher rates within the adjusted ranges. It would also increase the midpoints of the salary ranges and thereby reduce to 7 percent the State's lag behind benchmark jobs as of September 1, 2001.

- Increasing the midpoints would not eliminate the need for an overall salary schedule increase that would affect all state employees. Therefore, we also recommend applying a flat dollar increase of $200 per month to Salary Schedule A and a 10 percent increase to Salary Schedule B effective September 1, 2001. To keep up with market increases, an additional $50 per month increase would need to be applied to Salary Schedule A and a 3 percent increase to Salary Schedule B effective September 1, 2002. This adjustment would cost approximately $945 million for the biennium.

- We also recommend that Salary Schedule C be increased by $50 per month effective September 1, 2001, and $50 per month effective September 1, 2002. We estimate that this increase to Salary Schedule C would cost approximately $7 million for the biennium.

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Office of the State Auditor

Lawrence F. Alwin, CPA

The Classification Office conducted the salary studies and developed the findings and recommendations in this report in accordance with the Position Classification Act, Texas Government Code, Chapter 654.

Executive Summary

New Challenges

As we enter the twenty-first century, the State of Texas is faced with new challenges in recruiting, developing, and retaining a qualified workforce. The changing demographics and availability of the labor force are already affecting the State's ability to recruit and retain qualified workers. Low unemployment rates, increased turnover, competition for a shrinking number of individuals entering the workforce, aging workers, increased diversity of the workforce, technology, and a changing business environment are all issues that will affect the State's management of its most valuable asset—its employees.

Only by getting, developing, and keeping quality people can agencies provide the services the public expects. According to *The Hay Report: Compensation and Benefits Strategies for 1998 and Beyond*, "Nothing can threaten customer satisfaction as quickly and directly as the loss of key employees. . . . In today's competitive labor market, business cannot afford to achieve a poor return on an investment as significant as compensation."

The State spent almost $10 billion on salaries and benefits in fiscal year 1999[1]. To benefit fully from its workforce investment, the State needs salaries and benefits competitive with those of other industries.

Compensation Management

Compensation management has three levels. The first level is the development of an overall salary structure. This structure generally includes several salary ranges with defined minimum and maximum salary rates for each range. The State's salary structure is contained in the three Classified Salary Schedules A, B, and C.

Levels of Compensation Management
1. Pay Structure Development
2. Job Evaluation
3. Employee Salary Administration

After establishing salary structures we then turn to job evaluation, the second level of compensation management. Jobs are evaluated based on the internal consistency between comparable state jobs and external competitiveness with the market for specific duties. This grouping then makes it possible to equate whole classes of jobs with common salary ranges. The State's assignment of jobs to salary groups is laid out in the Classification Plan.

The third level of compensation management is directed at individual employees. Each agency develops programs and policies that address movement across salary groups (promotions, demotions, and reclassifications) and within salary ranges (merit increases). Agencies should use salary administration to recruit new employees and reward employee performance.

Recommendations

The State Classification Office has the responsibility to make recommendations to the Legislature concerning the State's overall compensation structure. This report identifies that classified employee salaries are well behind the market. While this has also been the case in past bienniums, we believe, given the current and future challenges the State faces in recruiting and retaining qualified workers, that state leaders must now look closely at the issue of employee pay.

This report and *A Biennial Report on Recommended Changes to the Classification Plan* (SAO Report No. 01-702, October 2000) both contain recommendations that can help bridge the gaps between state salaries compared to the external market as well as

[1] Comptroller of Public Accounts, *State of Texas 1999 Annual Cash Report*, Table 26 – Net Expenditure by Object, Austin: State of Texas, 1999.

salaries across agencies. *A Biennial Report on Recommended Changes to the Classification Plan* addresses the issue of internal equity within and between agencies, while this report addresses external competitiveness. Only the cumulative effect of the recommendations in these two reports will place the State in a more competitive position compared to the market.

Salary Schedules A and B

- We recommend that Salary Schedules A and B be adjusted so that the range spreads are more in line with those recommended by the American Compensation Association.[2] This change would mean increasing the upper levels of the salary range for certain salary groups in both schedules.

  This adjustment would accomplish several things.

  - It would give agencies more flexibility to pay employees at higher rates without mandating a specific increase for all employees.

  - It would also increase the midpoints of the salary ranges and help place the salary structure more in line with market rates. This adjustment would give agencies more flexibility to pay employees at higher rates within the adjusted ranges. Making this adjustment to the salary schedules would reduce to 7 percent the State's lag behind benchmark job comparisons as of September 1, 2001.

- Increasing the maximum salaries of the ranges, however, would not affect most state employees. Too often state agencies do not have budgets or policies that allow employees to progress through the salary ranges. Increasing the salary range midpoints does not eliminate the need for an overall salary schedule increase that would affect all state employees.

  Therefore, we also recommend applying a flat dollar increase of $200 per month to Salary Schedule A and a 10 percent increase to Salary Schedule B effective September 1, 2001. To keep up with market increases, an additional $50 per month increase would need to be applied to Salary Schedule A and a 3 percent increase to Salary Schedule B effective September 1, 2002. This would cost approximately $945 million for the biennium.

Salary Schedule C

We recommend that Salary Schedule C be increased by $50 per month effective September 1, 2001, and $50 per month effective September 1, 2002. A flat dollar increase is recommended due to the nature of Schedule C and to maintain specific dollar differentials between salary groups. We estimate that this increase to Salary Schedule C would cost approximately $7 million for the biennium.

[2] American Compensation Association *Certification Seminar C4: Base Pay Management*, Scottsdale, AZ, 1999, pg. 2.15.

Section 1:
Salary Schedules A and B

Classified employee salaries in Salary Schedules A and B trail market data. Without an increase, the State risks not being able to attract and retain qualified employees in Texas' competitive job market.

- The State's salary structure changes have not kept pace with market structure changes. Over the past 10 years the State's salary schedules have increased only 15 percent in comparison to other salary structure increases we reviewed. Increases range from 24 percent to 42 percent (specific Texas cities: 24 percent; other state governments: 27 percent; nationwide: 33 percent; and Austin area: 42 percent).
- Although the State has lagged behind in overall salary structure increases, it is not possible to find comparable matches for every job class. When setting a pay line for a salary structure, some jobs will fall above or below the market line. However, reviewing benchmark jobs to the market shows that on average, state jobs were behind the market by 10 percent as of 1999.
- State employees' actual salaries have increased 28 percent in the past ten years. This increase includes merit raises and promotions to higher paying jobs in addition to legislatively mandated increases of 15 percent. However, per capita income in Texas has risen an estimated 58 percent, and salaries in Travis County increased by more than 115 percent.

According to Dr. Stephen Bronars, Professor of Economics at The University of Texas at Austin, paying salaries that are behind the market may lead to less qualified workers taking these positions. "If [pay] is way below the market salary, the State will only be able to attract the least experienced, and possibly less educated, workers in a given occupation." He added, "You get what you pay for."

Section 1-A:
Recommended Changes to Salary Schedules A and B

Based on our analysis, the State lags behind salary structure changes at all comparison points, ranging from a 9 percent lag behind Texas cities to a 27 percent lag behind the Austin metropolitan area. A comparison of benchmark jobs to the market also shows that on average, the structure would need a 10 percent increase as of September 1, 2001, to be in a competitive position. State employee average salary increases also fall behind Texas and Austin area salary increases. Since most employees make less than the midpoint of the salary range, the comparisons of actual employee pay to the market are even more pronounced.

The loss of state employees has become an issue all state agencies must address in order to provide continued state services. State employee turnover increased to 17.6 percent in fiscal year 1999. We conservatively estimate that the turnover of more than 25,000 employees costs the State between $127 million and $254 million. Texas is experiencing a strong economy, and the predictions of the future labor market are not promising. With this is mind, state employee salaries need to be addressed to slow the turnover the State is experiencing and to further recruitment efforts.

To address the issue of Salary Schedules A and B lagging behind the market, consider the following:

- We recommend that Salary Schedules A and B be adjusted so that the range spreads are more in line with those recommended by the American Compensation Association (see Appendix 2 for examples of modified schedules). This adjustment would mean increasing the upper levels of the salary range for certain salary groups in both schedules.

  This adjustment would accomplish several things.

  – It would give agencies more flexibility to pay employees at higher rates without mandating a specific increase for all employees.

  – It would also increase the midpoints of the salary ranges, thereby helping to place the salary structure more in line with market rates. Making this adjustment to the salary schedules would reduce to 7 percent the State's lag behind benchmark jobs as of September 1, 2001.

- Increasing the maximum salaries of the ranges, however, would not affect most state employees. Too often state agencies do not have budgets or policies that allow employees to progress through the salary ranges. Increasing the midpoints would not eliminate the need for an overall salary schedule increase that would affect all state employees.

  Therefore, we also recommend applying a flat dollar increase of $200 per month to Salary Schedule A and a 10 percent increase to Salary Schedule B, effective September 1, 2001. To keep up with market increases, an additional $50 increase per month would need to be applied to Salary Schedule A and a 3 percent increase to Salary Schedule B effective September 1, 2002. This would cost approximately $945 million for the biennium (see Appendix 3 for cost estimate breakdown).

This recommendation is based primarily on the relative position of benchmark jobs in both Salary Schedules A and B to the market. We use the midpoints of the salary range when comparing benchmark jobs to the market so reviewing these jobs gives us a picture of the overall salary structure's competitive position with the market.

We believe that Salary Schedule A needs a flat dollar increase to impact the lower paid state employees and provide a meaningful increase. Salary Schedule B employees need a percentage increase to significantly decrease the gap between their salaries and market salaries.

Section 1-B:

Salary Structure Changes Have Not Kept Pace With Market Structure Changes

Changes to the State's Salary Schedules have not kept pace with that of other salary structure changes. We reviewed salary structures for all industries in the Austin metropolitan area and nationwide, as well as for other state governments and specific Texas city governments.

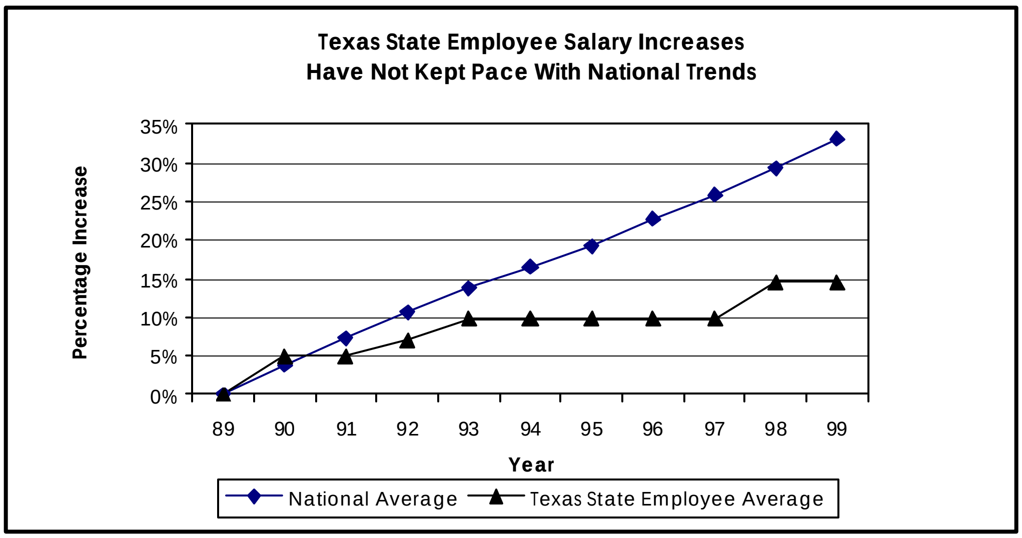
Table 1

Salary Structure Changes Over the Past Ten Years	
Market	**Cumulative Salary Structure Increase Over the Past Ten Years**
Selected Texas City Governments Average	24%
State Government Average	27%
Nationwide (All Industries) Average	33%
Austin Metropolitan Area	42%
State of Texas (as of August 31, 1999)	15%
Texas salary structure increases have lagged behind increases for all other comparison points.	

National Trends

The American Compensation Association reports that salary structures nationwide have increased 33 percent for all industries in the past ten years[3]. As Figure 1 shows, the State's salary schedules have increased only 15 percent over the same period. Nationwide trends show a steady increase, while the State of Texas has not given salary increases for 6 of the past 10 years.

Figure 1

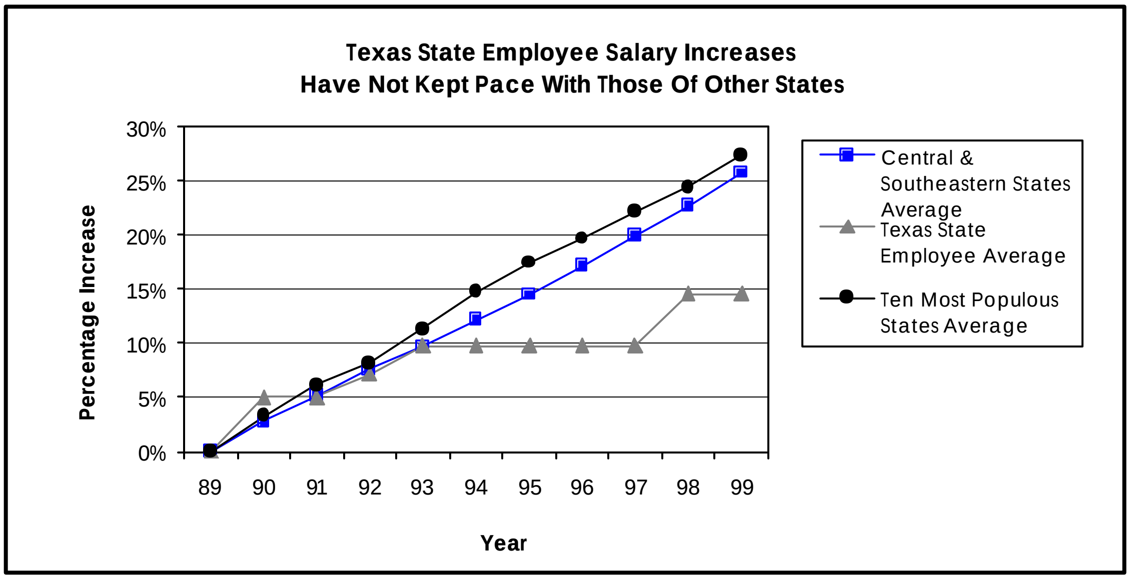


[3] American Compensation Association, *Report on the 1998-1999 Total Salary Increase Budget Survey*, Survey Highlights-United States, pg. 7.

State Government Trends

State government surveys show that Texas' annual salary increases trail the average of other state government salary increases over the past 10 years (see Figure 2). The average increase for all other state governments surveyed was 27 percent. Nine of the ten most populous states (Texas is one of the ten most populous states) showed salary structure increases of 27 percent. The average increase of the central and southeastern states was 26 percent. (See Appendix 4 for actual increases of the other states surveyed.) As stated earlier, the average of the other states shows a steady upward trend that contrasts with Texas' average.

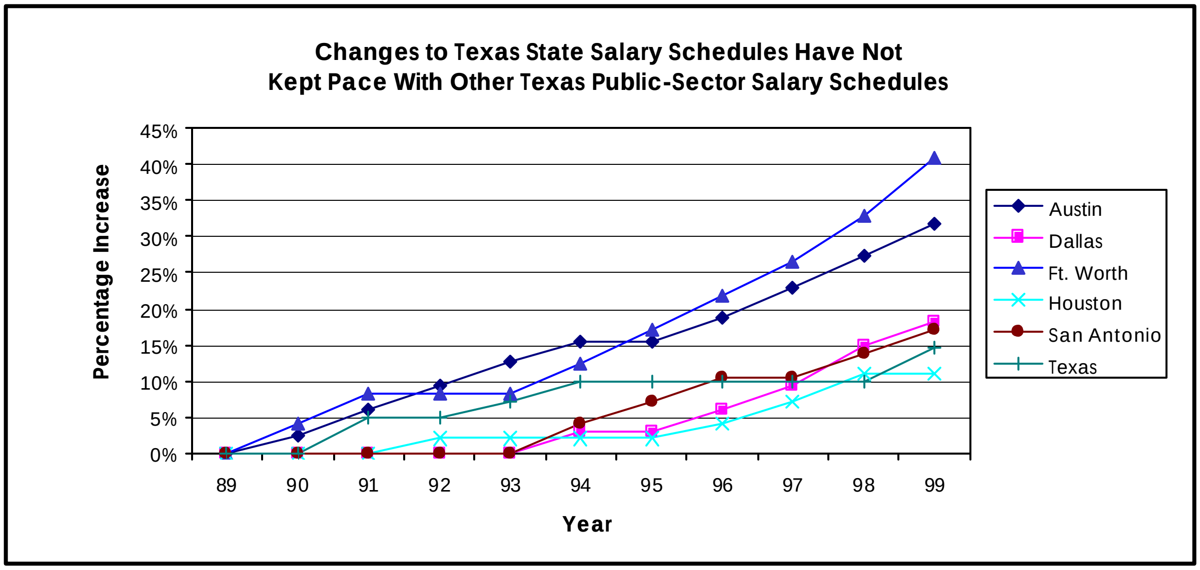
Figure 2



Texas City Governments Trends

The State Auditor's Office surveyed several Texas city governments for salary schedule increases. The City of Fort Worth experienced the highest increase at 41 percent; the City of Austin also had significant structure adjustments at 32 percent; the City of Dallas experienced an 18 percent increase; the City of San Antonio a 17 percent increase; and the City of Houston an 11 percent increase (see Figure 3). On average, the major Texas city governments surveyed experienced a 24 percent increase in their salary structures.

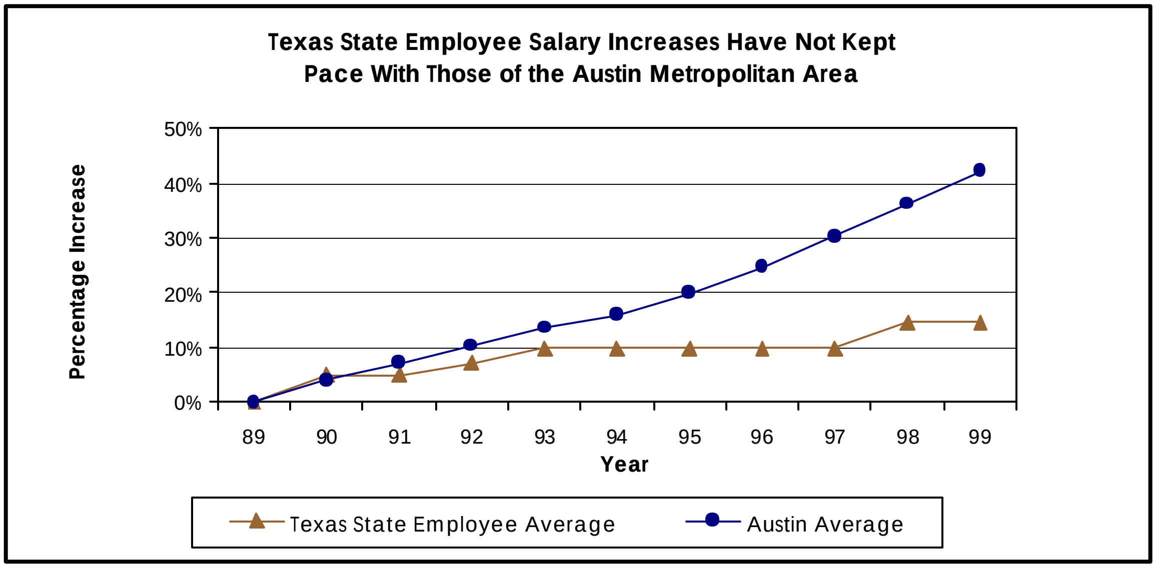
Figure 3



Austin Metropolitan Area Trends

Because the greater Austin area is the region where many state employees work and most state agencies are headquartered, examining trends in this regional area is important. Austin's tremendous industry growth, especially in the technology area, has made it more difficult for state agencies to compete with private industry for employees. As Figure 4 shows, Austin salary structures (for all industries) have increased an estimated 42 percent compared to the State's 15 percent increase in salary structure. (Note: Although specific data for the Austin metropolitan area was only available for 1995 through 1999, we used national structure change data to develop a profile of changes in salary structures in the Austin metropolitan area for the past 10 years.)

Figure 4



Section 1-C:

The State's Benchmark Jobs are Behind the Market on Average

Because it is not possible to find comparable job matches for every state job, we look at benchmark jobs that we can match to market salary surveys. A comparison of benchmark jobs to the market shows that on average, the State is 10 percent behind as of 1999.

When jobs are significantly behind the market that the State competes within and/or when turnover rates in certain jobs are high, our Office recommends these jobs for reallocation to higher salary groups within the salary schedules (see *Recommended Changes to the Classification Plan*, SAO Report No. 01-702, October 2000).

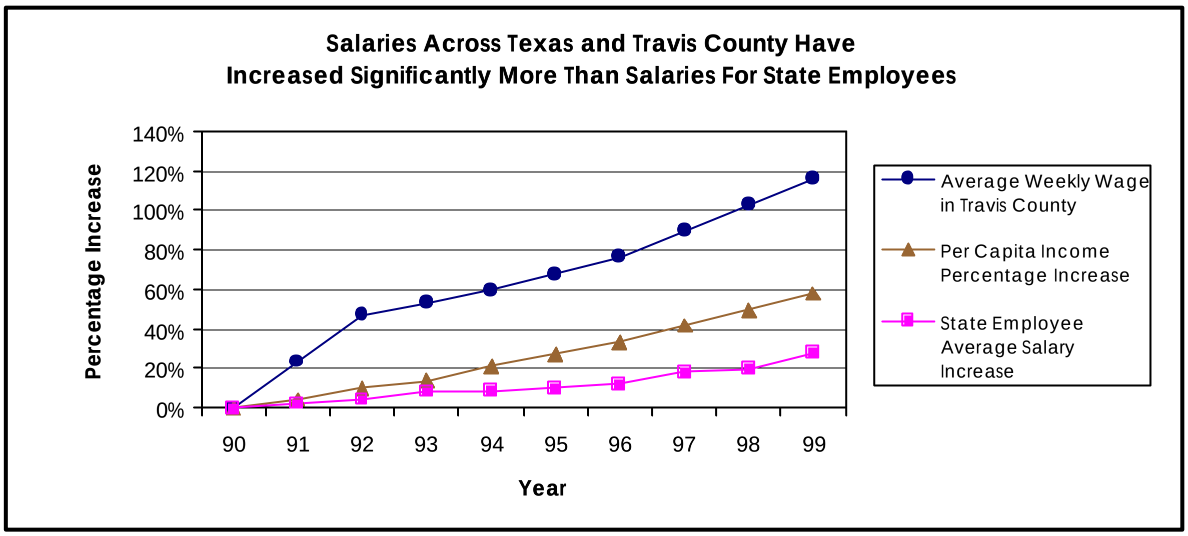
When comparing benchmark jobs to the market, we look at the midpoint of the salary range for the job. This gives us an indication of how the overall structure compares to the market. However, almost 70 percent of state employee salaries fall below the midpoint of their salary ranges, making actual employee salaries even further behind the market.

Section 1-D:

State Employee Salaries Fall Significantly Behind Both Private Sector and Other Public Sector Salaries

In the past ten years salaries in Travis County, the region that contains the largest percentage of the State's full-time classified employees, increased by more than 115 percent. The greater Austin area, benefiting from strong technology industry growth, has had a tremendous increase in salaries. Additionally, per capita income across Texas has increased almost 58 percent in the past ten years. By comparison, average salaries for state employees increased by only 28 percent[4] (see Figure 5).
When we examine state government employee average salaries in the ten most populous states, we see a similar trend (see Table 2). As of August 31, 1999, Texas salaries were more than $7,000 below the average for the nine other most populous states. It would take a 26 percent increase to align Texas salaries with the average of the other states.

Figure 5



[4] The 28 percent figure includes the legislatively mandated structure increases of 15 percent plus increases of 13 percent due to merit raises and promotions. The average salary for state employees was $23,316 in 1990 and $29,829 in 1999.

Table 2

Average Salaries for the Ten Most Populous States Over the Past Decade										
State/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
California	$ 35,484	$ 38,064	$ 38,436	$ 38,880	$ 40,680	$ 42,648	$ 42,672	$ 42,852	$ 43,344	$ 46,140
New York	30,440	31,354	31,417	32,210	33,877	35,021	35,306	35,702	36,972	N/A
Florida	N/A	N/A	N/A	N/A	22,841	24,389	24,832	25,943	27,287	29,287
Pennsylvania	27,442	28,155	28,618	30,105	30,509	32,004	33,643	34,752	36,110	37,406
Illinois	28,828	28,401	27,580	31,137	31,560	33,272	34,235	35,264	37,769	36,755
Ohio	26,416	27,664	28,746	30,576	31,928	33,613	35,027	36,109	37,773	38,917
Michigan	31,426	33,565	34,952	34,917	35,029	35,740	36,950	37,825	38,824	40,204
New Jersey	N/A	N/A	34,320	35,056	36,949	39,116	39,546	40,113	41,395	42,949
Georgia	23,784	23,965	23,777	23,997	23,754	25,046	25,046	26,154	27,350	28,219
Average	$ 29,117	$ 30,167	$ 30,981	$ 32,110	$ 31,903	$ 33,428	$ 34,140	$ 34,968	$ 36,314	$ 37,485
Texas	$ 23,316	$ 23,842	$ 24,285	$ 25,257	$ 25,364	$ 25,661	$ 26,107	$ 27,503	$ 27,961	$ 29,829
Although it is the second most populous state behind California, in 1999 Texas' average state employee salary was $7,656 (26 percent) less than the average salary for the nine other most populous states.										

Section 2:

Salary Schedule C

Salary Schedule C was created for commissioned law enforcement officers at four specific agencies. The legislative intent of Schedule C was to achieve parity among these positions. Salary Schedule C was significantly restructured last biennium and based on our market analysis, we feel salaries were made competitive as of September 1, 1999. Salary Schedule C employees did not receive an increase for fiscal year 2001, so they would have fallen behind the average salary structure trend of a 3 percent increase the final year of this biennium[5].

Section 2-A:

Salary Schedule C Recommendation

To keep up with projected salary schedule increases of 3 percent, we recommend that Salary Schedule C be increased by $50 per month effective September 1, 2001 and $50 per month effective September 2, 2002. A flat dollar increase is recommended due to the nature of Schedule C and to maintain specific dollar differentials between salary groups. We estimate that this increase to Salary Schedule C would cost approximately $7 million for the biennium.

[5] American Compensation Association, *Report on the 1998-1999 Total Salary Increase Budget Survey,* Survey Highlights-United States.

Section 3:

Compensation Management in Texas State Government

When Governor George W. Bush held a board meeting of all state agency executive directors in November 1997 to discuss the most difficult issues facing their agencies, the overwhelming majority of issues focused on human resources—people. With Texas' growth economy, people issues overshadow all others. The State competes with everyone else for a piece of a limited work force. Bringing in bright employees and keeping them is not easy.

As the State of Texas continues to evaluate the effectiveness of its Salary Schedules and its related Classification Plan, many states, as well as the federal government, are redesigning their compensation systems to be more responsive to the rapidly changing needs of the workplace. According to the American Compensation Association (ACA), a "compensation strategy must be evaluated continually in light of changes in the [organization's] mission, environment, culture and strategy." Texas now has the opportunity to refine its compensation plan to provide a link between compensation decisions and the everyday business of the State and to ensure that classified salaries remain competitive with relevant labor markets. Non-competitive salaries weaken the State's ability to attract and retain the number of quality people necessary to conduct the State's business.

The current classified compensation system was implemented in 1961. There were no significant substantive changes to the State's Classification Plan until the 75th Legislative Session, when the one salary schedule was divided into three separate salary schedules to give agencies greater flexibility in recruiting and retaining professional and managerial employees. The adoption of the multiple salary schedule system was a major step in improving the State's compensation system. During the 76th Legislative Session, further enhancements bridged the gap of salary inequities across agencies by substantially reducing the number of classification titles and eliminating the majority of agency-specific titles.

Salary Structure Management

A sound compensation system begins with setting a salary structure that has defined minimum and maximum salaries. Within this structure jobs are allocated to salary ranges based on internal consistency with other jobs and external competitiveness with the market. The structure ensures that the overall framework of salary administration is sound. When salary structures fall significantly behind those of the market, an organization loses its ability to appropriately pay employees in specific jobs within the established salary ranges.

There are three levels of compensation management. The first level of compensation management is development of an overall salary structure. This structure generally includes several salary ranges with defined minimum and maximum salary rates for each range. Base pay structures are administrative tools designed to provide pay levels and pay opportunities that are externally competitive and cost-effective. A salary structure ties directly to the marketplace. Without that tie, the structure is destroyed.[6] The State's salary structure is contained in the three Classified Salary Schedules A, B, and C.

[6] American Compensation Association *Certification Seminar T3 Quantitative Methods*, Scottsdale, AZ, 1999, pg. 2.19.

The Legislature makes changes to the salary schedules as part of the appropriation process each biennium. The State Classification Office is charged with providing recommendations adjusting the State's salary schedules based on studies of other governmental units and industry.

After establishing salary structures, we then turn to the second level of compensation management, job evaluation. Jobs are evaluated based on the internal consistency between comparable state jobs and external competitiveness with the market for specific duties. This grouping then makes it possible to equate whole classes of jobs with common salary ranges. The State's assignment of jobs to salary groups is laid out in the Classification Plan.

The State Classification Office also reviews the Classification Plan to ensure that individual job classes are allocated to the appropriate salary groups. We then make recommendations to the Legislature to move job classes to different salary groups to account for their being out of alignment in the Plan. Job classes may be out of alignment based on comparison with other state jobs of similar responsibility level or they may be significantly behind the market. This means that they may be further behind the market than jobs in the Plan are on average. Please refer to *A Biennial Report on Recommended Changes to the Classification Plan* (SAO Report No. 01-702, October 2000) for more information.

The third level of compensation management is directed at individual employees. Each agency develops programs and policies that address movement across salary groups (promotions, demotions, and reclassifications) and within salary ranges (merit increases). Salary administration should be used by agencies to both adequately recruit new employees and reward employee performance.

A Biennial Report on Recommended Changes to the Classification Plan (SAO Report No. 01-702, October 2000) and *A Biennial Report on Recommended Adjustments to the Classification Salary Schedules* both contain recommendations that would help to bridge the gap between salaries across agencies and the external market. The *Recommended Changes to the Classification Plan* addresses the issue of internal equity within and between agencies while the *Recommended Adjustments to the Classification Salary Schedules* addresses external competitiveness. Only the cumulative effect of the recommendations in these two reports will place the State in a more competitive position compared to the market.

Appendix 1:

Objective, Scope, and Methodology

The State Classification Office (Office) in the State Auditor's Office conducts periodic studies of salary rates and trends in industry and other government units for work similar to that performed in state government. The Office is required to report these findings and make recommendations for adjustments to the Salary Schedules (Schedules). This report examines general salary trends, discusses other factors that influence salaries, and provides recommendations for adjustments in compensation for state employees.

In developing our recommendations, the Office analyzed:

- National and regional salary structure trends for both the private and public sector.
- Classified employee turnover trends.
- Data on Cost of Living and Employment Cost indexes extracted from U.S. Department of Labor reports.

We used the average state employee salary for the first quarter of fiscal years 1990 through 1999 in all calculations.

Salary trends were based on data from the following sources:

- *American Compensation Association (ACA) Report on the 1998-1999 Total Salary Increase Budget Survey (ACA Salary Budget Survey)*

  The *ACA Salary Budget Survey* contains data from almost 2,800 U.S. firms, representing a broad cross-section of industries including public administration, finance, insurance, real estate, communications, service, utilities, transportation, manufacturing, and wholesale and retail trade.

- *1999 Austin Area Pay and Benefits Survey*

  The *1999 Austin Area Pay and Benefits Survey* represents data from government, high technology, manufacturing, health care, and service industries.

- Surveys from the Central and Southeastern States as reported at the 1999 Joint Salary Conference (*1999 Joint Salary Report*)

  The *1999 Joint Salary Report* includes data from the 25 member-states of the Central States Compensation Association and the 15 member-states of the Southeastern Compensation Association. Four states are members of both associations.

- Survey of the ten most populous states conducted by the State Classification Office

  A survey of the ten most populous states, conducted by the State Classification Office, obtained data from states most comparable to Texas. The survey gathered 10-year trend data on employee turnover, average classified salary, quantity of state employees, annual leave and sick leave accrual rates, and pay structure changes.

- Survey of major public sectors in Texas conducted by the State Classification Office

  A survey of major public sectors (Travis County and the cities of Austin, Dallas, Fort Worth, Houston, and San Antonio), conducted by the State Classification Office, collected 10-year trend data on average classified salary and pay structure changes.

- The employee turnover data was taken from *An Annual Report on Full-Time Classified State Employee Turnover for Fiscal Year 1999* (SAO Report No. 00-707, March 2000).

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

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- Worth Ferguson, CPA (Quality Control Reviewer)
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- Kelli Dan, CCP, PHR (State Classification Officer)
- Deborah Kerr, Ph.D. (Director)

Appendix 2:

Recommended Salary Schedules Range Spread Changes

This schedule DOES NOT reflect any across the board increase. It only shows an increase in the maximum range for certain salary groups.

Salary Group		1	2	3	4	5	6	7	8	9	10 (Proposed)
A2	Annual	$ 14,376	$ 14,736	$ 15,108	$ 15,492	$ 15,864	$ 16,260	$ 16,656	$ 17,076	$ 17,532	
	Monthly	$ 1,198	$ 1,228	$ 1,259	$ 1,291	$ 1,322	$ 1,355	$ 1,388	$ 1,423	$ 1,461	
A3	Annual	$ 15,108	$ 15,492	$ 15,864	$ 16,260	$ 16,656	$ 17,076	$ 17,532	$ 17,976	$ 18,444	
	Monthly	$ 1,259	$ 1,291	$ 1,322	$ 1,355	$ 1,388	$ 1,423	$ 1,461	$ 1,498	$ 1,537	
A4	Annual	$ 15,864	$ 16,260	$ 16,656	$ 17,076	$ 17,532	$ 17,976	$ 18,444	$ 18,924	$ 19,452	
	Monthly	$ 1,322	$ 1,355	$ 1,388	$ 1,423	$ 1,461	$ 1,498	$ 1,537	$ 1,577	$ 1,621	
A5	Annual	$ 16,656	$ 17,076	$ 17,532	$ 17,976	$ 18,444	$ 18,924	$ 19,452	$ 20,040	$ 20,592	
	Monthly	$ 1,388	$ 1,423	$ 1,461	$ 1,498	$ 1,537	$ 1,577	$ 1,621	$ 1,670	$ 1,716	
A6	Annual	$ 17,532	$ 17,976	$ 18,444	$ 18,924	$ 19,452	$ 20,040	$ 20,592	$ 21,168	$ 21,744	
	Monthly	$ 1,461	$ 1,498	$ 1,537	$ 1,577	$ 1,621	$ 1,670	$ 1,716	$ 1,764	$ 1,812	
A7	Annual	$ 18,444	$ 18,924	$ 19,452	$ 20,040	$ 20,592	$ 21,168	$ 21,744	$ 22,392	$ 23,052	
	Monthly	$ 1,537	$ 1,577	$ 1,621	$ 1,670	$ 1,716	$ 1,764	$ 1,812	$ 1,866	$ 1,921	
A8	Annual	$ 19,452	$ 20,040	$ 20,592	$ 21,168	$ 21,744	$ 22,392	$ 23,052	$ 23,748	$ 24,432	
	Monthly	$ 1,621	$ 1,670	$ 1,716	$ 1,764	$ 1,812	$ 1,866	$ 1,921	$ 1,979	$ 2,036	
A9	Annual	$ 20,592	$ 21,168	$ 21,744	$ 22,392	$ 23,052	$ 23,748	$ 24,432	$ 25,176	$ 25,932	
	Monthly	$ 1,716	$ 1,764	$ 1,812	$ 1,866	$ 1,921	$ 1,979	$ 2,036	$ 2,098	$ 2,161	
A10	Annual	$ 21,744	$ 22,392	$ 23,052	$ 23,748	$ 24,432	$ 25,176	$ 25,932	$ 26,724	$ 27,540	
	Monthly	$ 1,812	$ 1,866	$ 1,921	$ 1,979	$ 2,036	$ 2,098	$ 2,161	$ 2,227	$ 2,295	
A11	Annual	$ 23,052	$ 23,748	$ 24,432	$ 25,176	$ 25,932	$ 26,724	$ 27,540	$ 28,380	$ 29,232	
	Monthly	$ 1,921	$ 1,979	$ 2,036	$ 2,098	$ 2,161	$ 2,227	$ 2,295	$ 2,365	$ 2,436	
A12	Annual	$ 24,432	$ 25,176	$ 25,932	$ 26,724	$ 27,540	$ 28,380	$ 29,232	$ 30,144	$ 31,068	$ 31,752
	Monthly	$ 2,036	$ 2,098	$ 2,161	$ 2,227	$ 2,295	$ 2,365	$ 2,436	$ 2,512	$ 2,589	$ 2,646
A13	Annual	$ 25,932	$ 26,724	$ 27,540	$ 28,380	$ 29,232	$ 30,144	$ 31,068	$ 32,028	$ 32,988	$ 33,492
	Monthly	$ 2,161	$ 2,227	$ 2,295	$ 2,365	$ 2,436	$ 2,512	$ 2,589	$ 2,669	$ 2,749	$ 2,791
A14	Annual	$ 27,540	$ 28,380	$ 29,232	$ 30,144	$ 31,068	$ 32,028	$ 32,988	$ 34,056	$ 35,100	$ 36,096
	Monthly	$ 2,295	$ 2,365	$ 2,436	$ 2,512	$ 2,589	$ 2,669	$ 2,749	$ 2,838	$ 2,925	$ 3,008
A15	Annual	$ 29,232	$ 30,144	$ 31,068	$ 32,028	$ 32,988	$ 34,056	$ 35,100	$ 36,192	$ 37,332	$ 38,328
	Monthly	$ 2,436	$ 2,512	$ 2,589	$ 2,669	$ 2,749	$ 2,838	$ 2,925	$ 3,016	$ 3,111	$ 3,194
A16	Annual	$ 31,068	$ 32,028	$ 32,988	$ 34,056	$ 35,100	$ 36,192	$ 37,332	$ 38,508	$ 39,708	$ 41,208
	Monthly	$ 2,589	$ 2,669	$ 2,749	$ 2,838	$ 2,925	$ 3,016	$ 3,111	$ 3,209	$ 3,309	$ 3,434
A17	Annual	$ 32,988	$ 34,056	$ 35,100	$ 36,192	$ 37,332	$ 38,508	$ 39,708	$ 40,944	$ 42,216	$ 44,016
	Monthly	$ 2,749	$ 2,838	$ 2,925	$ 3,016	$ 3,111	$ 3,209	$ 3,309	$ 3,412	$ 3,518	$ 3,668
A18	Annual	$ 35,100	$ 36,192	$ 37,332	$ 38,508	$ 39,708	$ 40,944	$ 42,216	$ 43,560	$ 44,928	$ 46,548
	Monthly	$ 2,925	$ 3,016	$ 3,111	$ 3,209	$ 3,309	$ 3,412	$ 3,518	$ 3,630	$ 3,744	$ 3,879

Compensation experts state that salary spreads (difference between minimum and maximum rates) for clerical positions range from 20 percent to 40 percent, that spreads for service and maintenance jobs range from 20 percent to 30 percent, and that spreads for technical jobs range from 30 percent to 40 percent. (Sources: American Compensation Association certification Seminar C4: Base Pay Management, pg. 2.15; and Society for Human Resource Management (SHRM), *The SHRM Learning System, Module Four: Compensation and Benefits*, pg. 24.)

Salary Schedule B Salary Range Spread Modification

This schedule DOES NOT reflect any across the board increase. It only shows an increase in the maximum range for certain salary groups.

Salary Group		Minimum	Current Maximum	Proposed Maximum
B1	Annual	$ 20,592	$ 25,932	$ 27,799
	Monthly	$ 1,716	$ 2,161	$ 2,317
B2	Annual	$ 21,744	$ 27,540	$ 29,354
	Monthly	$ 1,812	$ 2,295	$ 2,446
B3	Annual	$ 23,052	$ 29,232	$ 31,120
	Monthly	$ 1,921	$ 2,436	$ 2,593
B4	Annual	$ 24,432	$ 31,068	$ 32,983
	Monthly	$ 2,036	$ 2,589	$ 2,749
B5	Annual	$ 25,932	$ 32,988	$ 35,008
	Monthly	$ 2,161	$ 2,749	$ 2,917
B6	Annual	$ 27,540	$ 35,100	$ 37,179
	Monthly	$ 2,295	$ 2,925	$ 3,098
B7	Annual	$ 29,232	$ 37,332	$ 39,463
	Monthly	$ 2,436	$ 3,111	$ 3,289
B8	Annual	$ 31,068	$ 39,708	$ 41,942
	Monthly	$ 2,589	$ 3,309	$ 3,495
B9	Annual	$ 32,988	$ 42,216	$ 44,534
	Monthly	$ 2,749	$ 3,518	$ 3,711
B10	Annual	$ 35,100	$ 44,928	$ 50,895
	Monthly	$ 2,925	$ 3,744	$ 4,241
B11	Annual	$ 37,332	$ 49,560	$ 54,131
	Monthly	$ 3,111	$ 4,130	$ 4,511
B12	Annual	$ 39,708	$ 52,766	$ 57,577
	Monthly	$ 3,309	$ 4,397	$ 4,798
B13	Annual	$ 42,216	$ 56,160	$ 61,213
	Monthly	$ 3,518	$ 4,680	$ 5,101
B14	Annual	$ 44,928	$ 59,820	$ 65,146
	Monthly	$ 3,744	$ 4,985	$ 5,429
B15	Annual	$ 47,820	$ 63,720	$ 74,121
	Monthly	$ 3,985	$ 5,310	$ 6,177
B16	Annual	$ 50,952	$ 67,956	$ 78,976
	Monthly	$ 4,246	$ 5,663	$ 6,581
B17	Annual	$ 54,264	$ 72,420	$ 84,109
	Monthly	$ 4,522	$ 6,035	$ 7,009
B18	Annual	$ 57,816	$ 77,220	$ 89,615
	Monthly	$ 4,818	$ 6,435	$ 7,468
B19	Annual	$ 65,352	$ 90,540	$ 101,296
	Monthly	$ 5,446	$ 7,545	$ 8,441
B20	Annual	$ 73,920	$ 102,528	$ 114,576
	Monthly	$ 6,160	$ 8,544	$ 9,548
B21		$ 93,360	$ 129,744	$ 144,708
		$ 7,780	$ 10,812	$ 12,059
B22		$ 118,092	$ 164,376	$ 183,043
		$ 9,841	$ 13,698	$ 15,254

Compensation experts state that salary spreads for FLSA exempt (professional and administrative jobs) positions range from 30 percent to 50 percent and that spreads for managerial jobs range from 40 percent to over 50 percent. (Source: Society for Human Resource Management (SHRM), *The SHRM Learning System, Module Four: Compensation and Benefits*, pg. 24.)

Appendix 3:

Cost Estimates

Cost estimates do not include the cost of providing increases to employees exempt from the Classification Plan or employees in institutions of higher education. Because we did not review the salaries of employees exempt from the Classification Plan or employees in institutions of higher education, we cannot report on the competitiveness of these employees' salaries in relation to the labor market. All estimates are based on the average monthly salaries from Schedules A, B, and C of 143,465 full-time classified employees as of February 29, 2000. They do *not* include the cost of additional state-paid retirement contributions or benefit replacement pay for eligible employees.

Table 3 shows the estimated annual costs to implement our recommendations.

Table 3

Estimated Annual/Biennial Costs of Salary Increases					
Salary Schedule	Fiscal Year 2002		Fiscal Year 2003		Biennial Total
	Recommendation	Cost	Recommendation	Cost	Cost
Schedule A Employees	$ 200 month	$ 195,864,000	$ 50 month	$ 244,830,000	$ 440,694,000
Schedule B Employees	10%	$ 216,652,591	3%	$ 288,147,945	$ 504,800,536
Schedule C Employees	$ 50 month	$ 2,364,000	$ 50 month	$ 4,728,000	$ 7,092,000
Total		$ 414,880,591		$ 537,705,945	$ 952,586,536

Appendix 4:

Salary Structure Increases for Other State Governments

Table 4

Ten Most Populous States Cumulative Salary Structure Increases Over the Past Ten Years[7]											
State/Year	**Index**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
California	100	104	109	109	109	115	118	118	118	118	129
Florida	100	103	106	109	113	116	119	123	127	130	134
Georgia	100	103	105	108	109	109	109	110	112	112	112
Illinois	100	104	106	106	111	116	119	123	124	126	128
Michigan	100	104	108	109	110	112	115	117	120	123	127
New Jersey	100	104	109	112	117	123	127	127	128	131	133
New York	100	101	101	104	110	111	111	114	118	119	119
Ohio	100	104	106	109	113	117	121	125	129	132	134
Pennsylvania	100	103	104	107	110	114	118	121	124	128	130
Avg (xcl Tx)	100	103	106	108	111	115	117	120	122	124	127
Texas	100	105	105	107	110	110	110	110	110	115	115

Table 5

Central and Southeastern States Cumulative Salary Structure Increases Over the Past Ten Years[8]											
State/Year	**Index**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
Central and Southeastern States Average	100	103	105	108	110	112	114	117	120	123	126
Texas	100	105	105	107	110	110	110	110	110	115	115
The Central and Southeastern States consist of Arizona, Alabama, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.											

[7] State Auditor's Office, State Classification Office Survey of the Ten Most Populous States

[8] Central States Compensation Association and the Southeastern States Compensation Association, *1999 Joint Salary Report*.