



Joint Budget Committee

Staff Figure Setting

FY 2026-27

Statewide Compensation

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How to Use this Document

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

Statewide Compensation Policies Overview

Compensation common policies pay for salaries and benefits for current state employees. The General Assembly typically establishes common policies to budget for compensation consistently across all departments. The compensation common policies:

1. Establish a standard method for calculating base continuation personal services;
2. Determine the amounts for salary and benefit increases; and
3. Set assumptions for determining the cost of compensation for new FTE.

In the budget, 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.

Defining Compensation-related Components

The centrally appropriated line items that make up the total compensation common policies discussed in this document include:

- Salary Survey;
- Step Pay;
- Shift Differential;
- Short-term Disability (STD);
- Health, Life, and Dental (HLD);
- Paid Family and Medical Leave Insurance (PFMLI);
- Unfunded Liability Amortization Equalization Disbursement (ULAED); and
- PERA Direct Distribution.

Defining POTS

Compensation common policy line items are also known and referred to as POTS, although the term is not an acronym. Final, budgeted POTS appropriations are:

- Generated through department total compensation templates;
- Calculated on the prior July's actual payroll data with adjustments for known and anticipated staffing increases or decreases; and
- Based on Committee statewide funding decisions for each compensation policy or component.

Because POTS are centrally appropriated in the EDO or other central administration division, allocations from these line items are distributed to department divisions and programs as determined by each department's EDO. This approach simplifies the appropriations process by limiting each POTS appropriation to a single line

item in each department and provides flexibility to departments to make adjustments as necessary to accommodate actual POTS needs across a department.

Additionally, for expenditure purposes, POTS allocations are, in practice, added to or "rolled into" personal services appropriations in each division or program. This practice allows these appropriations to be spent on any personal services expenditure. This flexibility has the effect of allowing departments to independently and internally subsidize programs and divisions which may be under-appropriated. In this way, this flexibility has the effect of causing state agencies to manage their personal services appropriations through annual POTS allocation adjustments to each division or program rather than through requests for structural adjustments to those divisions and programs as might otherwise be necessary.

Defining Employee Benefits

Within POTS appropriations, only the following line items include current employee benefits:

- Salary Survey;
- Step Pay;
- Shift Differential;
- Short-term Disability (STD);
- Health, Life, and Dental (HLD); and
- Paid Family and Medical Leave Insurance (PFMLI).

Defining PERA Payments for the Unfunded Liability

Although included in common policies, the ULAED, comprised of the amortization equalization disbursement (AED) and the supplemental annualization equalization disbursement (SAED), is a statutorily-required amortization payment to improve PERA's funded status and is calculated on current payroll.

The term amortization refers to payments for an existing debt or liability. AED and SAED are payments made to PERA for the legacy cost of the unfunded liability and do not help fund current employee PERA retirement benefits. Similarly, the PERA Direct Distribution is a payment to PERA for the legacy cost of the unfunded liability.

In 2018, the Joint Budget Committee set aside \$225.0 million General Fund for FY 2018-19, intended as base funding for an ongoing payment to PERA. This action was intended as a "State" payment for addressing funding policy deficiencies made by State policymakers that benefited earlier generations of PERA members that effectively created the unfunded liability. Senate Bill 18-200 (PERA Unfunded Liability) included a provision that allows OSPB to submit a budget request to allocate payments across fund sources in order to reduce the impact on the General Fund. In FY 2019-20, the PERA Direct Distribution was added as a statewide common policy allocation to collect this payment from other fund sources besides General Fund.

The PERA Direct Distribution does not pay for an employee benefit, and is not calculated on current payroll, but is annually allocated to state agencies as charges to General Fund, cash funds, reappropriated funds, and federal funds in the same proportion as the AED and SAED components. Therefore, the PERA Direct Distribution is an annual debt payment located in compensation-related common policies due to its nexus with ULAED (AED and SAED).

Prevailing Compensation

Pursuant to Section 24-50-104 (1)(a)(I), C.R.S.:

“It is the policy of the State to provide innovative total compensation that meets or exceeds total compensation provided by public or private sector employers or a combination of both, to officers and employees in the state personnel system to ensure the recruitment, motivation, and retention of a qualified and competent workforce. For purposes of this section, ‘total compensation’ includes, but is not limited to, salary, group benefit plans, retirement benefits, step pay, incentives, premium pay practices, and leave as specified in statute or in policies of the state personnel director. **Any monetary components of total compensation are subject to available appropriations by the General Assembly.**”

A statutory policy statement is not binding, but it provides direction about the General Assembly's intent that helps guide the budget setting process. Even with a clear goal, though, it can be difficult to determine the funding necessary to provide prevailing compensation. There are a wide range of compensation practices in the market and many state jobs are either uncommon or not found outside of government. Additionally, while most market employers engage in a single or well-defined type of business operation, regardless of size or scale, the business operations of the State reflect the widest variety of types of business operations with the widest variety of staffing types and needs.

Compensation Report and Request

The Department of Personnel prepares recommendations and estimated costs for state employee compensation based on a quadrennial [total compensation analysis and report](#) that is submitted to the Joint Budget Committee by October 1st every four years, beginning in 2025. The General Assembly is not required to follow the recommendations of the report, but the report expresses the professional opinion of the Department regarding how compensation should be adjusted annually. Following issuance of the report, the Department of Personnel works with the Office of State Planning and Budgeting (OSPB) to build the total compensation request for the following year, and directs executive agencies to apply consistent policies in their budget requests.

State Personnel System (classified system)

To ensure a state workforce based on tenure and fitness, the Colorado Constitution establishes a State Personnel System, commonly referred to as the classified system. The classified system is comprised of job or occupational series and classes used to determine appropriate pay ranges for employees. The Department of Personnel manages the personnel system, with policy direction from the State Personnel Board. Objective criteria must be used to fill positions in the personnel system and employees hold their positions during efficient service or until reaching retirement age. Of significance from a state funding perspective, there must be standardization in the personnel system of the way people with like duties are treated with regard to determining compensation.

The Constitution specifically exempts some positions from the classified system, allowing potentially different pay ranges, benefits, and hiring and termination procedures. Exempt positions include education faculty and certain education administrators, the judicial branch, the legislative branch other than the State Auditor's Office,

assistant attorneys general, certain employees of the Governor's office, the heads of departments, and most boards and commissions. With the exception of higher education institutions, exempt employees use the same insurance and retirement benefits as employees of the classified system. While the judicial branch is exempt from the state personnel system, the courts have developed their own version of a classified system for employees who are not judges, which largely mirrors the state personnel system with regard to salaries and hiring and termination procedures. Judges and elected officials' salaries are set in statute.

Partnership Agreement

The "Colorado Partnership for Quality Jobs and Services Act", also known as the "partnership agreement" is set forth in Part 11 of Article 50 of Title 24, C.R.S., as added by H.B. 20-1153 (Colorado Partnership for Quality Jobs and Services Act). Section 24-50-1111 (6), C.R.S., defines a collective bargaining process between the State, as represented by the Governor, and the state employee union on behalf of covered employees.

Since its establishment in 2020, and first agreement ratified in 2021, the partnership agreement guides and predominantly directs statewide compensation policy.

Section 24-50-1102 (3), C.R.S., defines a covered employee as follows:

"(3) 'Covered employee' means an employee who is employed in the personnel system of the state established in section 13 of article XII of the state constitution, unless the individual falls into any of the following categories:

- (a) Confidential employees;
- (b) Managerial employees;
- (c) Executive employees;
- (d) The director, the director of the division of labor standards and statistics, the governor's designee, € and employees working with either director to implement this part 11;
- (e) Administrative law judges and hearing officers;
- (f) State troopers;
- (g) Employees of the legislative branch; and
- (h) Temporary appointees as described in Section 24-50-114."

Sections 24-50-1111 and 24-50-1117, C.R.S., identify the duties of the State and the oversight role of the General Assembly and requires that the costs of implementation or administration of the Act be "paid from the General Fund, subject to available appropriation." Specifically, Section 24-50-1111 (6), C.R.S., directs that:

"The provisions of a partnership agreement that require the expenditure of money shall be contingent upon the availability of money and the specific appropriation of money by the General Assembly. If the General Assembly rejects any part of the request, or while accepting the request takes any action which would result in a modification of the terms of the cost item submitted to it, either party may reopen negotiations concerning economic issues."

Prior to the partnership agreement the statewide compensation process was guided by an annual total compensation report. That annual report was changed to a quadrennial report by JBC bill, H.B. 22-1337 (State Personnel Director's Compensation Report)

The current Partnership Agreement (PA) was signed on September 23, 2024. There have been no major changes to the existing agreement since last session, but there are a few items that the Committee should be aware of when thinking about the Total Compensation request.

- If medical, dental, and/or vision insurance rates increase in any fiscal year through June 30, 2028, the State agrees to absorb 100 percent of the costs of any rate increase. In the first PA, the State agreed to pay the first \$20.0 million of any increase.
- A new series of across-the-board (ATB) increases are now in place. They are as follows:
 - On July 1, 2026 (FY 26-27) employees will receive a 3.1% ATB increase; and
 - On July 1, 2027 (FY 27-28) employees will receive an ATB increase to be determined by a "Steps 2.0" working group.
- The entire step structure will increase by 2.0 percent in each of the next three fiscal years.

FY 2026-27 Costs of the Agreement

The primary cost driver for FY 2026-27 resulting from the PA is the 3.1 percent across-the-board increase. The table below outlines the different aspects of the agreement that are driving increased costs for FY 2026-27.

Costs Associated with COWINS Partnership Agreement FY 2026-27

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2026-27 Request					
3.1 percent ATB increase	\$100,420,712	\$53,132,714	\$25,220,896	\$11,127,386	\$10,939,716
Step Increases	\$14,702,593	11,702,073	1,901,534	449,025	649,962
STEP-like increases (0.4%)	\$2,323,176	1,097,156	308,152	755,428	162,440
Movement to Range Minimum	\$3,889,873	100,870	3,581,292	183,664	24,048
TOTAL	\$121,336,354	\$66,032,813	\$31,011,873	\$12,515,502	\$11,776,166

3.1 Percent Across-the-Board Increase

The request includes \$100.4 million total funds, including \$53.1 million General Fund to implement a 3.1 percent across-the-board (ATB) increase for all classified employees. This is the second of three ATB increases outlined in the current PA. For FY 2027-28, the ATB increase amount will be determined by the Steps 2.0 working group.

Step Increases

The request includes \$14.7 million total funds, including \$11.7 million General Fund to continue the implementation of the Step Pay plan. The step increase is similar but slightly larger than it was for FY 2025-26. In general, the annual cost of the Step Pay plan has been lower than what would be expected as a result of the ATB increases being applied to employee salaries before the step increases are applied. As long as the ATB increases continue around 3.0 percent, the step increases should hover between \$10-\$15 million per year.

Step-like Increases

The request includes \$2.3 million total funds, including \$1.1 million General Fund to implement step-like increases for non-covered employees. For FY 2026-27, the Department has calculated the average step plan increase at 0.4 percent. Denial of this portion of the request would not trigger PA renegotiations.

Movement to Range Minimum

The request includes \$3.9 million total funds, including \$100,870 General Fund for statutory salary increases for State Patrol Troopers.

Movement to new class minimum is applied to Troopers I and II as their series progression is slightly different from standard classified employees. After four years of service, a Trooper I will move up to Trooper II classification. If at that point their salary plus ATB increase is below the Trooper II salary, they will get an increase for movement to the new class minimum. This scenario repeats itself as a Trooper II moves up to a Trooper III classification after eight years of service.

Movement to range minimum for all Trooper classes is applied when the annual assessment of pay ranges determines that an adjustment is needed. If after applying the ATB increase a Trooper is still below the new range minimum, they will receive an additional increase to bring them to the range minimum.

These classes are different from other classified employees because of the statutory requirement that the amount of their salary shall be at least 99.0 percent of the actual average salary provided to the top three law enforcement agencies within the State that have both more than 100 commissioned officers and highest actual average salary.

Staff-initiated Policy Recommendations

Salary Increase Order of Operations

The request for salary increase is predominantly based on the Partnership Agreement. However, staff is concerned with the lack of cost transparency provided by the current salary increase order of operations.

Salary Increase Basics

Generally, salary increases are provided for two reasons: (1) to fairly compensate an employee for increased ability and expertise in the position; and (2) to compensate for inflationary adjustments in the economy.

The Step increase addresses the first reason and the ATB/COLA addresses the second reason. These are two separate policy components and considerations.

Additionally, in order to maintain a fair and equitable compensation system, the job class system needs to remain in some kind of intentional alignment with broader labor market adjustments for job classes.

This is addressed through structural, salary range adjustments; a third policy component and consideration.

Salary increases are primarily and directly experienced by state employees. And, state employees may also pay attention to the potential for increase in the future based on the State's salary range adjustments. However, the structural adjustment is primarily a responsibility of a good employer compensation system, and a significant concern for the employee bargaining unit, the union, but not nearly as immediately apparent or concerning to an employee as the first two components that address employee salary directly.

Increase Adjustments

ATB/COLA

The first component that is addressed in the Executive Branch compensation system is the across-the-board increase, also known as the "ATB" and referred to in the Partnership Agreement as the "COLA".

This ATB/COLA increase is the first component that is applied to salary increases. The nature of the ATB increase is that every employee, from the lowest paid front-line employee to the Governor, and other professional, technical, and managerial class employees with even higher salaries than the Governor, receives the ATB/COLA increase.

This increase is most significant and most costly to the state budget for increasing salaries for the highest paid employees; i.e. 3.1 percent on \$50,000 is \$1,550, while the same increase on \$200,000 is \$6,200. In staff's opinion, this is a policy that favors salary increases for the highest paid employees of the state and is not a particularly good, "bang for the buck" investment of state dollars for salary increases generally.

The highest paid employees of the state – managerial, professional, and technical – tend to have opportunities to move into different positions and bargain for salary increases in that more mobile career process. Most front-line, classified employees do not have that flexibility to additionally "bargain" for higher salary through job

movement. In staff's opinion, the frontloading of salary increase in an ATB as practiced in this order of operations is inordinately more favorable to higher paid positions.

Additionally, by starting the order of operations with the ATB, all of the other increase components are functionally hidden in the cost of the ATB. The Committee and the General Assembly are not able to accurately assess incremental cost-benefit decisions about each component.

An ATB/COLA should primarily be intended to provide a fair cost-of-living increase for most front-line workers of the state; and in that sense, following this principle would more closely honor the spirit of the partnership agreement.

Step

The second component is the Step system increase for covered employees. This is fairly straightforward and costs are generated by the increases structured to increase pay for increased ability and skill set on the basis of experience.

However, the order of operations in the Executive Branch compensation system only provides Step pay as a visible cost component if the Step increase for a covered employee exceeds the ATB/COLA amount. Functionally and actually, the ATB/COLA “pays” for most of the Step increase; for FY 2026-27, 3.1 percent of whatever the actual step increase may be for each employee. This policy in the current order of operations is, in an employee’s paycheck, functionally equivalent to providing a 3.1 percent step increase for every employee of the state.

More critically, from staff’s perspective, the Committee has no awareness of the actual cost of the covered employee Step increase as provided in the Partnership Agreement because it is hidden in the ATB/COLA increase. The Committee and the General Assembly are not able to accurately assess the incremental cost-benefit for the covered employee Step increase component.

Although Step Pay is identified as a stand-alone line item in department compensation appropriations, it is relatively unhelpful from a historical cost-tracking perspective because it does not currently reflect the actual, full budgeted cost for Step increases – either for covered employees or the Step-like component addressed next.

Step-like

The third component is an estimate of the Step increase on the statewide base salary amount that is then applied to non-covered employee salaries to generate an equivalent amount that might be appropriated for a “Step-like” increase.

For clarification, the Step-like increase is not an increase that is provided to each non-covered employee in the way a Step increase is provided to covered employees. Rather, it is a lump sum that is provided to the department or agency as a merit pay amount that may be distributed as determined by managerial decision.

Staff is not concerned about the use of the Step-like increase as a merit pay increase. Staff supports this alternative source of rewarding non-covered employees through a merit pay determination.

However, the amount provided is only based on the amount of “overhang” from the actual cost of the Step increase for covered employees included in the Step adjustment. This year, that is determined to be 0.4 percent

of base salary. However, that figure is lower than the actual cost of the actual covered employee Step increase due to the ATB/COLA increase that absorbs most of the actual Step increase in the current order of operations.

If this Step increase and Step-like increase system is to be applied equitably for covered and non-covered employees, consistent with expectations built into constitutional and statutory provisions that guide statewide compensation, the actual cost of step should be transparent and should generate an accurate percentage that could be equitably applied to Step-like increases.

Staff is not suggesting that the State “can” afford and should pay for the full cost of recognizing such an adjustment. Staff simply believes that the methodology and the order of operations should support the principles of cost transparency and also hew to the spirit of the law related to principles of fair compensation as guided by the various constitutional and statutory provisions that address compensation.

CSP Movement-to-range-minimum

As staff understands, the CSP movement-to-range-minimum (MTRM) component, functions as a “step system” for state patrol. Nevertheless, this cost adjustment is built into the Salary Survey increase rather than the Step Pay increase component.

These classes are different from other classified employees because of the statutory requirement that the amount of state patrol salary is required be at least 99.0 percent of the actual average salary provided to the top three law enforcement agencies within the State.

However, the CSP MTRM also gets applied after the ATB. Therefore, the ATB pays for most of the MTRM increase.

Structural Adjustments

System Maintenance Study Adjustments

System maintenance studies (SMS) represent a detailed comparison of state salaries to market salaries for particular occupational classes or series. These studies are conducted: (1) to ensure that state system job classes are grouped and paid appropriately; (2) to determine whether a class structure is current and adequate; (3) to ensure salary grades and relationships are appropriate; and (4) to determine whether specific classes should be revised, abolished, or created. **For FY 2026-27 there are no system maintenance study adjustments recommended.**

Structural Pay Rate Adjustment (statewide)

A statewide structural pay rate adjustment, 2.0 percent requested for FY 2026-27, has the effect of increasing all employees pay “structures” by 2.0 percent. This includes: (1) covered employees in the classified system; (2) non-covered employees whose job class compensation are defined by salary ranges; and (3) every leadership employee with an individual, negotiated or otherwise established salary amount that is not set within a range. This structural component moves the cost of every job position in the state 2.0 percent higher.

Staff Concerns with Structural Adjustments Practice and Order in the Order of Operations

The purpose of the structural adjustment is to ensure that the State's salary ranges are adequately aligned to the market. Theoretically, salary increases provided from this adjustment simply allow employees to remain level in their salary in comparison to changes in the market.

However, in the order of operations, this structural adjustment is couched within the ATB increase. So, the 3.1 percent requested increase provides a 3.1 percent increase for every employee of the state. And, every employee of the state also has their pay range increased by 2.0 percent. Functionally, this is actually a 1.1 percent increase within the salary range and also masks the cost of the structural adjustment.

Further, this "statewide" adjustment applies to all positions, not only those that are actually lagging the market. This moves all positions the same amount regardless of the actual relative misalignment with the market by occupational class or for positions not on a salary range, comprising the highest paid leadership positions in the state; positions which, by their nature, imply prior, independent negotiation for pay.

This methodology takes the broad approach that "on a statewide average" the State remains better positioned as an employer across all salary ranges, based entirely on an assessment of the statewide average. However, a lower cost, "better bang for the buck" approach would first and primarily rely on SMS adjustments to salary ranges for specific job classes and series that are known or believed to be significantly below market.

In staff's opinion, this "statewide and across-the-board" approach is preferred and pursued by the Department of Personnel without consideration for improved system precision out of a sense of bureaucratic inertia; the choice to continue doing what has always been done because it is the accustomed, practiced, seasoned, and technically easiest way to maintain salary range connection to the market from year to year. It does not require the additional technical work each year to assess 10 or 20 particular and discrete occupational classes or series. However, a priori, it is clearly not an effective method to maintain connection to the market for positions that are most significantly misaligned below the market, nor for positions already compensated above the market. This policy, and its cost to the State, is only "just right" for those occupational classes that are exactly below the market by the statewide average.

When the Department presented its quadrennial compensation survey to the Committee in November, Committee members expressed concern about some occupational classes shown at higher than market in the Department's own survey results. However, under the statewide approach, even those already higher than market positions also receive the statewide structural adjustment.

Staff's prior experience with this "backdoor" approach to structural adjustments became particularly concerning and apparent when looking at the salary range distribution and "compression" for correctional officers. Scatter plot charts generated just prior to 2020 showed that as correctional officers were added after 2003, when the former step system was functionally replaced with a merit pay system, correctional officers became lumped at the bottom of the salary range and never moved from that position.

The reason for this was that the only salary increase component consistently provided from 2003 through FY 2022-23, was ATB increases. Almost without fail, the annual compensation survey and report identified that the State should increase pay by 3 percent through an ATB increase and salary ranges should also move by 3 percent. Every 3 percent salary increase, along with a 3 percent structural increase created salary compression at the bottom of the salary range for every classified position.

Broadly and generally, over that period, state employees did not move within the salary range. Theoretically, employees could slide in the salary range.

When making structural adjustments for salary range, typically from an SMS for critical or especially misaligned occupational classes, there was often a cost identified with providing the salary increase for those employees already at the minimum, to remain at the minimum. However, the policy did not likewise “move up” all employees throughout the salary range by that same amount. This functionally creates compression. Employees at any level higher than the minimum, get compressed down in the range because of structural changes without compensating increases.

On this basis, most structural adjustments (through a statewide adjustment) were simply matched to the ATB increase – most of the time over those 20 years, requested at 3 percent and 3 percent. This gave all employees an increase, and allowed the salary range to maintain connection to the market average. But this method ignores and defies the reality of the cost of a structural change.

If those components had been separated, each paid for separately, and the salary range adjustment paid for first, then the 3 percent applied to the ATB would have been spent on the salary range adjustment. Functionally, the ATB and the structural range adjustment were the same thing.

Had the structural adjustment been paid for first, there would have been transparency that there really was no additional salary increase. Salary range compression is created when structural adjustments are not transparently applied and paid for first in salary increase policies.

Fundamentally, a structural adjustment should be paid for in moving all employees in the salary range by the structural increase, so that each employee remains at the same level in the salary range. After this, additional increases, including Step, Step-like merit, or ATB should then be applied in addition as determined by policy and funding decisions.

The current iteration of this process for FY 2026-27 provides a 3.1 percent ATB with a 2.0 percent structural salary range adjustment. To enable a 2.0 percent structural adjustment, the cost of 2.0 percent on salary base should be identified and paid for specifically for that policy. Any additional ATB increase should be the final component added to the salary increase order of operations.

Staff Recommendations

Staff recommends that the Committee pursue legislation to require the Executive Branch to implement salary increase adjustments using the following order of operations and methodology:

1. Any recommended structural adjustment should be (a) requested as the first component in the order of operations, (b) have its cost clearly identified in the request, and (c) should generally, if not exclusively, be addressed through system maintenance study recommended adjustments.

Staff recommends that the Committee may wish to set a threshold that requires the Department of Personnel to recommend structural adjustments for occupational classes or series that reflects the midpoint of the salary range as 10 percent or more below the market median. Each SMS adjustment should be treated as a discrete request component item for JBC consideration.

Additionally, a provision could be added to the Partnership Agreement statutes that requires annual agreement on a list of occupational classes that should undergo SMS assessment each year. This

recommendation uses the Partnership Agreement structure to ensure that the most pressing or concerning occupational class salary range needs are addressed on an ongoing basis.

2. Step increase policy should be clarified in statute to apply either on the current, unadjusted base salary, or on the budget year, structurally adjusted base salary. Regardless, once the structural adjustment has been paid for, there is no illusion about the actual cost of the step pay adjustment; it is not conflated and commingled with the structural adjustment.
3. Step-like increase policy may remain as a merit pay pool of money, and should be based on the actual average statewide increase on base salary for step pay for covered employees.
4. The final salary increase policy should be an ATB/COLA adjustment that is added at the end of the prior salary adjustments and should be calculated on the current base salary amount and not on the budget year adjusted/increased salary amount. A 1.0 percent ATB/COLA costs approximately 1.13 percent (and a 2.0 percent approximately 2.26 percent, etc.) on current base salary when factoring in the base cost of the PERA contribution (11.63 percent) and the FICA/Medicare contribution (1.45 percent).

→ Salary Increase Order of Operations

Recommendation

Staff recommends that the Committee pursue legislation to require the Executive Branch to implement salary increase adjustments using the following order of operations and methodology:

1. Any recommended structural adjustment should be (a) requested as the first component in the order of operations, (b) have its cost clearly identified in the request, and (c) should generally, if not exclusively, be addressed through system maintenance study recommended adjustments.
Staff recommends that the Committee may wish to set a threshold that requires the Department of Personnel to recommend structural adjustments for occupational classes or series that reflects the midpoint of the salary range as 10 percent or more below the market median. Each SMS adjustment should be treated as a discrete request component item for JBC consideration.
Additionally, a provision could be added to the Partnership Agreement statutes that requires annual agreement on a list of occupational classes that should undergo SMS assessment each year. This recommendation uses the Partnership Agreement structure to ensure that the most pressing or concerning occupational class salary range needs are addressed on an ongoing basis.
2. Step increase policy should be clarified in statute to apply either on the current, unadjusted base salary, or on the budget year, structurally adjusted base salary. Regardless, once the structural adjustment has been paid for, there is no illusion about the actual cost of the step pay adjustment; it is not conflated and commingled with the structural adjustment.
3. Step-like increase policy may remain as a merit pay pool of money, and should be based on the actual average statewide increase on base salary for step pay for covered employees.
4. The final salary increase policy should be an ATB/COLA adjustment that is added at the end of the prior salary adjustments and should be calculated on the current base salary amount and not on the budget year adjusted/increased salary amount. A 1.0 percent ATB/COLA costs approximately 1.13 percent (and a 2.0

percent approximately 2.26 percent, etc.) on current base salary when factoring in the base cost of the PERA contribution (11.63 percent) and the FICA/Medicare contribution (1.45 percent).

Reconsideration of POTS Expenditure Policy

Currently, compensation policies are provided flexible spending authority at the department level. Compensation policy appropriations may be “grouped” as a single pot of money in departments and allocated by executive director authority to programs and divisions based on fiscal need. Allocations are generally not made based on the proportional cost of payroll components for those programs or divisions, but rather on the program or division need for additional funding for any purpose.

As POTS money is provided to a program or division, it is credited in the accounting system and expended at the personal services or program line item. The program or division may spend that money on any purpose allowed by the line item and is not limited to spending those funds on compensation policies.

This expenditure flexibility appears to be provided in Section 24-75-105, C.R.S.

24-75-105. Transfers required to implement conditional and centralized appropriations – repeal. (1)

Transfers of appropriations which are authorized in the 1990-91 and subsequent general appropriation acts and are required to implement appropriations conditioned on the distribution of the appropriation among, or the transfer of the appropriation between, departments, agencies, or programs, including centralized appropriations, are expressly authorized.

(2) This section is repealed, effective September 1, 2030.

This section was added in 1986 and has remained in basically the same form since that time, with regular updates to the automatic repealer.

Recent JBC staff analysis for the Department of Corrections overexpenditure issues for the ULAED line item suggest that there appears to be significant misalignment between appropriation as set through common policies and expenditures. This generally calls into question the accuracy of the current Executive Branch template-generated appropriation which JBC staff also uses to set compensation appropriations statewide.

On that basis, staff conducted additional appropriation-expenditure analysis across departments over the most recent three years. Staff used object code detail schedule data for HLD and ULAED, the two most expensive compensation policy components over the most recent three-year period of available data.

The following table outlines the General Fund over- and underexpenditure experience over the most recent three years for the HLD appropriation for departments funded with General Fund.

Actual expenditure over/-under Health, Life, and Dental General Fund Appropriation (\$)

	FY 22-23	FY 23-24	FY 24-25
Agriculture	-112,327	-604,716	-273,740
Corrections	-5,995,807	-2,372,782	369,644
Early Childhood	214,895	357,393	459,713
Education	152,726	-465,020	-159,433
Governor	23,922	145,994	283,158
HCPF	-300,011	539,888	22,430
Higher Ed	-352,528	-371,580	-939,120

	FY 22-23	FY 23-24	FY 24-25
Human Services	-4,910,670	-12,263,593	5,508,851
Judicial	-645,702	-1,436,036	1,975,055
Labor	61,089	-578,755	-221,106
Law	-144,237	-597,196	-740,009
Local Affairs	45,191	-38,892	-17,909
Military and Veterans	-266,095	-132,376	-216,018
Natural Resources	-223,317	-201,000	306,067
Personnel	-161,290	-969,580	-676,175
Public Health	-1,269,225	-2,564,483	511,514
Public Safety	-2,042,054	-1,529,861	-1,672,841
Revenue	-1,981,826	-1,397,411	-2,224,748
Treasury	-14,364	-27,742	-349,294
Total	-\$17,921,630	-\$24,507,746	\$1,946,039

In total, there was a net overexpenditure across all departments for FY 2024-25; although there were significant net underexpenditures in FY 2022-23 and FY 2023-24.

The following table outlines the percentage of over- or underexpenditure of General Fund.

Actual expenditure over/-under Health, Life, and Dental General Fund Appropriation (%)

	FY 22-23	FY 23-24	FY 24-25
Agriculture	-12.0%	-38.7%	-18.3%
Corrections	-8.9%	-3.2%	0.5%
Early Childhood	36.3%	29.3%	29.6%
Education	5.8%	-12.7%	-4.0%
Governor	1.7%	7.7%	12.7%
HCPF	-8.4%	13.0%	0.4%
Higher Ed	-98.5%	-93.2%	-98.2%
Human Services	-13.0%	-31.3%	14.6%
Judicial	-1.2%	-2.3%	2.9%
Labor	6.0%	-27.6%	-10.2%
Law	-9.6%	-30.5%	-32.3%
Local Affairs	6.6%	-4.1%	-1.7%
Military and Veterans	-36.4%	-18.6%	-22.7%
Natural Resources	-6.1%	-5.1%	7.8%
Personnel	-9.9%	-34.7%	-20.7%
Public Health	-21.7%	-38.0%	10.5%
Public Safety	-25.3%	-17.0%	-15.4%
Revenue	-23.3%	-15.5%	-20.6%
Treasury	-5.4%	-8.0%	-89.4%
Median	-8.9%	-15.5%	-4.0%
Average	-11.8%	-17.4%	-13.4%

As outlined, there is a 13.4 percent department-average underexpenditure of the HLD appropriation of General Fund statewide for FY 2024-25. However, the larger takeaway is the significant range of differences from appropriation. There does not appear to be consistency from department to department that might suggest a specific, statewide or system problem. Four departments – shaded in the table, generally come closer each year to the appropriation than their peers, remaining within a range of plus or minus 8 percent in either direction; an outcome we would expect generally if we are budgeting accurately.

The following table groups the consistently over-appropriated, under-appropriated, and mixed experience departments over the three-year period.

3-year actual expenditure experience – over/-under Health, Life, and Dental General Fund Appropriation

	FY 22-23	FY 23-24	FY 24-25
Consistently over-appropriated			
Agriculture	-112,327	-604,716	-273,740
Higher Ed	-232,146	-258,807	-718,882
Law	-144,237	-597,196	-740,009
Military and Veterans	-266,095	-132,376	-216,018
Personnel	-161,290	-969,580	-676,175
Public Safety	-2,042,054	-1,529,861	-1,672,841
Revenue	-1,981,826	-1,397,411	-2,224,748
Treasury	-14,364	-27,742	-349,294
Subtotal	-\$4,954,338	-\$5,517,687	-\$6,871,707
Consistently under-appropriated			
Early Childhood	214,895	357,393	459,713
Governor	23,922	145,994	283,158
Subtotal	\$238,817	\$503,387	\$742,872
Mixed appropriation experience			
Corrections	-5,995,807	-2,372,782	369,644
Education	152,726	-465,020	-159,433
HCPF	-300,011	539,888	22,430
Human Services	-4,910,670	-12,263,593	5,508,851
Judicial	-645,702	-1,436,036	1,975,055
Labor	61,089	-578,755	-221,106
Local Affairs	45,191	-38,892	-17,909
Natural Resources	-223,317	-201,000	306,067
Public Health	-1,269,225	-2,564,483	511,514
Subtotal	-\$13,085,726	-\$19,380,672	\$8,295,113
Total	-\$17,801,247	-\$24,394,973	\$2,166,277
All depts except Corrections, Human Services, and Judicial	-6,249,068	-8,322,561	-5,687,272
Corrections, Human Services, and Judicial	-11,552,179	-16,072,411	7,853,550
Total	-\$17,801,247	-\$24,394,973	\$2,166,277

Similarly, the expenditure experience for the second largest compensation policy appropriation, the ULAED, shows a similar pattern of inconsistency in the accuracy of the appropriation. Most critically, keep in mind, regardless of the appropriation, the actual expenditure for this item is what actually gets paid to PERA for unfunded liability amortization payments and impacts the fiscal health of PERA. Any over-appropriation is likely spent by each department on program operating expenses for programs and divisions.

The following tables outline the same data points for ULAED.

Actual ULAED expenditure over/-under ULAED General Fund Appropriation

	FY 22-23	FY 23-24	FY 24-25
Agriculture	-113,427	-263,521	-204,518

	FY 22-23	FY 23-24	FY 24-25
Corrections	2,843,451	5,388,646	4,350,938
Early Childhood	113,104	235,246	404,551
Education	309,285	-20,653	-4,432
Governor	73,705	186,567	166,391
HCPF	82,522	535,810	-40,086
Higher Ed	-14,301	-26,731	-212,855
Human Services	-937,197	-4,387,582	2,905,999
Judicial	-422,293	-696,266	150,180
Labor	100,308	-1,641	-75,265
Law	-313,385	-385,352	-452,565
Local Affairs	-85,612	-33,578	-13,485
Military and Veterans	-167,568	-81,665	-95,675
Natural Resources	46,106	181,522	192,515
Personnel	-51,759	-333,984	-134,429
Public Health	1,079,123	-1,601,759	430,668
Public Safety	-766,015	-536,315	-590,078
Revenue	-644,580	-362,176	-1,016,643
Treasury	-2,172	-4,240	-231,479
Total	\$1,129,295	-\$2,207,670	\$5,529,733

Actual ULAED expenditure over/-under ULAED General Fund Appropriation (%)

	FY 22-23	FY 23-24	FY 24-25
Agriculture	-17.5%	-30.0%	-21.7%
Corrections	7.6%	14.2%	10.2%
Early Childhood	27.5%	33.0%	52.3%
Education	18.6%	-1.0%	-0.2%
Governor	6.0%	13.5%	10.0%
HCPF	3.7%	20.7%	-1.2%
Higher Ed	-6.2%	-10.7%	-32.6%
Human Services	-4.1%	-20.6%	12.4%
Judicial	-1.2%	-1.7%	0.3%
Labor	18.1%	-0.2%	-6.2%
Law	-23.5%	-24.1%	-24.5%
Local Affairs	-17.1%	-6.3%	-2.3%
Military and Veterans	-33.7%	-17.2%	-16.2%
Natural Resources	2.3%	8.9%	8.6%
Personnel	-4.3%	-18.7%	-7.5%
Public Health	42.7%	-34.9%	13.1%
Public Safety	-14.8%	-9.2%	-8.6%
Revenue	-13.7%	-7.6%	-17.6%
Treasury	-1.0%	-1.6%	-81.4%
Median	-1.0%	-1.7%	-2.0%
Average	2.2%	-1.3%	-4.3%

3-year actual ULAED expenditure experience – over/-under ULAED General Fund Appropriation

	FY 22-23	FY 23-24	FY 24-25
Consistently over-appropriated			
Agriculture	-113,427	-263,521	-204,518
Higher Ed	-14,301	-26,731	-212,855
Law	-313,385	-385,352	-452,565
Local Affairs	-85,612	-33,578	-13,485

	FY 22-23	FY 23-24	FY 24-25
Military and Veterans	-167,568	-81,665	-95,675
Personnel	-51,759	-333,984	-134,429
Public Safety	-766,015	-536,315	-590,078
Revenue	-644,580	-362,176	-1,016,643
Treasury	-2,172	-4,240	-231,479
Subtotal	-\$2,158,818	-\$2,027,561	-\$2,951,727
Consistently under-appropriated			
Early Childhood	113,104	235,246	404,551
Governor	73,705	186,567	166,391
Natural Resources	46,106	181,522	192,515
Subtotal	\$232,915	\$603,335	\$763,456
Mixed appropriation experience			
Corrections	2,843,451	5,388,646	4,350,938
Education	309,285	-20,653	-4,432
HCPF	82,522	535,810	-40,086
Human Services	-937,197	-4,387,582	2,905,999
Judicial	-422,293	-696,266	150,180
Labor	100,308	-1,641	-75,265
Public Health	1,079,123	-1,601,759	430,668
Subtotal	\$3,055,198	-\$783,444	\$7,718,004
Total	\$1,129,295	-\$2,207,670	\$5,529,733
All depts except Corrections, Human Services, and Judicial	-354,665	-2,512,469	-1,877,384
Corrections, Human Services, and Judicial	1,483,961	304,799	7,407,118
Total	\$1,129,295	-\$2,207,670	\$5,529,733

Annual Supplemental True-ups for Compensation Policies

Eliminating spending flexibility may require additional supplemental action to ensure that departments are adequately appropriated for compensation policies. Staff anticipates that this policy will create the need for an annual supplemental true-up for the common policy across all departments. Nevertheless, staff believes that the additional budget work, centered at the statewide policy level and not at individual departments, is a particularly effective and efficient method to better identify accurate appropriations and provide maximum budget savings for balancing.

Staff Recommendations

Staff recommends that the Committee pursue legislation to specify that centralized compensation policy appropriations may only be expended for their purpose across programs and divisions and must be paid directly from the appropriation and not transferred into personal services or program line items.

Staff additionally recommends for FY 2026-27, that negative adjustments be made to template-generated General Fund appropriations for HLD and ULAED for departments that have: (1) experienced an underexpenditure over the most recent three-year period; (2) average an underexpenditure greater than 5 percent over the three-year period; and (3) that the adjustment percentage be calculated to provide a 5 percent

buffer from the average; i.e., an underexpenditure average of 23.0 percent would be calculated at a reduction of 18.0 percent from the template generated amount.

→ Eliminate POTS Expenditure Flexibility

Recommendation

Staff recommends that the Committee pursue legislation to specify that centralized compensation policy appropriations may only be expended for their purpose across programs and divisions and must be paid directly from the appropriation and not transferred into personal services or program line items.

→ Reduce FY 2026-27 HLD and ULAED Template Amounts

Recommendation

Staff recommends that the Committee approve for FY 2026-27 a consistent methodology for the reduction of HLD and ULAED appropriations from amounts generated by the compensation templates. Staff recommends that negative adjustments be made to template-generated General Fund appropriations for HLD and ULAED for departments that:

1. have experienced an underexpenditure in each year of the most recent three-year period;
2. averaged an underexpenditure greater than 5 percent over the three-year period; and
3. that a reduction adjustment percentage be calculated to provide a 5 percent buffer from the average; i.e., an underexpenditure average of 23.0 percent would be calculated at a reduction of 18.0 percent from the template-generated amount.

Staff further recommends that reductions should be capped at 50 percent. Staff recommends that for FY 2026-27, the Department of Higher Education (DHE) HLD reduction be capped at 50 percent. (Appropriations for History Colorado are not included in the analysis and are excluded from the recommended DHE reductions.) Department reduction recommendations are included in the reduction analysis table that follows.

Analysis

Recommended Reduction to HLD GF Appropriations

Consistently over-appropriated	FY 22-23	FY 23-24	FY 24-25	3-Year Average	Rec'd Adjust
Agriculture	-12.0%	-38.7%	-18.3%	-23.0%	-18.0%
Higher Ed	-98.5%	-93.2%	-98.2%	-96.6%	-91.6%
Law	-9.6%	-30.5%	-32.3%	-24.1%	-19.1%
Military and Veterans	-36.4%	-18.6%	-22.7%	-25.9%	-20.9%
Personnel	-9.9%	-34.7%	-20.7%	-21.8%	-16.8%
Public Safety	-25.3%	-17.0%	-15.4%	-19.2%	-14.2%
Revenue	-23.3%	-15.5%	-20.6%	-19.8%	-14.8%

Consistently over-appropriated	FY 22-23	FY 23-24	FY 24-25	3-Year Average	Rec'd Adjust
Treasury	-5.4%	-8.0%	-89.4%	-34.3%	-29.3%
Median	-17.7%	-24.6%	-21.7%		
Average	-23.3%	-28.5%	-36.8%		

Recommended Reduction to ULAED GF Appropriations

Consistently over-appropriated	FY 22-23	FY 23-24	FY 24-25	3-Year Average	Rec'd Adjust
Agriculture	-17.5%	-30.0%	-21.7%	-23.1%	-18.1%
Higher Ed	-6.2%	-10.7%	-32.6%	-16.5%	-11.5%
Law	-23.5%	-24.1%	-24.5%	-24.0%	-19.0%
Local Affairs	-17.1%	-6.3%	-2.3%	-8.6%	-3.6%
Military and Veterans	-33.7%	-17.2%	-16.2%	-22.4%	-17.4%
Personnel	-4.3%	-18.7%	-7.5%	-10.2%	-5.2%
Public Safety	-14.8%	-9.2%	-8.6%	-10.9%	-5.9%
Revenue	-13.7%	-7.6%	-17.6%	-13.0%	-8.0%
Treasury	-1.0%	-1.6%	-81.4%	-28.0%	-23.0%
Median	-14.8%	-10.7%	-17.6%		
Average	-14.6%	-13.9%	-23.6%		

The following tables outline the estimated savings generated on the current request amount for the HLD and ULAED policies.

FY 2026-27 HLD Request and Estimated GF Reduction Adjustment

	TOTAL	General Fund	GF Reduction Percent	GF Reduction Amount
Agriculture	6,232,899	1,838,935	-18.0%	-331,008
Corrections	101,270,587	99,856,733		
Early Childhood	5,339,568	2,171,202		
Education	12,974,244	5,144,874		
Governor's Office	27,678,835	3,036,935		
Health Care Policy and Financing	18,072,243	6,967,046		
Higher Education - Admin Only	1,431,066	827,879	-50.0%	-413,940
Human Services	82,440,924	47,852,985		
Judicial	100,995,811	93,462,888		
Labor and Employment	33,392,436	2,781,972		
Law	13,069,429	3,133,896	-19.1%	-598,574
Legislature	7,725,716	7,725,716		
Local affairs	5,772,278	1,261,006		
Military and Veterans Affairs	2,989,356	1,056,832	-20.9%	-220,878
Natural Resources	35,844,086	5,515,976		
Personnel	8,021,877	3,292,953	-16.8%	-553,216
Public Health and Environment	38,140,411	6,375,660		
Public Safety	44,538,586	15,603,441	-14.2%	-2,215,689
Regulatory Agencies	11,897,203	365,339		
Revenue	31,947,590	14,042,317	-14.8%	-2,078,263
State	3,071,942	0		
Transportation	3,008,133	0		
Treasury	1,124,518	629,846	-29.3%	-184,545
TOTAL	\$596,979,738	\$322,944,431		-\$6,596,112
Percent of GF Request				-2.0%

As illustrated in the table, estimated savings for the HLD requested appropriation totals \$6.6 million General Fund.

FY 2026-27 ULAED Request and Estimated GF Reduction Adjustment

	TOTAL	General Fund	GF Reduction Percent	GF Reduction Amount
Agriculture	3,043,509	992,949	-18.1%	-179,724
Corrections	45,814,582	45,252,662		
Early Childhood	2,443,506	1,009,196		
Education	7,154,161	3,008,995		
Governor's Office	17,182,951	1,921,071		
Health Care Policy and Financing	9,281,509	3,619,548		
Higher Education - Admin Only	2,297,041	750,268	-11.5%	-86,281
Human Services	38,621,610	23,535,699		
Judicial	53,852,187	49,995,568		
Labor and Employment	15,917,096	1,304,314		
Law	8,902,940	2,162,394	-19.0%	-410,855
Legislature	4,832,980	4,832,980		
Local affairs	2,444,634	608,105	-3.6%	-21,892
Military and Veterans Affairs	1,587,990	602,295	-17.4%	-104,799
Natural Resources	18,284,696	2,569,158		
Personnel	3,996,167	1,824,305	-5.2%	-94,864
Public Health and Environment	20,595,712	3,480,839		
Public Safety	23,280,630	8,140,105	-5.9%	-480,266
Regulatory Agencies	6,314,112	173,737		
Revenue	13,724,634	6,217,454	-8.0%	-497,396
State	1,605,996	0		
Transportation	1,663,374	0		
Treasury	576,159	365,751	-23.0%	-84,123
TOTAL	\$303,418,176	\$162,367,393		-\$1,960,200
Percent of GF Request				-1.2%

As illustrated in the table, estimated savings for the ULAED requested appropriation totals \$2.0 million General Fund. Total estimated savings on both HLD and ULAED for the requested appropriation totals \$8.6 million General Fund.

If the Committee approves this recommendation, staff will make corresponding adjustments to final Committee-approved funding policies for HLD and ULAED.

Staff anticipates that regardless of Committee decisions on HLD policy, the HLD request and estimated savings reflected here will be very close to final amounts. Similarly, regardless of Committee decisions on compensation components, ULAED policy is set in statute, and the requested amount and estimated savings will also be very close to final amounts statewide. Staff is confident that the estimated savings reflected here will approximately be achieved regardless of final HLD and compensation component decisions.

Base Salary and New FTE Assumptions

These items are methodology standards for calculating base salary and for applying policies for new FTE added in the fiscal year.

→ Continuation of Base Salary Calculation

Recommendation

Staff recommends continuation of the established base salary calculation.

Analysis

This common policy establishes a standard method for JBC staff to calculate the continuation salaries appropriated in each department's personal services or program line items that includes a personal services component. The JBC has generally followed the same method for calculating the continuation personal services since FY 1995-96. This method is summarized in the table below.

Base Salary Calculation

Prior year Long Bill

- +/- Any other prior year appropriation bills
- +/- Supplemental bills recommended by the JBC in the current session

= Current year appropriation

- +/- Annualizations of prior year legislation that were delineated in a fiscal note
- +/- Annualizations of prior year budget decisions funded in the Long Bill
- +/- The line item's share of any prior year salary increases provided in a centralized appropriation
- +/- Technical adjustments, such as fund source adjustments
- Base personal services reduction, if applicable

= Continuation funding

- +/- Staff recommendations on department change requests
- +/- Other staff recommended adjustments

= Staff recommendation

→ Continuation of Compensation Assumptions for New FTE

Recommendation

Staff recommends continuation of the established compensation assumptions for new FTE.

Analysis

When estimating funding required for new FTE, JBC staff and Legislative Council (LCS) Fiscal Notes Staff generally use the same assumptions.

Beginning in FY 2025-26, executive branch agency requests use a biweekly, two-week lag pay payroll cycle, generally reducing actual first year salary payments by 7.7 percent or four of fifty-two weeks or two of twenty-six pay cycles in the year. LCS Fiscal Note policy established for FY 2025-26 is to follow that methodology for executive branch agency requests. JBC staff continue to calculate new FTE on a monthly current payroll cycle basis, offsetting one month of General Fund for the pay date shift, reducing General Fund by 8.33 percent equal to one month, or one-twelfth for an anticipated full-year FTE.

The key components of the assumptions for compensation for new FTE include:

- Salaries at the minimum of the current year range for the job class unless sufficient evidence is provided to deviate from this policy. The evidence should include vacancy rates, time-to-fill data, and turnover rates.
- Salaries paid on a bi-weekly lag pay cycle or monthly current pay cycle. First-year impacts are prorated to reflect the effective date of the bill and reflect the pay date shift for General Fund employees on a monthly current payroll cycle.
- FTE assumptions are based on a work year of 2,080 hours.
- Certain benefits and operating expenses are estimated, but excluded from the total cost identified in fiscal notes, including compensation policies and some operating costs, including health, life, and dental, short-term disability, paid family and medical leave insurance, unfunded liability amortization equalization disbursement payments, leased space, and indirect costs. An exception to the exclusion is provided for increases of at least 20.0 new FTE.

Providing funding for new FTE at current year salary rates and excluding related compensation and certain operating costs results in less-than-full-funding for new FTE. However, it is not uncommon for departments to experience delays in hiring, which reduces the FTE cost in the first year. Additionally, the budget policies for new FTE require departments to dedicate some vacancy, turnover, or other operating savings, to fully fund new staff in the first year of operations. This policy serves to ensure that departments are also committed to the cost of new FTE.

In the second year of new FTE funding, all excluded benefits and operating expenses are built into a department's budget through the normal budget processes.

Salary Increase Components

As staff addressed in the Salary Increase Order of Operations section, staff offers a different order of salary increase component consideration for the Committee. The following sequence of Committee decisions follows staff's order recommendation. The request amount is reflected as the amount identified in the Department of Personnel's compensation request. However, staff also provides an alternate estimate of the cost based on a revised order of operations.

→ 2% Structural Salary Range Adjustment

Request

The request is for an across-the-board, structural salary range adjustment of 2.0 percent. The request does not identify a cost because the request makes the assumption that the salary range adjustment is addressed after a 3.1 percent ATB/COLA salary increase adjustment.

Recommendation

Staff recommends denial of the structural salary range adjustment request.

Analysis

As stated in the Salary Increase Order of Operations section, staff recommends that structural adjustments:

- should be made through system maintenance studies for occupational classes most out of alignment with the market;
- should not be made on an across-the-board basis;
- should be paid for first.

Staff estimates that a 2.0 percent across-the-board structural salary range adjustment, if paid for discretely, costs \$66.4 million total funds, including \$34.9 million General Fund.

The Department provided their estimated cost for a 2.0 percent across-the-board structural salary range adjustment with a 2.0 percent ATB/COLA salary increase and estimate a cost of \$65.5 million total funds, including \$34.8 million General Fund.

→ Minimum Wage Adjustment

Request

The request includes no minimum wage adjustment because necessary minimum wage adjustments are paid for within the 3.1 percent ATB/COLA salary increase.

Recommendation

Staff recommends that minimum wage adjustments be applied as necessary based on Committee decisions for salary increase components and the order of operations.

Staff estimates a cost of \$38,000 total funds, including \$967 General Fund, with no ATB/COLA salary increase.

→ CSP Movement to Range Minimum (CSP Step)

Request

The request for the CSP Movement to Range Minimum totals \$4.0 million, including \$103,000 General Fund and \$3.6 million from HUTF off-the-top cash funds.

Recommendation

Staff recommends that the Committee approve the required adjustment for the CSP MTRM based on Committee decisions for salary increase components. Staff requests permission to make adjustments for this item based on the Committee's decisions.

Analysis

As staff understands, the CSP movement-to-range-minimum (MTRM) component, functions as a "step system" for state patrol. Nevertheless, this cost adjustment is built into the Salary Survey increase rather than the Step Pay increase component.

These classes are different from other classified employees because of the statutory requirement that the amount of state patrol salary is required be at least 99.0 percent of the actual average salary provided to the top three law enforcement agencies within the State.

However, the CSP MTRM also gets applied after the ATB. Therefore, the ATB pays for most of the MTRM increase.

Staff estimates that the CSP MTRM totals \$6.3 million, including \$183,000 General Fund and \$5.7 million from HUTF off-the-top cash funds, with no ATB/COLA salary increase.

→ Step Pay Increase

Request

The request for Step Pay includes the Step-like component. Altogether, Step Pay and Step-like are requested at \$17.1 million total funds, including \$12.8 million General Fund.

Recommendation

Staff recommends that the Committee approve the Step Pay increase as a stand-alone component, exclusive of all other salary increase components. Staff estimates that the actual cost of Step Pay for covered employees and Judicial Department step plans total \$38.9 million total funds, including \$26.7 million General Fund.

Analysis

Staff analysis set template calculations to no ATB and no Step-like increase percentage to generate the cost identified in the recommendation. The following table outlines the template-generated amounts for the Step Pay recommendation.

FY 2026-27 Step Pay increase - Recommendation based on recognizing actual, full cost

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$518,191	\$104,399	\$385,271	\$0	\$28,521
Corrections	10,280,503	10,159,330	121,173	0	0
Early Childhood	228,158	67,051	52,203	13,087	95,817
Education	543,063	509,461	6,239	18,163	9,200
Governor	369,620	2,633	0	366,987	0
Health Care Policy and Financing	313,649	113,080	32,349	0	168,220
Higher Education - Admin & Hist CO	553	0	553	0	0
Human Services	6,426,042	4,384,859	429,419	893,007	718,757
Judicial	8,884,408	8,392,909	491,499	0	0
Labor and Employment	1,857,259	125,447	698,635	191	1,032,986
Law	147,643	36,226	60,401	40,569	10,447
Legislature	3,224	3,224	0	0	0
Local affairs	238,245	68,248	68,258	30,440	71,299
Military and Veterans Affairs	196,929	65,227	1,086	0	130,616
Natural Resources	2,332,947	444,922	1,818,738	60,233	9,054
Personnel	471,815	165,040	17,958	288,817	0
Public Health and Environment	1,075,925	166,991	424,667	117,393	366,874
Public Safety	1,422,002	562,788	705,180	127,937	26,097
Regulatory Agencies	680,052	29,121	569,307	76,445	5,179
Revenue	2,760,394	1,246,028	1,504,640	9,726	0
State	66,083	0	66,083	0	0
Transportation	106,532	0	106,532	0	0
Treasury	12,160	10,002	2,158	0	0
TOTAL	\$38,935,397	\$26,656,986	\$7,562,349	\$2,042,995	\$2,673,067

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2025-26 Appropriation	16,450,807	9,852,469	3,171,206	1,778,726	1,648,407
FY 2026-27 Change	22,484,590	16,804,517	4,391,143	264,269	1,024,660
FY 2026-27 Percent change	136.7%	170.6%	138.5%	14.9%	62.2%

Staff estimates that the Step Pay increase for covered employees and the Step Pay for the State Courts averages 1.2 percent on base salary. Staff excludes the Office of State Public Defender in this calculation due to its heavy concentration, approximately 97 percent, of staff on defense team or in front-line administration positions and on its “step” or progression plan. The following table outlines this calculation.

FY 2026-27 Step Pay increase percent of Base Salary

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	1.8%	1.1%	2.2%	n/a	1.2%
Corrections	2.4%	2.4%	2.2%	n/a	n/a
Early Childhood	1.0%	0.7%	1.3%	0.6%	1.2%
Education	0.8%	1.8%	0.1%	0.2%	0.0%
Governor	0.2%	0.0%	0.0%	0.3%	0.0%
Health Care Policy and Financing	0.3%	0.3%	0.4%	n/a	0.4%
Higher Education - Admin & Hist CO	0.0%	0.0%	0.0%	n/a	0.0%
Human Services	1.8%	2.0%	2.3%	1.7%	1.0%
Judicial (excl. Public Defender)	1.1%	1.0%	1.4%	0.0%	n/a
Labor and Employment	1.2%	1.0%	0.9%	0.0%	1.5%
Law	0.2%	0.2%	0.5%	0.1%	0.5%
Legislature	0.0%	0.0%	n/a	n/a	n/a
Local affairs	1.0%	1.2%	0.9%	0.5%	1.9%
Military and Veterans Affairs	1.3%	1.1%	0.6%	n/a	1.4%
Natural Resources	1.3%	1.8%	1.3%	1.0%	0.3%
Personnel	1.2%	0.9%	1.3%	1.5%	n/a
Public Health and Environment	0.5%	0.5%	0.5%	0.6%	0.6%
Public Safety	0.6%	0.7%	0.6%	0.6%	1.0%
Regulatory Agencies	1.1%	1.7%	1.1%	1.7%	0.7%
Revenue	2.1%	2.1%	2.1%	1.9%	n/a
State	0.4%	n/a	0.4%	n/a	n/a
Transportation	0.7%	n/a	0.7%	n/a	n/a
Treasury	0.2%	0.3%	0.1%	n/a	n/a
TOTAL	1.2%	1.5%	1.0%	0.6%	0.9%

→ Step-like Increase

Request

The request for the Step-like increase is included in the Step Pay increase identified above. The FY 2026-27 request includes a “step-like” increase for all non-classified employees, excluding elected officials, equal to the average step increase of all step-eligible employees. This percentage is calculated at 0.4 percent in the request.

Staff estimates that the actual cost of the Step-like increase component at the request percentage of 0.4 percent totals \$2.2 million, including \$1.1 million General Fund.

Recommendation

Staff recommends that the Committee approve a Step-like increase component at 1.2 percent, the actual percentage of recognizing the full cost of the Step increase cost for covered employees. Staff estimates that a Step-like increase at 1.2 percent totals \$6.7 million, including \$3.2 million General Fund.

Analysis

The following table outlines the staff recommendation for a Step-like increase of 1.2 percent.

FY 2026-27 Step-like increase - Recommendation at 1.2 percent

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$24,915	\$22,956	\$1,959	\$0	\$0
Corrections	94,772	94,772	0	0	0
Early Childhood	17,869	10,327	2,698	4,844	0
Education	666,826	203,647	120,873	76,277	266,029
Governor	1,889,399	244,551	198,988	1,374,439	71,421
Health Care Policy and Financing	45,104	15,316	6,451	0	23,337
Higher Education - Admin & Hist CO	297,504	98,016	166,263	0	33,225
Human Services	80,533	50,545	4,034	1,504	24,450
Judicial	1,817,775	1,642,381	149,084	26,310	0
Labor and Employment	48,532	10,712	24,054	0	13,766
Law	827,807	172,866	56,604	590,278	8,059
Legislature	479,992	479,992	0	0	0
Local affairs	23,760	10,272	953	12,535	0
Military and Veterans Affairs	14,357	10,739	0	0	3,618
Natural Resources	47,596	2,525	27,671	17,400	0
Personnel	34,085	28,416	0	5,669	0
Public Health and Environment	66,728	30,714	10,841	7,853	17,320
Public Safety	55,186	27,509	12,227	15,450	0
Regulatory Agencies	29,884	0	18,351	11,533	0
Revenue	35,442	21,362	13,253	827	0
State	18,434	0	18,434	0	0
Transportation	43,090	0	43,090	0	0
Treasury	7,204	7,204	0	0	0
TOTAL	\$6,666,794	\$3,184,822	\$875,828	\$2,144,919	\$461,225

→ ATB/COLA Increase

Request

The request is for a 3.1 percent across-the-board (ATB) or cost of living adjustment (COLA) increase. The request identifies a cost of \$105.5 million total funds, including \$54.0 million General Fund.

Recommendation

Staff recommends that if the Committee wishes to approve an additional ATB/COLA salary increase component, that it be the last component determined in the order of operations and that its cost be generated only on current base salary.

Staff proposes a recommendation of 2.0 percent for an ATB/COLA salary increase. Staff estimates the cost of this component at \$66.5 million, including \$34.9 million General Fund.

Staff offers this as a soft recommendation to generate a total cost, across all components, that is just below the total included in the executive request.

However, staff recommends that the Committee should consider a reduced ATB/COLA to achieve budget savings. Staff recommends that the Committee consider a 1.0 percent ATB/COLA, no ATB/COLA, or a tiered across-the-board approach, such as providing a 2.0 percent increase for employees below \$75,000 annual salary, 1.5 percent for employees between \$75,000 and \$125,000, and 1.0 percent for employees at \$125,000 and above. Staff has not completed analysis for such an approach, however staff believes it is likely to deliver more “bang for the buck” and more likely to satisfy the concerns of COWINS, the employee bargaining unit, in terms of changing the appropriations relative to the partnership agreement.

Staff estimates a 1.0 percent ATB/COLA salary increase totals \$33.7 million, including \$17.5 million General Fund. The Committee may use this estimate to consider generating General Fund savings based on this component.

Analysis

The following table outlines the appropriation recommendation for a 2.0 percent ATB/COLA salary increase.

FY 2026-27 ATB/COLA salary increase - Recommendation at 2.0 percent

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$662,819	\$217,166	\$392,535	\$0	\$53,118
Corrections	9,590,251	9,467,400	122,851	0	0
Early Childhood	534,577	220,890	91,091	46,957	175,639
Education	1,557,809	651,631	229,450	176,235	500,493
Governor	3,750,377	419,735	333,331	2,878,280	119,032
Health Care Policy and Financing	2,034,610	793,478	167,916	0	1,073,216
Higher Education - Admin & Hist CO	501,719	163,909	282,432	0	55,379
Human Services	8,231,176	5,001,262	423,906	1,209,983	1,596,025
Judicial	11,715,036	10,868,917	802,103	44,017	0
Labor and Employment	3,481,699	285,398	1,669,909	9,296	1,517,096
Law	1,946,884	473,132	282,318	1,143,483	47,952
Legislature	1,056,870	1,056,870	0	0	0
Local affairs	534,364	132,903	164,383	150,420	86,659
Military and Veterans Affairs	344,755	131,654	4,430	0	208,671
Natural Resources	4,000,400	563,016	3,237,044	137,334	63,006
Personnel	873,535	398,834	30,740	443,961	0
Public Health and Environment	4,512,909	762,321	1,830,842	411,803	1,507,943
Public Safety	5,923,108	1,823,821	3,531,927	498,541	68,819
Regulatory Agencies	1,381,799	37,930	1,225,186	102,778	15,905

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Revenue	2,985,763	1,352,999	1,620,881	11,883	0
State	352,062	0	352,062	0	0
Transportation	364,209	0	364,209	0	0
Treasury	126,331	80,176	46,155	0	0
TOTAL	\$66,463,062	\$34,903,440	\$17,205,700	\$7,264,970	\$7,088,952

The following table outlines the requested appropriation and the staff recommendation for all salary increase components.

FY 2026-27 Salary Increase Components - Request and Recommendation

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2026-27 Base Salary Estimate	\$2,892,477,071	\$1,536,498,341	\$723,834,109	\$319,146,969	\$312,997,652
FY 2026-27 Request					
2% Structural Salary Range Adjust	\$0	\$0	\$0	\$0	\$0
Minimum Wage Adjustment	0	0	0	0	0
CSP Movement to Range Min	3,984,144	103,314	3,668,084	188,115	24,631
Step Pay increase	14,850,932	11,778,920	1,923,261	489,893	658,858
Step-like Increase at 0.4%	2,222,257	1,061,593	291,940	714,978	153,746
ATB/COLA increase at 3.1%	101,541,967	53,924,684	25,454,886	11,188,859	10,973,538
SUBTOTAL – Salary increase	\$122,599,300	\$66,868,511	\$31,338,171	\$12,581,845	\$11,810,773
percent increase on base salary	4.2%	4.4%	4.3%	3.9%	3.8%
FY 2026-27 Recommendation					
No Structural Salary Range Adjust	\$0	\$0	\$0	\$0	\$0
Minimum Wage Adjustment	0	0	0	0	0
CSP Movement to Range Min	6,308,486	182,944	5,794,471	284,576	46,495
Step Pay increase	38,935,397	26,656,986	7,562,349	2,042,995	2,673,067
Step-like Increase at 1.2%	6,666,794	3,184,822	875,828	2,144,919	461,225
ATB/COLA increase at 2.0%	66,463,062	34,903,440	17,205,700	7,264,970	7,088,952
SUBTOTAL – Salary increase	\$118,373,739	\$64,928,192	\$31,438,348	\$11,737,460	\$10,269,739
percent increase on base salary	4.1%	4.2%	4.3%	3.7%	3.3%
Recomm. above/-below Request	-4,225,561	-1,940,319	100,177	-844,385	-1,541,034
Percent difference	(3.4%)	(2.9%)	0.3%	(6.7%)	(13.0%)

Health, Life, and Dental

Health, life, and dental (HLD) pays for the state contribution to health insurance, life insurance, and dental insurance.

The state contribution for health insurance and dental insurance has four tiers based on employee, employee + spouse, employee + children, and family. Employees may choose from four different health benefit packages and two different dental benefit packages. The health plans range from high deductible plans to co-pay plans from Cigna and Kaiser.

The state paid life insurance provides a benefit equal to the employee's annual salary up to a maximum of \$250,000.

HLD Request

The HLD request includes three discrete request components:

1. the November request that functions as a placeholder with estimated increases for Kaiser and Cigna (health), Delta (dental), EyeMed (vision), and Securian (life) insurance components;
2. the January budget amendment (Statewide BA1) that trues-up the costs of projected increases for insurance components; and
3. a January 15 budget amendment (Statewide BA3) that funds a Partnership Agreement amendment agreed to by the Governor to restore funding for FY 2026-27 to comply with the requirement included in the Partnership Agreement that the State would pay for all HLD increases for employees. This adjustment lowers FY 2026-27 employee premiums to FY 2024-25 levels as provided in the original Partnership Agreement, but not funded for FY 2025-26, and as stipulated in the recent memorandum of understanding with COWINS.

The following table outlines the estimated and actual insurance premium adjustments included in the November and January requests.

HLD Premium Adjustments in FY 2026-27 Budget Requests

Insurance	November Placeholder Increase	January Actual Increase
Medical Fully-insured (Kaiser)	6.5%	11.4%
Medical Self-funded (Cigna)	12.0%	23.5%
Dental (Delta Dental)	2.1%	-1.8%
Vision (EyeMed)	0.0%	0.0%
Life (Securian)	3.3%	0.4%

Functionally, the January budget amendment (#2-BA1) guides the Committee's decision point for HLD adjustments generally.

Additionally, the January 15 budget amendment (#3-BA3) creates an additional decision point for the Committee.

→ HLD – State and Employee Share

Request

The Statewide BA3 request provides funding for FY 2026-27 to restore the HLD State and employee share to FY 2024-25 levels. This request totals \$4.1 million, including \$2.2 million General Fund.

Recommendation

Staff recommends that the Committee deny this request to restore the employee share for HLD premium increases. Staff recommends that the Committee continue to pursue a standard State and employee HLD premium cost share split of 88-12.

Analysis

As previously stated and included in the JBC staff figure setting document for FY 2025-26:

Pursuant to Article 28.1 of the updated Partnership Agreement, “In the event the medical, dental and/or vision insurance rates increase in any fiscal year through June 30, 2028, the State agrees to absorb 100 percent of the costs of any rate increase.” ... In the current fiscal year [FY2024-25], the State covers on average 90.0 percent of HLD premiums while employees cover on average 10.0 percent. If the [FY 2025-26]request is approved, the State would cover 90.6 percent of the cost of premiums while employees would cover 9.4 percent.

As staff understands the history of this policy application from last year, the Committee decided to return funding HLD adjustments to the recent historical standard of an 88-12 split.

Primarily based on that decision, in order to reduce Committee time spent on additional deliberations over the “right” share of funding, staff recommends that the Committee continue to fund HLD adjustments at an 88-12 split.

Staff recognizes that the HLD premium cost applies to every employee at the same amount, regardless of salary level. On that basis, those employees who earn less, are relatively more impacted by cost changes borne by employees for HLD. On that basis, in the interest of affecting all employees equally, the proper policy choice would be for the State to fully fund insurance premiums.

And were the Partnership Agreement provision, which provides for the State to absorb 100 percent of the costs, to be continued indefinitely into future years, eventually such a policy would come closer and closer to 100-percent HLD premium funding by the State.

However, it is also reasonable that a public policy interest remains for the encouragement of healthier lifestyle choices by individuals that might help to reduce healthcare costs. On that basis, this provision included in the Partnership Agreement does not serve that principle.

Staff’s concern is that the more the State funds all HLD premium increases, the closer the State comes to funding 100 percent of HLD premium costs, the more difficult it becomes to absorb a change if a future policy

decision is made to unwind the effect of this provision. The hit to employees becomes more painful over time. On that basis, staff encourages the Committee to maintain a policy of funding HLD premiums at a consistent 88-12 split, allowing employees to experience the incremental increase associated with the employee share.

Staff believes this is in the best interest of employees in future years. Staff also recognizes that it is likely that COWINS may seek additional funding for state employees through salary increase mechanisms to make up for the increased cost for HLD premium increases borne by state employees; and that negotiation decisions are also considered based on the net increase in compensation for state employees over the entire bundle of policies.

→ HLD Adjustment

Request

Excluding the BA3 request, the BA1 request for all HLD adjustments totals \$595.9 million, including \$321.3 million General Fund.

Recommendation

Staff recommends that the Committee approve the HLD adjustments requested in BA1 and set at a State and employee share of 88-12 and outlined in the analysis table at the end of this section. Staff estimates a total cost of \$591.6 million, including \$318.8 million General Fund.

Analysis

The following table outlines the request for premium increases at no additional cost for state employees.

FY 2026-27 HLD - Request (BA1 only)

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$6,189,614	\$1,827,098	\$3,865,816	\$0	\$496,700
Corrections	100,587,481	99,183,773	1,403,708	0	0
Early Childhood	5,301,039	2,155,325	929,429	383,869	1,832,416
Education	12,887,755	5,110,437	2,172,779	1,474,124	4,130,415
Governor	27,479,646	3,016,338	2,676,774	20,801,925	984,609
Health Care Policy and Financing	17,949,767	6,920,707	1,531,626	0	9,497,434
Higher Education - Admin & Hist CO	4,453,634	1,387,310	2,564,731	0	501,593
Human Services	81,903,478	47,542,592	4,869,058	14,560,896	14,930,932
Judicial	100,314,061	92,830,323	7,173,221	310,517	0
Labor and Employment	33,169,807	2,762,031	15,754,793	83,921	14,569,062
Law	12,977,050	3,114,155	2,206,472	7,281,370	375,053
Legislature	7,672,513	7,672,513	0	0	0
Local affairs	5,734,253	1,252,723	2,200,426	1,380,175	900,929
Military and Veterans Affairs	2,970,998	1,051,494	74,971	0	1,844,533
Natural Resources	35,590,172	5,478,480	28,327,508	1,287,727	496,457
Personnel	7,969,979	3,269,826	226,938	4,473,215	0
Public Health and Environment	37,896,458	6,333,121	15,024,176	3,613,878	12,925,283

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Public Safety	44,194,220	15,483,776	24,018,486	4,158,562	533,396
Regulatory Agencies	11,816,922	363,229	10,502,114	821,530	130,049
Revenue	31,730,036	13,952,515	17,657,695	119,826	0
State	3,049,001	0	3,049,001	0	0
Transportation	2,988,398	0	2,988,398	0	0
Treasury	1,116,043	625,195	490,848	0	0
TOTAL	\$595,942,325	\$321,332,961	\$149,708,968	\$60,751,535	\$64,148,861
FY 2025-26 Appropriation	485,835,823	268,781,022	118,276,152	46,719,065	52,059,584
FY 2026-27 Change	110,106,502	52,551,939	31,432,816	14,032,470	12,089,277
FY 2026-27 Percent change	22.7%	19.6%	26.6%	30.0%	23.2%

The following table outlines the staff recommended HLD adjustment at an 88-12 cost share.

FY 2026-27 HLD - Recommendation at 88-12 premium cost share

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$6,139,169	\$1,805,570	\$3,834,394	\$0	\$499,205
Corrections	100,051,351	98,638,445	1,412,906	0	0
Early Childhood	5,283,543	2,152,396	927,647	380,335	1,823,165
Education	12,787,422	5,068,635	2,158,062	1,462,197	4,098,528
Governor	27,381,793	2,977,093	2,645,841	20,785,343	973,516
Health Care Policy and Financing	17,807,031	6,858,643	1,524,814	0	9,423,574
Higher Education - Admin & Hist CO	4,417,415	1,386,750	2,531,534	0	499,131
Human Services	81,320,151	47,190,696	4,850,871	14,462,621	14,815,963
Judicial	99,299,259	91,886,874	7,096,941	315,444	0
Labor and Employment	32,843,960	2,737,171	15,612,232	84,475	14,410,082
Law	12,877,681	3,066,213	2,188,442	7,252,833	370,193
Legislature	7,620,399	7,620,399	0	0	0
Local affairs	5,663,263	1,242,642	2,176,770	1,366,231	877,620
Military and Veterans Affairs	2,945,522	1,027,681	74,127	0	1,843,714
Natural Resources	35,229,312	5,410,759	28,053,037	1,282,043	483,473
Personnel	7,897,846	3,247,035	226,587	4,424,224	0
Public Health and Environment	37,391,241	6,257,739	14,799,436	3,602,773	12,731,293
Public Safety	44,177,169	15,446,548	24,048,131	4,154,335	528,155
Regulatory Agencies	11,747,170	359,171	10,446,241	815,276	126,482
Revenue	31,549,775	13,840,243	17,589,424	120,108	0
State	3,049,661	0	3,049,661	0	0
Transportation	2,961,383	0	2,961,383	0	0
Treasury	1,110,841	622,244	488,597	0	0
TOTAL	\$591,552,357	\$318,842,947	\$148,697,078	\$60,508,238	\$63,504,094
FY 2025-26 Appropriation	485,835,823	268,781,022	118,276,152	46,719,065	52,059,584
FY 2026-27 Change	105,716,534	50,061,925	30,420,926	13,789,173	11,444,510
FY 2026-27 Percent change	21.8%	18.6%	25.7%	29.5%	22.0%

→ Require legislative oversight of the Group Benefit Plans Reserve Fund

Recommendation

Staff recommends that the Committee pursue legislation to require an audit from the Office of the State Auditor regarding the policies and operational and fiscal performance of health, life, and dental insurance administration by the Department of Personnel. Staff recommends that the first audit should occur as soon as possible.

Analysis

The Group Benefit Plans Reserve Fund created in Section 24-50-613 (1), C.R.S., receives all employee and State premium costs for group benefit plans. Statute specifies that the money in the fund and the reserve account “shall not be appropriated by the general assembly”.

Staff is concerned that statute grants all administrative authority to the Department of Personnel with no legislative oversight.

The September 2025 supplemental appears to point to significant problems with the short term, and possibly long term, fiscal balance of the Group Benefit Plan Fund generally. Information generated from that request suggest that this is a problem that has been several years in the making and appears to be tied to decisions about coverage under the authority of the Department.

In particular, staff is concerned about the scale of the increase identified for the self-funded medial plan.

HLD Premium Adjustments in FY 2026-27 Budget Requests

Insurance	November Placeholder Increase	January Actual Increase
Medical Fully-insured (Kaiser)	6.5%	11.4%
Medical Self-funded (Cigna)	12.0%	23.5%
Dental (Delta Dental)	2.1%	-1.8%
Vision (EyeMed)	0.0%	0.0%
Life (Securain)	3.3%	0.4%

Staff does not recommend changing statute to provide budgetary authority over the operations of the Fund. However, staff does recommend that regular, periodic performance audits should be conducted to provide an objective review of policies and operations for the Fund. Staff recommends an audit as soon as possible.

PERA Unfunded Liability Payments

The Unfunded Liability Amortization Equalization Disbursement Payments line item combines the formerly separate Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED) line items beginning in FY 2024-25.

Amortization Equalization Disbursement (AED)

Pursuant to Section 24-51-411, C.R.S., the State contributes additional funds to assist in the amortization of PERA's unfunded liability. During the 2005 legislative session the General Assembly created a separate line item to provide funding for this commitment. By statute, the AED rate increased 0.4 percent each calendar year until it reached the maximum contribution rate of 5.0 percent for CY 2017, except for judges where the state contribution remained constant at 2.2 percent, until H.B. 17-1265 (PERA Judicial Division Total Employer Contribution) enacted increases to 3.4, 3.8, 4.2, 4.6, and 5.0 percent in each succeeding year beginning in calendar year 2019.

Supplemental Amortization Equalization Disbursement (SAED)

Similar to the AED line item, the Supplemental Amortization Equalization Disbursement (SAED) line item increases contributions to PERA to amortize the unfunded liability. By statute, the SAED rate increased 0.5 percent each calendar year until it reached the maximum contribution rate of 5.0 percent for CY 2017, except for judges where the state contribution remained constant at 1.5 percent until H.B. 17-1265 (PERA Judicial Division Total Employer Contribution) enacted increases to 3.4, 3.8, 4.2, 4.6, and 5.0 percent in each succeeding year beginning in calendar year 2019.

Although the SAED payment is made by the State, statute specifies that funding is to come from money that would have otherwise gone to state employees as part of salary increases, pursuant to Section 24-51-411 (10), C.R.S., and if paid as salary increases would appear in the salary base.

PERA Direct Distribution (PERA DD)

In FY 2019-20, a common policy allocation to state agencies was added for the State's \$225.0 million statutory PERA Direct Distribution payment. This allocation was added to common policies to charge cash and federal funds sources for what would otherwise be a General Fund payment. The allocation is not created in statute as a calculation on payroll but is structured exclusively as a non-statutory budget process so that allocation to agency and fund source should match AED/SAED proportions.

The Executive Branch submits this as an operating common policy. Operating common policies are services provided to state agencies by a centralized service provider. There is no service provided for the PERA Direct Distribution common policy payment. Therefore, JBC staff reflects this item as a compensation policy due to its similar purpose to AED and SAED policy and allocation method.

→ Statewide R3 Reduction of ULAED Rate by 1%

Request

The Statewide R3 request item seeks legislation for a one-year reduction (FY 2026-27 only) to statutory AED and SAED payments by 0.5 percent each, from 5.0 percent to 4.5 percent each. This adjustment generates a total reduction of 1.0 percent on the ULAED rate, from 10.0 percent to 9.0 percent. The request identifies total savings of \$30.3 million, including \$16.2 million General Fund.

Recommendation

Staff recommends that the Committee deny this request.

Analysis

The request narrative includes the following standard balancing statement included on all reduction proposals (emphasis added):

“This proposal is one of the proposals submitted to ensure we have a balanced budget. In identifying these proposals, we focused on protecting core services while identifying areas of the budget with the biggest fiscal impacts. **We also sought strategies to slow the growth of ongoing expenses.**”

The payments for the PERA unfunded liability are not payments for an operating expense. PERA unfunded liability payments are fundamentally debt payments.

As identified in the JBC staff briefing document, staff estimates that using the current 7.0 percent PERA rate of return, a reduction of \$30.3 million would grow to approximately a required payment of \$143.7 million in 2048 if not otherwise made up before then. Each year it's not repaid, this cost is increased to the state by 7.0 percent.

This is not a savings; this simply pushes off the payment at an increasing cost in future years. This request does not reduce an operating expense, this delays a debt payment and increases the debt of the State in future years.

Additionally, while this policy only achieves savings of \$16.2 million General Fund, its impact to PERA is potentially even greater than just the \$30.3 million of estimated total savings for the State as an employer. The request document does not specify whether this policy is requested only for the State Division and Judicial Division of PERA, or whether it would be applied to all PERA divisions.

AED and SAED statute apply broadly to all PERA divisions. Regardless, staff would anticipate that the other divisions, public schools and local government, would seek the same relief that the State is seeking for itself as employer. This significantly compounds the policy cost to PERA, and ultimately, the State.

The unfunded liability across all PERA divisions is functionally considered to be State debt by credit rating agencies and agencies that monitor governmental pension policy.

Staff absolutely does not recommend this fiscally irresponsible policy request.

→ Alternate ULAED Reduction to Achieve Statewide R3 Savings

Recommendation

Staff recommends that the Committee approve a General Fund reduction to ULAED appropriations that total the amount identified in the Statewide R3 request of \$16.2 million General Fund. Staff recommends that all Department ULAED General Fund appropriations be reduced by a proportional amount to achieve \$16.2 million General Fund savings.

Alternately, the Committee could consider a refinance of the same amount of General Fund to other fund sources by proportion for each department with other fund sources. For departments funded only with General Fund, the recommendation would remain as a reduction.

Analysis

If the Committee wishes to achieve savings reflected in the Statewide R3 request, staff recommends reducing the General Fund appropriation by that amount, rather than reducing the percentage required to be paid to PERA as requested in Statewide R3.

Under the current POTS structure, with expenditure flexibility, the appropriation to departments is somewhat disconnected to the required statutory payment. Departments may spend this appropriation (and other compensation policy appropriations) on anything allowed to be paid for from personal services and program line items. On that basis, staff recommends that the appropriation be adjusted to achieve savings rather than adjust statutory payment policy that has a direct and absolute adverse impact on PERA and State debt.

If the Committee adopts staff recommendation to remove expenditure flexibility for compensation policies, and if the Committee adopts staff's recommended adjustments to ULAED appropriations based on actual expenditure analysis, then staff offers this as an option for Committee consideration to achieve additional savings.

However, under the elimination of POTS expenditure flexibility, it is anticipated that a supplemental true-up will occur mid-year that may require the restoration of some of this reduction. Nevertheless, because of the mid-year supplemental adjustment, staff is comfortable recommending that the Committee consider generating these savings on the front-end of the FY 2026-27 budget process and unwind them at supplemental time if and only as necessary.

The following table outlines the adjustments based on the request for ULAED.

FY 2026-27 ULAED Adjustments to Achieve total savings identified in Statewide R3 - Recommendation

	TOTAL	General Fund	Percent of Statewide ULAED GF	Rec'd GF Reduction Amount
Agriculture	\$3,043,509	\$992,949	0.6%	-\$99,275
Corrections	45,814,582	45,252,662	27.9%	-4,524,371
Early Childhood	2,443,506	1,009,196	0.6%	-100,900

	TOTAL	General Fund	Percent of Statewide ULAED GF	Rec'd GF Reduction Amount
Education	7,154,161	3,008,995	1.9%	-300,840
Governor's Office	17,182,951	1,921,071	1.2%	-192,069
Health Care Policy and Financing	9,281,509	3,619,548	2.2%	-361,883
Higher Education - Admin Only	2,297,041	750,268	0.5%	-75,012
Human Services	38,621,610	23,535,699	14.5%	-2,353,105
Judicial	53,852,187	49,995,568	30.8%	-4,998,568
Labor and Employment	15,917,096	1,304,314	0.8%	-130,406
Law	8,902,940	2,162,394	1.3%	-216,197
Legislature	4,832,980	4,832,980	3.0%	-483,202
Local affairs	2,444,634	608,105	0.4%	-60,798
Military and Veterans Affairs	1,587,990	602,295	0.4%	-60,218
Natural Resources	18,284,696	2,569,158	1.6%	-256,865
Personnel	3,996,167	1,824,305	1.1%	-182,394
Public Health and Environment	20,595,712	3,480,839	2.1%	-348,015
Public Safety	23,280,630	8,140,105	5.0%	-813,850
Regulatory Agencies	6,314,112	173,737	0.1%	-17,370
Revenue	13,724,634	6,217,454	3.8%	-621,622
State	1,605,996	0	0.0%	0
Transportation	1,663,374	0	0.0%	0
Treasury	576,159	365,751	0.2%	-36,568
TOTAL	\$303,418,176	\$162,367,393		-\$16,233,529
Statewide R3 General Fund Savings		-16,233,529		

→ ULAED Adjustment

Request

The request is for funding ULAED at the statutory rate of 10 percent of revised base salary. Revised base salary is department base salary plus salary increases plus department shift differential.

Recommendation

Staff recommends that the Committee allow staff to set statewide department ULAED appropriations based on the totality of salary policy decisions made by the Committee (revised base salary), and calculated using the statutory rate of 10 percent as calculated in department compensation templates, and further adjusted as necessary for other Committee policy decisions.

Analysis

The following table provides an estimate of ULAED payments based on the request.

FY 2026-27 ULAED - Request

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$3,043,509	\$992,949	\$1,807,917	\$0	\$242,643
Corrections	45,814,582	45,252,662	561,920	0	0
Early Childhood	2,443,506	1,009,196	416,577	214,527	803,206
Education	7,154,161	3,008,995	1,049,572	805,673	2,289,921
Governor	17,182,951	1,921,071	1,525,760	13,191,263	544,857
Health Care Policy and Financing	9,281,509	3,619,548	766,217	0	4,895,744
Higher Education - Admin & Hist CO	2,297,041	750,268	1,293,282	0	253,491
Human Services	38,621,610	23,535,699	1,939,020	5,725,126	7,421,765
Judicial	53,852,187	49,995,568	3,655,898	200,721	0
Labor and Employment	15,917,096	1,304,314	7,629,184	42,381	6,941,217
Law	8,902,940	2,162,394	1,289,740	5,231,863	218,943
Legislature	4,832,980	4,832,980	0	0	0
Local affairs	2,444,634	608,105	751,430	686,590	398,509
Military and Veterans Affairs	1,587,990	602,295	20,462	0	965,233
Natural Resources	18,284,696	2,569,158	14,801,621	627,019	286,898
Personnel	3,996,167	1,824,305	140,611	2,031,251	0
Public Health and Environment	20,595,712	3,480,839	8,354,257	1,879,102	6,881,514
Public Safety	23,280,630	8,140,105	12,764,994	2,090,559	284,972
Regulatory Agencies	6,314,112	173,737	5,595,849	472,021	72,505
Revenue	13,724,634	6,217,454	7,452,631	54,549	0
State	1,605,996	0	1,605,996	0	0
Transportation	1,663,374	0	1,663,374	0	0
Treasury	576,159	365,751	210,408	0	0
TOTAL	\$303,418,176	\$162,367,393	\$75,296,720	\$33,252,645	\$32,501,418
FY 2025-26 Appropriation	287,541,831	157,402,685	69,042,095	30,221,507	30,875,544
FY 2026-27 Change	15,876,345	4,964,708	6,254,625	3,031,138	1,625,874
FY 2026-27 Percent change	5.5%	3.2%	9.1%	10.0%	5.3%

→ Simplify line item name from ULAED to ULAP

Recommendation

Staff recommends that the Committee approve a simplification of the name for the common policy line item from Unfunded Liability Amortization Equalization Disbursement Payments to Unfunded Liability Amortization Payments.

→ PERA Direct Distribution

Request

The request for PERA Direct Distribution totals \$61.3 million, including \$33.0 million General Fund.

Recommendation

Staff recommends that the Committee approve the request for PERA Direct Distribution.

Analysis

The following table outlines the requested and recommended allocation of PERA Direct Distribution payments.

FY 2026-27 PERA Direct Distribution - Request and Recommendation

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$544,997	\$177,806	\$367,191	\$0	\$0
Corrections	9,447,901	9,332,022	115,879	0	0
Early Childhood	457,181	188,821	77,942	40,138	150,280
Education	1,301,941	964,738	199,197	138,006	0
Governor	3,098,572	437,125	270,015	2,391,432	0
Health Care Policy and Financing	1,662,395	648,291	137,236	0	876,868
Higher Education - Admin & Hist CO	547,775	218,726	258,182	0	70,867
Human Services	7,504,105	5,065,271	0	2,438,834	0
Judicial	9,370,017	8,580,426	754,977	34,614	0
Labor and Employment	2,737,048	224,285	1,311,888	7,288	1,193,587
Law	1,555,786	416,138	225,382	914,266	0
Legislature	825,073	825,073	0	0	0
Local Affairs	529,114	131,617	162,639	148,605	86,253
Military and Veterans Affairs	289,648	285,916	3,732	0	0
Natural Resources	3,330,775	520,265	2,696,291	114,219	0
Personnel	771,165	352,047	27,135	391,983	0
Public Health and Environment	3,727,548	1,875,447	1,512,009	340,092	0
Public Safety	4,364,175	1,581,205	2,390,626	392,344	0
Regulatory Agencies	1,151,760	31,691	1,020,741	86,102	13,226
Revenue	2,382,918	1,088,994	1,293,924	0	0
State	279,480	0	279,480	0	0
Transportation	5,333,843	0	5,333,843	0	0
Treasury	94,391	59,920	34,471	0	0
TOTAL	\$61,307,608	\$33,005,824	\$18,472,780	\$7,437,923	\$2,391,081
FY 2025-26 Appropriation	60,352,599	33,246,147	16,538,499	8,291,739	2,276,214
FY 2026-27 Change	955,009	-240,323	1,934,281	-853,816	114,867
FY 2026-27 Percent change	1.6%	-0.7%	11.7%	-10.3%	5.0%

Other Compensation Policies

→ Shift Differential

Request

The request for Shift Differential totals

Recommendation

Staff recommends that the Committee approve the request for Shift Differential.

Analysis

The Executive Branch requests Shift Differential at 100 percent of most recent year actuals. The FY 2026-27 requests 100 percent of FY 2024-25 actual expenditures.

The following table outlines the request and recommendation for Shift Differential.

FY 2026-27 Shift Differential - Request and Recommendation

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$61,797	\$255	\$61,485	\$0	\$57
Corrections	24,148,340	24,127,854	20,486	0	0
Early Childhood	0	0	0	0	0
Education	86,710	86,710	0	0	0
Governor	258,390	0	0	258,390	0
Health Care Policy and Financing	0	0	0	0	0
Higher Education - Admin & Hist CO	6,498	0	6,498	0	0
Human Services	11,601,197	7,664,086	470	2,283,405	1,653,236
Judicial	0	0	0	0	0
Labor and Employment	0	0	0	0	0
Law	0	0	0	0	0
Legislature	0	0	0	0	0
Local affairs	0	0	0	0	0
Military and Veterans Affairs	127,207	2,131	3,016	0	122,060
Natural Resources	506,837	0	506,837	0	0
Personnel	3,444	0	0	3,444	0
Public Health and Environment	0	0	0	0	0
Public Safety	1,160,598	228,258	909,547	15,383	7,410
Regulatory Agencies	0	0	0	0	0
Revenue	282,618	0	282,618	0	0
State	0	0	0	0	0
Transportation	1,990	0	1,990	0	0
Treasury	0	0	0	0	0

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
TOTAL	\$38,245,626	\$32,109,294	\$1,792,947	\$2,560,622	\$1,782,763
FY 2025-26 Appropriation	37,948,879	28,616,615	2,297,917	2,647,416	4,386,931
FY 2026-27 Change	296,747	3,492,679	-504,970	-86,794	-2,604,168
FY 2026-27 Percent change	0.8%	12.2%	-22.0%	-3.3%	-59.4%
Significant Department Changes					
Corrections	1,874,475	1,884,077	-9,602	0	0
FY 2026-27 Percent change	8.4%	8.5%	-31.9%	n/a	n/a
Human Services	-1,635,064	1,669,934	-528,041	-43,302	-2,733,655
FY 2026-27 Percent change	-12.4%	27.9%	-99.9%	-1.9%	-62.3%

→ Short Term Disability (STD)

Request

The request is for funding Short Term Disability at a rate of 0.07 percent of revised base salary. Revised base salary is department base salary plus salary increases plus department shift differential. The request totals \$2.1 million, including \$1.1 million General Fund.

Recommendation

Staff recommends that the Committee allow staff to set statewide department Short Term Disability appropriations based on the totality of salary policy decisions made by the Committee (revised base salary), and calculated using the requested rate of 0.07 percent as calculated in department compensation templates.

Analysis

Short Term Disability (STD) is used to provide partial payment of an employee's salary in the event that the employee becomes disabled and cannot perform the employee's work duties. This benefit is provided for all employees except temporary employees.

The following table provides an estimate of STD payments based on the request. Due to the scale of this policy, staff anticipates that Committee decisions for salary increases will not significantly change this amount.

FY 2026-27 Short Term Disability – Request

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$21,305	\$6,951	\$12,655	\$0	\$1,699
Corrections	320,702	316,769	3,933	0	0
Early Childhood	17,104	7,064	2,916	1,502	5,622
Education	50,079	21,063	7,347	5,640	16,029
Governor	120,280	13,447	10,681	92,338	3,814
Health Care Policy and Financing	64,971	25,337	5,364	0	34,270
Higher Education - Admin & Hist CO	16,080	5,252	9,053	0	1,775

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Human Services	270,351	164,750	13,573	40,076	51,952
Judicial	376,964	349,968	25,591	1,405	0
Labor and Employment	111,420	9,130	53,404	297	48,589
Law	62,321	15,137	9,028	36,623	1,533
Legislature	33,831	33,831	0	0	0
Local affairs	17,113	4,257	5,260	4,806	2,790
Military and Veterans Affairs	11,116	4,216	143	0	6,757
Natural Resources	127,992	17,984	103,611	4,389	2,008
Personnel	27,973	12,770	984	14,219	0
Public Health and Environment	144,171	24,366	58,480	13,154	48,171
Public Safety	162,965	56,981	89,355	14,634	1,995
Regulatory Agencies	44,199	1,216	39,171	3,304	508
Revenue	96,072	43,522	52,168	382	0
State	11,242	0	11,242	0	0
Transportation	11,644	0	11,644	0	0
Treasury	4,033	2,560	1,473	0	0
TOTAL	\$2,123,928	\$1,136,571	\$527,076	\$232,769	\$227,512
FY 2025-26 Appropriation	2,014,948	1,103,847	483,296	211,677	216,128
FY 2026-27 Change	108,980	32,724	43,780	21,092	11,384
FY 2026-27 Percent change	5.4%	3.0%	9.1%	10.0%	5.3%

→ Paid Family and Medical Leave Insurance (PFMLI)

Request

The request is for funding PFMLI at the statutory rate of 0.45 percent of revised base salary. Revised base salary is department base salary plus salary increases plus department shift differential. The request totals \$2.1 million, including \$1.1 million General Fund.

Recommendation

Staff recommends that the Committee allow staff to set statewide department PFMLI appropriations based on the totality of salary policy decisions made by the Committee (revised base salary), and calculated using the requested rate of 0.07 percent as calculated in department compensation templates.

Analysis

Proposition 118, Paid Family Medical Leave Initiative, was approved by voters in November 2020 and created a paid family and medical leave insurance program for all Colorado employees administered by the Colorado Department of Labor and Employment. The payroll collection was initiated on January 1, 2023, and benefits of up to 12 weeks of paid family and medical leave to eligible employees began on January 1, 2024. The statutory payroll premium totals 0.9 percent with half paid by the employer.

The following table provides an estimate of PFMLI payments based on the request. Due to the scale of this policy, staff anticipates that Committee decisions for salary increases will not significantly change this amount.

FY 2026-27 Paid Family and Medical Leave Insurance - Request

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$136,958	\$44,683	\$81,356	\$0	\$10,919
Corrections	2,061,656	2,036,370	25,286	0	0
Early Childhood	109,958	45,414	18,746	9,654	36,144
Education	321,937	135,405	47,231	36,255	103,046
Governor	773,233	86,448	68,659	593,607	24,519
Health Care Policy and Financing	417,668	162,880	34,480	0	220,308
Higher Education - Admin & Hist CO	103,367	33,762	58,198	0	11,407
Human Services	1,737,972	1,059,106	87,256	257,631	333,979
Judicial	2,423,350	2,249,802	164,515	9,033	0
Labor and Employment	716,269	58,694	343,313	1,907	312,355
Law	400,632	97,308	58,038	235,434	9,852
Legislature	217,484	217,484	0	0	0
Local affairs	110,009	27,365	33,814	30,897	17,933
Military and Veterans Affairs	71,459	27,103	921	0	43,435
Natural Resources	822,811	115,612	666,073	28,216	12,910
Personnel	179,827	82,094	6,327	91,406	0
Public Health and Environment	926,808	156,638	375,942	84,560	309,668
Public Safety	1,047,629	366,305	574,425	94,075	12,824
Regulatory Agencies	284,135	7,818	251,813	21,241	3,263
Revenue	617,608	279,785	335,368	2,455	0
State	72,270	0	72,270	0	0
Transportation	74,852	0	74,852	0	0
Treasury	25,927	16,459	9,468	0	0
TOTAL	\$13,653,819	\$7,306,535	\$3,388,351	\$1,496,371	\$1,462,562
FY 2025-26 Appropriation	12,939,384	7,083,123	3,106,894	1,359,968	1,389,400
FY 2026-27 Change	714,435	223,412	281,457	136,403	73,162
FY 2026-27 Percent change	5.5%	3.2%	9.1%	10.0%	5.3%

Long Bill Footnotes and Requests for Information

Long Bill Footnotes

Staff recommends no statewide compensation policy footnotes.

Requests For Information

Staff recommends **DISCONTINUING** The following request for information:

- 9 All Departments – The Departments are requested to provide by November 1 of each fiscal year responses to the following:
 - a. Based on the Department's most recent available record, what is the FTE vacancy and turnover rate: (1) by department; (2) by division; (3) by program for programs with at least 20 FTE; and (4) by occupational class for classes that are located within a larger occupational group containing at least 20 FTE.
 - b. To what does the Department attribute this turnover/vacancy experience?
 - c. Do the statewide compensation policies or practices administered by the Department of Personnel help or hinder the department in addressing vacancy or turnover issues?

Comment: This request for information has been included for several years. Prior to the RFI, this request was generally included as a hearing question. Regardless, staff does not believe that information has been received over the years that helps the Committee understand issues related to vacancies and turnovers. As it relates to gaining more understanding of the experience of “vacancy savings”, staff believes that removing POTS expenditure flexibility may provide clearer indications of the experience of vacancy savings by departments.



Memorandum

To: Joint Budget Committee
From: Alfredo Kemm, JBC Staff (303-866-4549)
Date: February 4, 2026
Subject: Addendum to Statewide Compensation Figure Setting document

This addendum includes three sections: (1) Additional HLD Analysis and Tables; (2) Historical Cost Comparison of Health Plans; and (3) Staff Recommended Statutory Amendments for the Partnership Agreement Act.

1. Additional HLD Analysis and Tables

The following table outlines the proposed FY 2026-27 monthly premium for health insurance.

1) Health Insurance - FY 2026-27 Proposed Total Monthly Premium - change from prior year

Plan	FY25-26 Rate	FY26-27 Request	Change	Percent Change
Cigna - High Deductible				
Tier 1 - Employee	934	1,147	213	22.8%
Tier 2 - Employee + Spouse	1,823	2,210	386	21.2%
Tier 3 - Employee + Children	1,671	2,027	356	21.3%
Tier 4 - Family	2,558	3,088	530	20.7%
Cigna - Co-pay Basic				
Tier 1 - Employee	944	1,159	215	22.8%
Tier 2 - Employee + Spouse	1,904	2,296	392	20.6%
Tier 3 - Employee + Children	1,739	2,100	361	20.8%
Tier 4 - Family	2,697	3,235	537	19.9%
Cigna - Co-pay Plus				
Tier 1 - Employee	983	1,204	221	22.5%
Tier 2 - Employee + Spouse	1,983	2,388	404	20.4%
Tier 3 - Employee + Children	1,812	2,184	373	20.6%
Tier 4 - Family	2,810	3,365	555	19.8%
Kaiser - High Deductible				
Tier 1 - Employee	743	841	98	13.1%
Tier 2 - Employee + Spouse	1,495	1,654	159	10.6%
Tier 3 - Employee + Children	1,359	1,507	148	10.9%
Tier 4 - Family	2,111	2,320	210	9.9%
Kaiser - Co-pay Basic				
Tier 1 - Employee	786	882	96	12.2%
Tier 2 - Employee + Spouse	1,649	1,804	155	9.4%
Tier 3 - Employee + Children	1,492	1,636	144	9.7%

Plan	FY25-26 Rate	FY26-27 Request	Change	Percent Change
Tier 4 - Family	2,356	2,560	203	8.6%
Kaiser - Co-pay Plus				
Tier 1 - Employee	831	930	99	11.9%
Tier 2 - Employee + Spouse	1,743	1,904	161	9.2%
Tier 3 - Employee + Children	1,577	1,727	150	9.5%
Tier 4 - Family	2,490	2,703	212	8.5%

The following table outlines the proposed or requested health insurance monthly premium State and employee share.

2) Health Insurance - FY 2026-27 Proposed (Requested) Monthly Premium - State and Employee Share

Plan	Total Premium	State Premium	Employee Premium	State Share	Employee Share
Cigna - High Deductible					
Tier 1 - Employee	1,146.50	1,114	33	97.1%	2.9%
Tier 2 - Employee + Spouse	2,209.72	2,028	181	91.8%	8.2%
Tier 3 - Employee + Children	2,027.06	1,955	72	96.5%	3.5%
Tier 4 - Family	3,087.96	2,799	289	90.6%	9.4%
Cigna - Co-pay Basic					
Tier 1 - Employee	1,158.86	1,112	47	95.9%	4.1%
Tier 2 - Employee + Spouse	2,295.72	2,072	224	90.3%	9.7%
Tier 3 - Employee + Children	2,100.42	2,015	85	96.0%	4.0%
Tier 4 - Family	3,234.80	2,920	315	90.3%	9.7%
Cigna - Co-pay Plus					
Tier 1 - Employee	1,204.40	1,097	108	91.1%	8.9%
Tier 2 - Employee + Spouse	2,387.60	2,051	337	85.9%	14.1%
Tier 3 - Employee + Children	2,184.34	1,997	188	91.4%	8.6%
Tier 4 - Family	3,364.96	2,853	512	84.8%	15.2%
Kaiser - High Deductible					
Tier 1 - Employee	841.08	808	33	96.1%	3.9%
Tier 2 - Employee + Spouse	1,654.28	1,471	183	88.9%	11.1%
Tier 3 - Employee + Children	1,506.96	1,442	64	95.7%	4.3%
Tier 4 - Family	2,320.10	2,087	233	90.0%	10.0%
Kaiser - Co-pay Basic					
Tier 1 - Employee	882.00	838	44	95.0%	5.0%
Tier 2 - Employee + Spouse	1,804.18	1,601	203	88.7%	11.3%
Tier 3 - Employee + Children	1,636.08	1,554	82	95.0%	5.0%
Tier 4 - Family	2,559.76	2,226	334	87.0%	13.0%
Kaiser - Co-pay Plus					
Tier 1 - Employee	929.70	864	66	92.9%	7.1%
Tier 2 - Employee + Spouse	1,904.18	1,618	286	85.0%	15.0%
Tier 3 - Employee + Children	1,726.56	1,587	140	91.9%	8.1%
Tier 4 - Family	2,702.64	2,247	456	83.1%	16.9%

The following table outlines the template-generated health insurance annual premium cost by department and statewide for the request.

3) FY 2026-27 Health Insurance - Request State-Emp Share by Department and Total

	State Cost	Employee Cost	State Share	Employee Share
Agriculture	\$5,969,821	\$588,701	91.0%	9.0%

	State Cost	Employee Cost	State Share	Employee Share
Corrections	96,964,041	9,972,140	90.7%	9.3%
Early Childhood	5,120,493	538,905	90.5%	9.5%
Education	12,412,872	1,255,051	90.8%	9.2%
Governor	26,512,452	2,767,526	90.5%	9.5%
Health Care Policy and Financing	17,333,112	1,745,459	90.9%	9.1%
Higher Education - Admin & Hist CO	3,048,130	297,739	91.1%	8.9%
Human Services	78,861,073	8,058,350	90.7%	9.3%
Judicial	96,932,586	9,432,643	91.1%	8.9%
Labor and Employment	31,963,814	3,137,042	91.1%	8.9%
Law	12,554,287	1,258,242	90.9%	9.1%
Legislature	7,387,383	756,810	90.7%	9.3%
Local affairs	5,541,758	534,142	91.2%	8.8%
Military and Veterans Affairs	2,840,457	277,394	91.1%	8.9%
Natural Resources	34,494,046	3,303,939	91.3%	8.7%
Personnel	7,675,936	766,930	90.9%	9.1%
Public Health and Environment	36,526,028	3,460,812	91.3%	8.7%
Public Safety	42,718,977	4,555,609	90.4%	9.6%
Regulatory Agencies	11,379,289	1,170,496	90.7%	9.3%
Revenue	30,590,720	3,164,710	90.6%	9.4%
State	2,946,369	322,947	90.1%	9.9%
Transportation	2,880,896	287,512	90.9%	9.1%
Treasury	1,079,513	111,498	90.6%	9.4%
TOTAL	\$573,734,051	\$57,764,598	90.9%	9.1%

As illustrated in the table, the health insurance request includes a State and employee cost share of 90.9 percent and 9.1 percent.

The following table outlines the proposed/requested dental and life monthly premiums and change from prior year.

4) Dental and Life Insurance - FY 2026-27 Proposed Total Monthly Premiums

Plan	FY25-26 Rate	FY26-27 Request	Change	Percent Change
Dental Basic				
Tier 1 - Employee	\$33.96	\$32.58	-\$1.38	-4.1%
Tier 2 - Employee + Spouse	55.42	52.84	-2.58	-4.7%
Tier 3 - Employee + Children	60.10	57.40	-2.70	-4.5%
Tier 4 - Family	80.62	76.74	-3.88	-4.8%
Dental Basic Plus				
Tier 1 - Employee	38.40	38.66	0.26	0.7%
Tier 2 - Employee + Spouse	63.48	64.14	0.66	1.0%
Tier 3 - Employee + Children	68.72	69.40	0.68	1.0%
Tier 4 - Family	92.80	93.86	1.06	1.1%
Life Insurance	9.56	9.60	0.04	0.4%

The following table outlines the total monthly premium change from the prior year.

5) FY 2026-27 Health, Life, and Dental Total Monthly Premium by Plan and Tier

Tier	Health	Dental	Life	FY26-27 Request	FY25-26 Rate	Change	Percent Change
Cigna - High Deductible							
Tier 1 - Employee	\$1,147	\$33	\$10	\$1,189	\$978	\$211	21.6%
Tier 2 - Employee + Spouse	2,210	53	10	2,272	1,888	384	20.3%
Tier 3 - Employee + Children	2,027	57	10	2,094	1,740	354	20.3%
Tier 4 - Family	3,088	77	10	3,174	2,648	526	19.9%
Cigna - Co-pay Basic							
Tier 1 - Employee	1,159	33	10	1,201	987	214	21.7%
Tier 2 - Employee + Spouse	2,296	53	10	2,358	1,969	389	19.8%
Tier 3 - Employee + Children	2,100	57	10	2,167	1,809	359	19.8%
Tier 4 - Family	3,235	77	10	3,321	2,788	534	19.1%
Cigna - Co-pay Plus							
Tier 1 - Employee	1,204	33	10	1,247	1,027	220	21.4%
Tier 2 - Employee + Spouse	2,388	53	10	2,450	2,048	402	19.6%
Tier 3 - Employee + Children	2,184	57	10	2,251	1,881	370	19.7%
Tier 4 - Family	3,365	77	10	3,451	2,900	551	19.0%
Kaiser - High Deductible							
Tier 1 - Employee	841	33	10	883	787	96	12.2%
Tier 2 - Employee + Spouse	1,654	53	10	1,717	1,560	157	10.0%
Tier 3 - Employee + Children	1,507	57	10	1,574	1,429	145	10.2%
Tier 4 - Family	2,320	77	10	2,406	2,201	206	9.3%
Kaiser - Co-pay Basic							
Tier 1 - Employee	882	33	10	924	830	94	11.4%
Tier 2 - Employee + Spouse	1,804	53	10	1,867	1,714	152	8.9%
Tier 3 - Employee + Children	1,636	57	10	1,703	1,562	141	9.1%
Tier 4 - Family	2,560	77	10	2,646	2,447	199	8.2%
Kaiser - Co-pay Plus							
Tier 1 - Employee	930	33	10	972	875	97	11.1%
Tier 2 - Employee + Spouse	1,904	53	10	1,967	1,808	159	8.8%
Tier 3 - Employee + Children	1,727	57	10	1,794	1,646	147	8.9%
Tier 4 - Family	2,703	77	10	2,789	2,580	209	8.1%

(2) Historical Cost Comparison of Health Plans

The following table outlines the monthly premium comparison across health insurance plans from FY 2020-21, when the State began the Cigna health plan, through the proposed rates for FY 2026-27. The Cigna plan is the State's self-funded health plan.

Health Insurance - FY 2020-21 to FY 2026-27 Monthly Premium Comparison

Plan	FY20-21 Rate	FY26-27 Request	Change	Percent Change	CAAGR (compound annual average)
Cigna - High Deductible					
Tier 1 - Employee	\$655	\$1,147	\$492	75.1%	8.3%
Tier 2 - Employee + Spouse	1,268	2,210	942	74.3%	8.3%
Tier 3 - Employee + Children	1,163	2,027	864	74.3%	8.3%
Tier 4 - Family	1,775	3,088	1,313	74.0%	8.2%
Cigna - Co-pay Basic					

Plan	FY20-21 Rate	FY26-27 Request	Change	Percent Change	CAAGR (compound annual average)
Tier 1 - Employee	670	1,159	489	73.1%	8.2%
Tier 2 - Employee + Spouse	1,351	2,296	945	69.9%	7.9%
Tier 3 - Employee + Children	1,234	2,100	867	70.2%	7.9%
Tier 4 - Family	1,914	3,235	1,321	69.0%	7.8%
Cigna - Co-pay Plus					
Tier 1 - Employee	701	1,204	504	71.9%	8.0%
Tier 2 - Employee + Spouse	1,414	2,388	973	68.8%	7.8%
Tier 3 - Employee + Children	1,292	2,184	893	69.1%	7.8%
Tier 4 - Family	2,003	3,365	1,361	68.0%	7.7%
Kaiser - High Deductible					
Tier 1 - Employee	594	841	247	41.5%	5.1%
Tier 2 - Employee + Spouse	1,179	1,654	475	40.3%	5.0%
Tier 3 - Employee + Children	1,074	1,507	433	40.3%	5.0%
Tier 4 - Family	1,659	2,320	661	39.8%	4.9%
Kaiser - Co-pay Basic					
Tier 1 - Employee	623	882	259	41.5%	5.1%
Tier 2 - Employee + Spouse	1,295	1,804	510	39.4%	4.9%
Tier 3 - Employee + Children	1,173	1,636	463	39.4%	4.9%
Tier 4 - Family	1,847	2,560	713	38.6%	4.8%
Kaiser - Co-pay Plus					
Tier 1 - Employee	658	930	272	41.3%	5.1%
Tier 2 - Employee + Spouse	1,367	1,904	537	39.3%	4.8%
Tier 3 - Employee + Children	1,239	1,727	488	39.4%	4.9%
Tier 4 - Family	1,950	2,703	752	38.6%	4.8%

As illustrated in the table, over the seven years of the self-funded health plan, that plan has experienced 75 to 85 percent greater increases over the entire period relative to the fully insured plan.

In self-funded health plans, employers take on the financial risk of covering employee medical claims directly out-of-pocket rather than paying premiums to an insurer. Key benefits include customized benefits, cost savings when claims are low, and data transparency. It requires managing high-cost risks, often mitigated via stop-loss insurance. Disadvantages include financial risk, unpredictability, and increased administrative management.

As stated in the recommendation for legislative oversight of the Group Benefit Plans Reserve Fund and employee benefit insurance on page 34 of the figure setting document, staff is concerned that there is currently no oversight process for the administration of state employee insurance plans.

Staff Recommended Statutory Amendments for the Partnership Agreement Act

Section 24-50-1111 (6), C.R.S., includes the only provision with a reference to the General Assembly, and states:

(6) After the state and the certified employee organization reach a partnership agreement, the initial or supplemental budget request from the governor to the general assembly shall include sufficient appropriations to implement the terms of the agreement requiring the expenditure of money. The provisions of a partnership agreement that require the expenditure of money shall be contingent upon the availability of money and the specific appropriation of money by the general assembly. If the general assembly rejects any part of the request,

or while accepting the request takes any action which would result in a modification of the terms of the cost item submitted to it, either party may reopen negotiations concerning economic issues.

→ Staff Recommended Statutory Amendments for the Partnership Agreement Act

Staff recommends that the Committee consider additional statutory requirements for the Partnership Agreement Act in the interest of the budget process.

Currently statute only speaks to the negotiation and agreement process in the event the General Assembly does not provide money for Partnership Agreement components. However, it is just as important that the Partnership Agreement process should transparently inform the General Assembly about the projected costs of each component included in the agreement as agreed upon and signed by the Governor.

1) Staff recommends a provision that requires the Governor to submit the Partnership Agreement to the Joint Budget Committee along with a document outlining the anticipated, estimated, or projected costs over each year of the Partnership Agreement. It should detail by component, the anticipated cost for the first year and costs in each future year of the signed Partnership Agreement using a reasonable growth assumption based on a recent actual cost history for the component or a reasonably related component.

Additionally, recent Executive Branch budget requests for institutions of higher education have included a requested increase on the basis of the additional cost to comply with statewide compensation policies for classified staff at the institutions.

2) Staff recommends a provision that requires the Governor to identify an accurate cost for classified employees at each institution based on the Partnership Agreement and statewide compensation policies. This provision shall not require that funding be provided to institutions on this basis; but it must reflect an accurate cost. Similarly, this cost should likewise be reflected in the projected costs document included in recommendation 1.

Staff anticipates that job classes most out of structural pay range alignment with the market are most likely to be addressed through a list identified as part of the bargaining process.

3) As included in the figure setting document on page 12, staff recommends that a requirement be added to the Partnership Agreement process that requires annual agreement between the parties on a list of occupational classes that should undergo a system maintenance study each year. These studies may serve the basis for inclusion as recommended structural adjustments in the next year's budget request.