



Joint Budget Committee

Supplemental Budget Requests FY 2025-26

Statewide Compensation

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Overview of Statewide Compensation

Compensation common policies pay for salary or benefits for current state employees. Statewide or total compensation refers to employee salary and benefit costs, specific to the actual and anticipated employees in each department. Compensation common policies are funded through a group of centrally appropriated line items generally found in a department's Executive Director's Office (EDO). The annual budget request for total compensation is driven by employee salaries, benefit elections, and requested policy changes for compensation components.

Summary of Staff Recommendations

FY 2025-26 Summary

DPA S4 Employee benefits fund adjustments: The request totals \$14.1 million, including \$5.8 million General Fund, \$5.7 million cash funds, \$1.4 million reappropriated funds, and \$1.2 million federal funds. The recommendation is for \$12.5 million total funds, including \$5.8 million General Fund, \$4.1 million cash funds, \$1.4 million reappropriated funds, and \$1.2 million federal funds.

The difference from the request is due to a \$1.6 million cash funds amount included in the request for the Department of Transportation which is not appropriated.

DPA S4 PERA direct distribution refinance: The request includes a federal funds decrease of \$164,169 and an equivalent backfill of General Fund for the Department of Military and Veterans Affairs. The recommendation is for the request.

Statewide Compensation Supplemental Requests

→ DPA S4 Employee benefits fund adjustments

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$14,095,065	\$5,816,889	\$5,650,781	\$1,397,896	\$1,229,499	0.0
Recommendation	12,495,184	5,816,889	4,050,900	1,397,896	1,229,499	0.0
Staff Recommendation Higher/-Lower than Request	-\$1,599,881	\$0	-\$1,599,881	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.

Explanation: JBC Staff and the Department of Personnel agree that this request is the result of data that was not available when the original appropriation was made.

Request

As a part of statewide compensation, the Department of Personnel requests adjustments to Health, Life, and Dental (HLD) appropriations across all departments totaling \$14.1 million, including \$5.8 million General Fund, \$5.7 million cash funds, \$1.4 million reappropriated funds, and \$1.2 million federal funds. The request includes the following components:

1. an adjusted request that replaces the 1331 interim supplemental request approved by the Committee in September. That interim supplemental totaled \$17.7 million, including \$9.8 million General Fund;
2. a Hiring Freeze Offset resulting from the Governor's Executive Order; and
3. an adjustment to the Department of Regulatory Agencies (DORA) HLD appropriation.

This request replaces the previously approved September 2025 1331.

Recommendation

Staff recommends that the Committee approve the request as outlined in the staff recommendation table at the end of the analysis.

Analysis

The September 2025, 1331 interim supplemental request addressed the Department's concern that its Group Benefit Plans Reserve Fund would end the current fiscal year in deficit due to employee selection of higher cost plans, increased high-dollar claims, and escalated GLP-1 medication utilization and costs.

Summary of HLD Adjustments

The following table outlines: (1) the September 1331 request and approved overexpenditures; (2a) the Department's updated request; (2b) the JBC staff adjusted HLD 1331 appropriation recommendation; (3) the Governor's Executive Order's Hiring Freeze Offset, included as an adjustment to the HLD 1331; (4) a DORA HLD restoration, included as an additional adjustment to statewide HLD appropriations; and (5) the JBC staff recommended total appropriations.

1. FY 2025-26 DPA S4 Employee Benefit Plans Fund Adjustments

	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
1. Sept 2025 JBC Approved 1331 HLD	\$17,678,147	\$9,801,682	\$4,288,025	\$1,674,814	\$1,913,626
2a. DPA S4 Adjusted HLD 1331	16,224,437	7,956,532	5,245,289	1,441,708	1,580,908
2b. JBC staff rec'd - DPA S4 HLD 1331 req	14,624,556	7,956,532	3,645,408	1,441,708	1,580,908

	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
3. Hiring Freeze Offset (request/rec)	-2,735,656	-2,139,643	-200,792	-43,812	-351,409
4. DORA HLD PS Restoration (request/rec)	606,284	0	606,284	0	0
5. Total - JBC staff rec'd appropriations	\$12,495,184	\$5,816,889	\$4,050,900	\$1,397,896	\$1,229,499

1331 Adjustments

The following table outlines the adjusted HLD 1331 by agency for the HLD increase established on November 1, 2025 based on the September 1331 approval. The table includes increases attributed to institutions of higher education totaling \$1.4 million, which were not included in the September 1331 calculation; additionally, the institutions of higher education and the Department of Transportation (\$1.6 million) are not appropriated.

2a/2b. FY 2025-26 DPA S4 adjusted HLD 1331 by Agency

Departments	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	\$173,507	\$51,378	\$108,499	\$0	\$13,630
Corrections	2,502,867	2,467,799	35,068	0	0
Early Childhood	121,453	49,992	25,870	10,511	35,080
Education	287,005	119,631	45,690	27,133	94,551
Governor's Office	686,077	79,353	61,995	507,140	37,589
HCPF	395,449	158,009	31,877	0	205,563
Higher Education	81,695	26,204	43,085	0	12,406
Institutions of Higher Education	1,440,848				
Human Services	1,897,032	1,126,918	107,777	305,081	357,256
Judicial	2,537,555	2,338,547	197,060	1,948	0
Labor and Employment	852,361	73,962	420,702	4,227	353,470
Law	338,340	81,383	57,255	191,043	8,659
Legislature	207,490	207,490	0	0	0
Local Affairs	152,543	48,104	25,283	50,912	28,244
Military Affairs	71,572	28,534	1,436	0	41,602
Natural Resources	987,540	148,709	809,050	13,895	15,886
Personnel	194,474	75,216	5,366	113,892	0
Public Health	957,195	181,964	326,822	90,086	358,323
Public Safety	1,095,255	365,374	617,882	98,656	13,343
Regulatory Agencies	290,625	8,477	252,638	24,204	5,306
Revenue	696,200	303,442	389,778	2,980	0
State	71,572	0	71,572	0	0
Transportation	1,599,881				
Treasury	26,749	16,046	10,703	0	0
Total HLD Adjustments	\$17,665,285				
Appropriated HLD Adjustments	\$14,624,556	\$7,956,532	\$3,645,408	\$1,441,708	\$1,580,908

While not appropriated through statewide compensation, the institutions of higher education or IHEs outlined in the following table will experience these cost increases related to the HLD increase associated with the 1331 and the S4 adjustment.

2c. IHE HLD Adjustments

Institutions	Total Funds
CSU System	\$766,331
Community College System	212,549
UNC	135,914
CSM	86,755
AHEC	39,762
FLC	61,452
MSU-D	8,676
WCU	33,256
ASU	46,268
CMU	49,885
Total IHE HLD Adjustments	\$1,440,848

Hiring Freeze Offset

Executive Order D 2025 009 implemented a statewide hiring freeze for all executive agencies from August 27, 2025 through December 31, 2025. Exemptions were provided for positions that are considered mission critical, impact health, life, and safety, or have non-state funding. The exemption categories were non-administrative 24/7, non-administrative public safety, and fully federally funded positions. Administrative staff that support the operations of 24/7 or public safety operations were not automatically covered by the exemption process and were assessed separately via an exception process. To qualify, the position had to meet at least one of the following criteria:

- a position that is essential to the day-to-day function of the State;
- a position that is critical to a department's wildly important goal(s) (WIGs); or
- a position in a unit or work group that was experiencing significant vacancies.

The Department identifies that the hiring freeze from August 27, 2025 to December 31, 2025 included savings of \$2.7 million total funds, including \$2.1 million General Fund. The following table outlines the Hiring Freeze Offset amounts that are included in this S4 request.

3. DPA S4 Hiring Freeze Offset by Agency (request/recommendation)

Departments	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	-\$61,314	-\$47,972	-\$13,342	\$0	\$0
Corrections	-242,641	-242,641	0	0	0
Early Childhood	-429,843	-270,203	-73,907	-15,693	-70,040
Education	-362,651	-335,440	-27,211	0	0
Governor's Office	0	0	0	0	0
HCPF	-195,570	-77,590	-5,258	-17,864	-94,858
Higher Education	-66,459	-66,459	0	0	0
Human Services	-190,264	-189,343	-66	0	-855
Judicial	0	0	0	0	0
Labor and Employment	-383,681	-250,465	0	0	-133,216
Law	0	0	0	0	0
Legislature	0	0	0	0	0

Departments	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Local Affairs	-227,808	-119,627	-74,492	-9,624	-24,065
Military Affairs	-62,059	-45,243	0	0	-16,816
Natural Resources	-117,391	-117,391	0	0	0
Personnel	-27,069	-27,069	0	0	0
Public Health	0	0	0	0	0
Public Safety	-266,208	-247,502	-6,516	-631	-11,559
Regulatory Agencies	0	0	0	0	0
Revenue	-102,698	-102,698	0	0	0
State	0	0	0	0	0
Transportation	1,599,881	0	0	0	0
Treasury	0	0	0	0	0
Total - Hiring Freeze Offset	-\$2,735,656	-\$2,139,643	-\$200,792	-\$43,812	-\$351,409

DORA HLD PS Restoration

This requested adjustment, \$606,284 cash funds, partially restores the 1.5 percent personal services reduction (\$896,909 for DORA) applied to all agencies. For DORA, JBC staff figure setting cut recommendations included division by division base reductions. The JBC staff analyst for DORA approves of this requested restoration due to the targeted cuts applied at the division level.

JBC Staff Recommended Appropriations

The following table outlines the JBC staff recommended appropriations by agency for all S4 HLD adjustments.

5. JBC Staff recommended DPA S4 HLD appropriations by agency

Departments	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	\$112,193	\$3,406	\$95,157	\$0	\$13,630
Corrections	2,260,226	2,225,158	35,068	0	0
Early Childhood	-308,390	-220,211	-48,037	-5,182	-34,960
Education	-75,646	-215,809	18,479	27,133	94,551
Governor's Office	686,077	79,353	61,995	507,140	37,589
HCPF	199,879	80,419	26,619	-17,864	110,705
Higher Education	15,236	-40,255	43,085	0	12,406
Human Services	1,706,768	937,575	107,711	305,081	356,401
Judicial	2,537,555	2,338,547	197,060	1,948	0
Labor and Employment	468,680	-176,503	420,702	4,227	220,254
Law	338,340	81,383	57,255	191,043	8,659
Legislature	207,490	207,490	0	0	0
Local Affairs	-75,265	-71,523	-49,209	41,288	4,179
Military Affairs	9,513	-16,709	1,436	0	24,786
Natural Resources	870,149	31,318	809,050	13,895	15,886
Personnel	167,405	48,147	5,366	113,892	0
Public Health	957,195	181,964	326,822	90,086	358,323
Public Safety	829,047	117,872	611,366	98,025	1,784
Regulatory Agencies	896,909	8,477	858,922	24,204	5,306
Revenue	593,502	200,744	389,778	2,980	0

Departments	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
State	71,572	0	71,572	0	0
Transportation	0	0	0	0	0
Treasury	26,749	16,046	10,703	0	0
Total S4 HLD Appropriations	\$12,495,184	\$5,816,889	\$4,050,900	\$1,397,896	\$1,229,499

→ DPA S4 PERA direct distribution refinance

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$0	\$164,169	0	0	-\$164,169	0.0
Recommendation	0	164,169	0	0	-164,169	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

Request

As a part of statewide compensation policy, the Department of Personnel requests a refinance of \$164,169 federal funds to General Fund for the PERA Direct Distribution appropriation for the Department of Military and Veterans Affairs (DMVA).

Recommendation

Staff recommends that the Committee approve the request.

Analysis

Due to federal funding restrictions, DMVA cannot charge the PERA Direct Distribution to its federal funds.

Previously Approved Interim Supplemental Requests

→ ES-01 Employee Benefit Fund Balance Solvency (Sept. 2025)

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$17,678,148	\$9,801,682	\$4,288,025	\$1,674,814	\$1,913,626	0.0
Recommendation	17,678,148	9,801,682	4,288,025	1,674,814	1,913,626	0.0
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.

Explanation: JBC Staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

Request

The Department has replaced the approved 1331 with the DPA S4 request.

Committee Action

Staff recommended and the Committee approved the 1331. However, if the Committee approves the DPA S4 request addressed in this document, that item will replace this 1331.