

# Legislative Fiscal Office

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## Budget Information Brief / 2016-4

### State Employee Compensation

State agency budgets are approved by the Legislature. Included in the approved budget are positions and their associated costs. There are several components to the budget, but personal services makes up approximately 10% of the total budget and about 18% of the General Fund budget.

#### Salary versus Personal Services

There is often confusion between what is meant by personal services costs and actual salary costs for state employees. The salary an employee receives is based on an approved step in the statewide compensation plan. This base salary can be augmented by pay differentials and some state employees are eligible for overtime pay. While salary is the amount of money employees receive in their paychecks before taxes and other reductions, it is just one component of personal services costs. There are several other costs associated with each position that are paid either entirely or partially by the state. These other costs are known as Other Payroll Expenses (OPE). Personal services costs include both salary costs and OPE. The amounts shown in the following table are the employer's portion of OPE costs for each employee. The OPE factors shown are those that have been assumed in the 2015-17 legislatively adopted budget (LAB). Since some of the OPE factors are based on a percentage of salary and others are a fixed cost, the actual percentage of total OPE will vary by position, but it should be noted that the actual rates for each position were included in the adopted budget.

OPE FACTORS	2015-17 LAB
Employment Relations Board Assessment	\$1.92 per month
Public Employees Retirement System (PERS):	
Agencies without significant Police & Fire*	15.79%
Judges	22.05%
Agencies with significant Police & Fire*	
Dept. of Corrections	19.53%
Dept. of Public Safety Standards and Training	18.72%
Dept. of Forestry	18.11%
Oregon Liquor Control Commission	17.00%
Oregon State Police	18.67%
Oregon Youth Authority	19.23%
Social Security/Medicare	7.65%
Workers' Compensation Assessments	\$2.86 per month
Mass Transit Tax (if applicable)	0.60%
Flexible Benefits (Insurance)**	\$1,272 per month (Plan Year 2015)
* Rates blended for budget purposes only. Agencies pay actual rates based on individual employee status.	
** During the 2016 legislative session, a 3.4% increase was budgeted for the 2016 plan year and another 3.4% increase for the 2017 plan year.	

The debt service on Pension Obligation Bonds (POBs) are also considered part of Personal Services. The Department of Administrative Services assesses agencies based on the total payroll for each agency. Those assessments are then collected through the payroll system. Currently the rate is about 6% of each employee's salary.<sup>1</sup>

### **Current Compensation**

The average base salary for a state employee in 2015 was \$4,669 per month or \$56,028 for the year. For comparison purposes, the median base salary for a state employee was \$4,423 per month or \$53,076 per year. That is the amount the employee earned. As stated above, employer costs include salary plus all OPE. The average employer cost per employee for 2015 was \$7,417 per month or just over \$89,000 per year. The median employer cost was \$7,096 or \$85,152 per year for state employees. It should be noted that these figures include all of the OPE factors shown above plus the POB assessment.

### **Summary**

Frequently, there is some confusion when it comes to state employee compensation. There is a distinction between an employee's salary and the amount it actually costs the state for that same employee. Although, in general, OPE costs are considered benefits for the employee, the actual rate of pay, or salary, is considerably less than the total employer personal services cost for each position.

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<sup>1</sup> For a discussion of POBs and their impact on PERS rates see *2013-15 PERS Contribution Rates*, Budget Information Brief 2012-2, Legislative Fiscal Office, October 2012.