

# Issue Brief – SITLA Compensation

NUMBER NRAS-IB-07-10

## SUMMARY

The purpose of this Issue Brief is to update the members of the Natural Resources Appropriations Subcommittee on the School and Institutional Trust Lands Administration (SITLA) compensation expenditures. The cost per FTE for SITLA has increased since FY 2003 by 49 percent, from \$64,400 in FY 2003 to \$95,600 in FY 2007. This growth is nearly three times higher than the state average. The main reason for the higher personnel cost is the bonuses and the additional salary increases SITLA employees have received.

## BONUSES

SITLA created the bonus program after the agency separated from DNR with the intention of increasing revenues. Currently SITLA has two bonus incentive plans:

- Executive bonuses: rewards issued by the board to executive management only, and
- Staff bonuses: rewards issued by the SITLA director to all full-time employees, including executive management.

Since the inception of the bonus program in 1997, SITLA has spent \$2,311,000 on bonuses for its approximately 60 FTE. Figure 1 below provides a summary of the expenditures for SITLA’s two bonus plans over time.

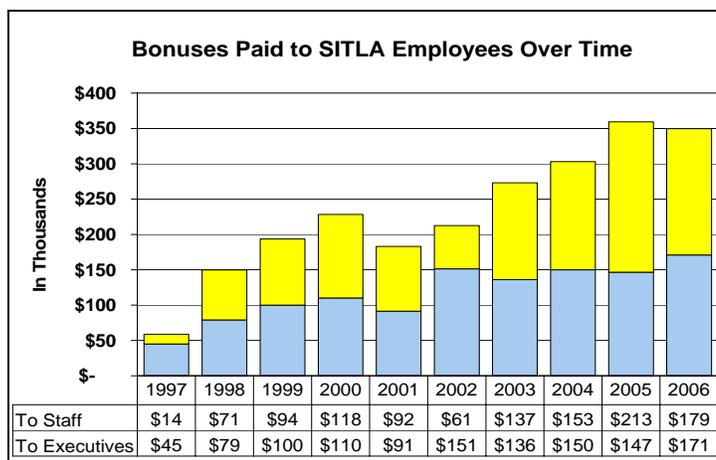


Figure 1

## *Executive Bonuses*

Approximately one half of the total amount of bonuses is spent for SITLA’s executive management. These bonuses are awarded based on meeting board revenue goals, as well as some specific objectives for the management team to accomplish during the fiscal year. Since 1997, SITLA board has spent \$1,180,100 in bonuses to 5-8 executive managers.

These bonuses have ranged from \$4,000 to \$40,000 per person per year. The total amount of executive bonuses has continued to grow over the years, from \$45,000 in FY 1997 to \$171,000 in FY 2006.

Some of these bonus amounts are much higher than currently allowed by DHRM rules. However, *Utah Code 53C-1-201 (3)(d)(v)* exempts SITLA from these restrictions and allows the board to establish the amounts.

## *Staff Bonuses*

Under this plan, each SITLA’s full-time employee is eligible for at least \$2,000 bonus per year, with some staff receiving as much as \$10,500 per year. This plan has grown from \$70,750 in FY 1998 to \$178,900 in FY 2006. The total funding spent for staff bonuses in the last ten years is \$1,130,900. In contrast to the executive bonuses shared by 5-8 individuals, staff bonuses are distributed among over 60 employees.

## *Revenue Goals*

Half of the bonuses for the executive team and all of the staff bonuses are based on the agency reaching the board’s net revenue goals. SITLA has exceeded their revenue goal every year. In addition, these revenues goals have consistently been lower than the prior year’s actual revenues (see Figure 2 on page 2).

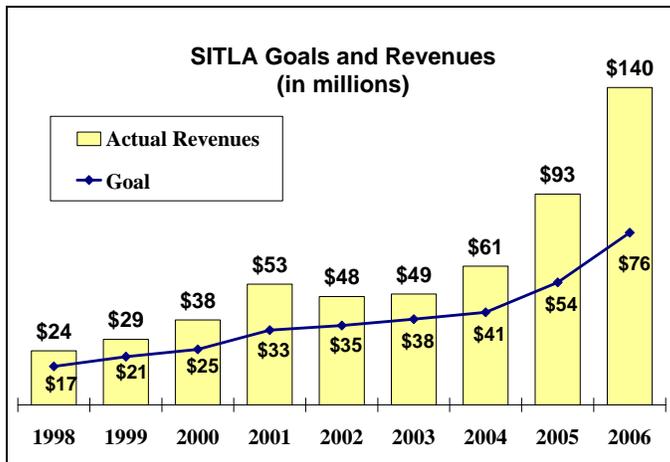


Figure 2

This practice was criticized in A Performance Audit Of the School & Institutional Trust Land Administration (SITLA), which was presented to the Natural Resources Appropriations Subcommittee and The Legislative Audit Committee in January 2006. The audit stated: “This practice seems contrary to business principles of setting goals beyond the previous year’s achievement.” As a response to this audit, SITLA board is currently in the process of changing their approach to goal setting.

### **SALARY INCREASES**

Another reason for the higher-than-average employee costs for SITLA is due to salary increases. For example, in FY 2007, in addition to the 3.5% COLA appropriated to all state employees, 82% of SITLA staff were given additional raises ranging from 2% to 37%. The total cost for the additional salary and benefit increases for FY 2007 (above the 3.5% COLA) will be nearly \$300,000 per year. This amount does not include bonuses.