



# STATE COMPENSATION

EXECUTIVE APPROPRIATIONS COMMITTEE

ISSUE BRIEF

**STATE COMPENSATION**

Compensation of state employees and certain contracted service providers is a major issue before the Legislature in the 2022 General Session. To assure coordination and consistency across agencies, compensation - including provider rates - will be determined statewide by the Legislature as a whole. In December, after consultation with caucus members, legislative leadership set aside \$155.0 million, equivalent to a 5.0 percent cost of living adjustment and increased health benefits across state agencies and higher education. \$30.0 million of this \$155.0 million set-aside is for State Troopers, including \$10.0 million for one-time bonuses and \$20.0 million ongoing for State Trooper salaries. The total requested compensation increase in Table 1 below is approximately \$169.2 million plus benefits.

**MARKET COMPARISON**

The State of Utah contracted with Gallagher Benefit Services, Inc. to conduct a study to compare the State’s compensation with the labor market. Components of compensation for market comparison include: 1) Total compensation; 2) base pay; 3) benefits, including health and retirement; and 4) leave.

Gallagher gathered information utilizing a custom survey and published salary survey sources. They found that there is a possible misalignment with the market on base salaries with the State’s average annual salary falling 14.4% below combined market. Gallagher also found that the State’s contribution to annual medical family plans is above average by 8.1%, and that medical insurance premiums comprise the largest portion of benefits. State contributions to annual Dental family plan is also above average of the surveyed market by 2.0%. State retirement contributions for Tier 1 are highly competitive with the Utah market average, while State retirement contributions slightly trail the market for Tier 2 employees.

Gallagher also reviewed State retirement contribution and found that State retirement contributions for Tier 1 are highly competitive with the Utah market average and slightly trail the market for Tier 2 employees. State retirement contribution was calculated based on an Employee Retirement Benefit of 13.75% of base salary plus a 401k employer match of \$26/pay period for Tier 1 employees and 10.0% of base salary plus a 401k employer match of \$26/pay period for Tier 2 employees. The market average is 13.6% of base salary pay.

Gallagher recommended reviewing positions where base pay is greater than 15% different from the market to determine if any actions by the State are warranted; they gave no immediate recommendations for benefits and paid leave.

**BENEFITS**

Benefits include a 401(k) state match, health and dental benefits, and retirement. Currently, the State of Utah provides an employer match of \$26/pay period for qualifying employees. PEHP recommended a 6.7% rate increase for health insurance benefits and a 1.0% increase in dental insurance benefits. The OPEB and Annual Leave Board set combined rates from OPEB, OEBT, and Trust Fund pools for FY2023 as follows:

POOLS	Combined Rate					FINAL
	Appropriated Rates					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
Public Safety	8.12%	8.12%	8.12%	6.52%	7.78%	
General	5.77%	5.77%	5.77%	3.58%	2.89%	
Public Education	5.92%	5.92%	5.92%	1.42%	1.45%	
Transportation	7.93%	7.93%	7.93%	9.03%	6.38%	

In FY 2023, if the Legislature provides funding for increased employee compensation as follows, statewide benefit costs would be:

- \$71.8 million from all sources (including \$8.3 million GF/EF) for a 1.0 percent compensation increase in state agencies;
- \$19.7 million from all sources (including \$9.9 million GF/EF) for a 6.7 percent health insurance increase in state agencies;
- \$15.4 million from all sources (including \$12.1 million GF/EF) for a 1.0 percent compensation increase in higher education;
- \$13.9 million from all sources (including \$11 million GF/EF) for a 6.7 percent health insurance cost increase and a 1.0 percent dental insurance cost increase in higher education;
- \$812,600 from the Education Fund for Utah Schools for the Deaf and the Blind steps and lanes increase;
- \$4.9 million one-time and \$71,500 ongoing for retirement changes and 401(k) matching;
- (\$7.9 million) for OPEB rate adjustments; and
- \$1.4 million for public safety/firefighter retirement.

**COMPENSATION BY AGENCY**

Table 1 shows current recommendations for compensation increases for Fiscal Year 2023. Column B shows an estimated 3.5% cost of living adjustment for each agency. Columns C and D reflect the FY 2023 Governor’s Budget recommendations for performance-based discretionary and targeted salary increases (see Appendix B in the Governor’s Budget for agency and position-specific information). Columns E and F reflect targeted increases and bonuses that are recommended elsewhere or that pertain to private provider rates.

Table 1: Compensation Proposals (General & Education Funds Only)

	3.5% General	Performance	Targeted	Directed	Bonus
Attorney General	\$ 524,650	\$ 393,500		\$ 2,128,000	
Alcoholic Beverage Control	\$ 673,750				
Capitol Preservation Board	\$ 25,200	\$ 14,500			
Board of Pardons and Parole	\$ 130,550	\$ 33,000			
Career Service Review Office	\$ 7,350				
Agriculture	\$ 214,200	\$ 67,000			
Commerce	\$ 523,600		\$ 190,000		
Cultural and Community Engagement	\$ 283,150	\$ 16,200			
Corrections	\$ 6,734,350	\$ 1,237,300		\$ 15,243,200	
Environmental Quality	\$ 254,450	\$ 640,000			
Government Operations	\$ 419,300	\$ 20,600	\$ 120,000		
Health		\$ 685,600			
Human Services		\$ 3,894,500	\$ 3,239,800		
Health & Human Services	\$ 5,158,300				
Health & Human Services - Private Providers				\$ 6,972,000	(\$1,821,600)
Insurance	\$ 259,000				
Division of Juvenile Justice Services	\$ 1,603,700				
DJJS - Private Providers				\$ 1,770,700	
Natural Resources	\$ 771,400	\$ 2,514,800			
Public Safety	\$ 2,325,050	\$ 55,700		\$ 15,374,100	\$ 6,975,900
Veterans and Military Affairs	\$ 55,400	\$ 35,500			
Workforce Services	\$ 1,066,100	\$ 1,059,100			
Governors Office	\$ 410,900	\$ 226,100			
Economic Opportunity	\$ 256,550	\$ 159,200			
Energy Development		\$ 19,400			
Courts	\$ 3,708,600	\$ 2,153,500		\$ 3,900,000	
Labor Commission	\$ 150,500	\$ 19,000			
Legislature	\$ 678,500	\$ 387,900			
Utah National Guard	\$ 86,900	\$ 132,500	\$ 43,000		
Utah Education and Telehealth Network	\$ 241,850				
Office of the State Auditor	\$ 78,400	\$ 48,900		\$ 258,800	
State Board of Education	\$ 1,613,500	\$ 670,600			
Tax Commission	\$ 1,004,150	\$ 653,100	\$ 1,032,800		
State Treasurer	\$ 21,700	\$ 11,000			
Higher Education	\$ 42,205,800	\$ 27,132,300			
	\$ 71,486,850	\$ 42,280,800	\$ 4,625,600	\$ 45,646,800	\$ 5,154,300