

JOINT BUDGET COMMITTEE



STAFF BUDGET BALANCING FY 2020-21

STATEWIDE COMPENSATION POLICIES

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
ALFREDO KEMM, JBC STAFF
APRIL 16, 2020

JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

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HOW TO USE THIS DOCUMENT

The **first section** of this document includes a summary table showing:

- Committee action on Long Bill appropriations through March 16, 2020; and
- Staff recommended changes to Long Bill appropriations, assuming that General Fund appropriations in FY 2020-21 must be kept at approximately the same level as FY 2019-20 to bring the budget into balance. This recommendation is based on the Legislative Council Staff March 16, 2020, revenue forecast, assumes that the statutory General Fund reserve will be increased in FY 2020-21 as proposed by the Governor, and assumes that only the federal increase in the Medicaid matching funds rate will be available to help cover shortfalls.

The table is followed by descriptions of each change recommended by staff.

A **second section** of the document (if applicable) summarizes staff recommendations that require statutory changes. This may include appropriation reductions that cannot be implemented without a statutory change, changes that affect the amount of available General Fund (e.g., a transfer from a

cash fund), or any other items that are not captured in the Long Bill appropriations table. The recommendations in the second section are also based on the assumption that General Fund appropriations in FY 2020-21 must be kept at approximately the level of FY 2019-20 to bring the budget into balance.

SUMMARY OF STAFF BUDGET BALANCING RECOMMENDATIONS FOR LONG BILL

Adjustments included in this section of the document relate to statewide compensation policy decisions already made by the Committee. One additional budget action is recommended in the Reduce General Fund Expenditures section of the Recommendations Requiring Statutory Change section, although it does not require statutory change. However, discussion of this recommendation is enhanced by this placement, in the context of similar and related budget balancing recommendations.

Salary Base, Compensation Common Policies, and PERA Payroll Components					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2019-20 Appropriation					
Base Salary Estimate	\$1,831,228,118	\$1,006,506,795	\$451,929,556	\$195,219,862	\$177,571,904
PERA	194,469,064	106,934,437	48,519,945	20,486,241	18,528,441
Medicare (FICA)	26,552,809	14,594,349	6,552,979	2,830,688	2,574,793
Shift Differential	18,059,304	14,125,081	594,743	3,285,532	53,948
Salary Survey	58,966,457	29,759,916	16,033,773	7,312,806	5,859,961
Merit Pay	11,641,074	10,559,751	580,610	492,399	8,314
Health, Life, and Dental	287,247,601	168,977,137	63,372,916	31,744,675	23,152,873
Short-term Disability	3,147,472	1,734,352	748,012	377,387	287,721
AED	96,798,550	53,950,650	22,983,454	11,272,443	8,592,003
SAED	96,620,642	53,773,958	22,983,382	11,271,629	8,591,673
PERA Direct Distribution	56,469,931	28,486,185	17,519,667	5,552,654	4,911,425
Paid Family Leave	0	0	0	0	0
TOTAL	\$2,681,201,021	\$1,489,402,610	\$651,819,037	\$289,846,317	\$250,133,057
FY 2020-21 JBC Action as of 3/16/20					
Base Salary Estimate	\$1,965,618,938	\$1,100,380,399	\$455,104,895	\$241,323,905	\$168,809,739
PERA	218,701,444	122,631,902	51,116,299	26,495,165	18,458,078
Medicare (FICA)	28,501,471	15,955,515	6,599,020	3,499,196	2,447,740
Shift Differential	18,106,359	14,177,714	721,901	2,204,984	1,001,760
Salary Survey	67,395,781	38,077,581	15,462,100	8,164,577	5,691,523
Merit Pay	0	0	0	0	0
Health, Life, and Dental	309,794,012	178,372,572	70,221,943	35,911,351	25,288,146
Short-term Disability	3,280,815	1,800,175	769,343	419,871	291,426
AED	101,416,217	56,691,298	23,459,228	12,527,404	8,738,287
SAED	101,416,217	56,691,298	23,459,228	12,527,404	8,738,287
PERA Direct Distribution	54,050,594	31,786,780	16,161,749	6,102,065	0
Paid Family Leave	0	0	0	0	0
TOTAL - JBC Action as of 3/16/20	\$2,868,281,849	\$1,616,565,234	\$663,075,706	\$349,175,922	\$239,464,986
Increase/(Decrease)	\$187,080,827	\$127,162,624	\$11,256,669	\$59,329,605	(\$10,668,071)
Percent Change	7.0%	8.5%	1.7%	20.5%	(4.3%)
FY 2020-21 Budget Balancing Recommendation					

Salary Base, Compensation Common Policies, and PERA Payroll Components					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Base Salary Estimate	\$0	\$0	\$0	\$0	\$0
PERA	0	0	0	0	0
Medicare (FICA)	0	0	0	0	0
Shift Differential	0	0	0	0	0
Salary Survey	(66,298,594)	(37,559,018)	(15,112,549)	(8,062,309)	(5,564,718)
Merit Pay	0	0	0	0	0
Health, Life, and Dental	0	0	0	0	0
Short-term Disability	(96,800)	(54,267)	(22,140)	(12,107)	(8,286)
AED	(2,932,430)	(1,655,740)	(670,563)	(358,552)	(247,575)
SAED	(2,932,430)	(1,655,740)	(670,563)	(358,552)	(247,575)
PERA Direct Distribution	(54,050,594)	(31,786,780)	(16,161,749)	(6,102,065)	0
Paid Family Leave	0	0	0	0	0
TOTAL	\$2,741,971,001	\$1,543,853,690	\$630,438,142	\$334,282,337	\$233,396,832
Increase/(Decrease)	\$60,769,979	\$54,451,079	(\$21,380,895)	\$44,436,020	(\$16,736,225)
Percent Change	2.3%	3.7%	(3.3%)	15.3%	(6.7%)

→ REVERSE STATEWIDE SALARY INCREASE OF 3.0 PERCENT

JBC ACTION AS OF 3/16/20: Consistent with staff's recommendation, the Committee approved a 3.0 percent across-the-board salary survey increase.

RECOMMENDATION: Staff recommends that the Committee reverse its action and include no across-the-board salary survey increase for FY 2020-21. This action saves \$72.3 million total funds, including \$40.9 million General Fund across Salary Survey, Short-term Disability, AED, and SAED line items.

Remaining appropriations of \$1.1 million total funds in Salary Survey move employees at the bottom of the pay range to the new minimum with a structural, 2.0 percent salary range adjustment for all occupational classifications. The Committee could choose to deny the salary range adjustment as well, which would zero out the salary survey appropriation.

ANALYSIS:

This recommendation provides consistency for the treatment of all requests for salary increases.

→ REVERSE DEPARTMENT OF LAW SALARY INCREASES

JBC ACTION AS OF 3/16/20: Consistent with staff's recommendation, the Committee approved salary survey and merit pay adjustments for the Department of Law as follow:

- A 3.0 percent increase for classified employees;
- A 3.0 percent increase for all attorney classes, except for the Deputy AG class;
- A 4.0 percent increase for the Deputy AG class; and
- An average 0.6 percent merit pay increase for attorneys.

RECOMMENDATION: Staff recommends that the Committee reverse its action and include no salary survey or merit pay increases for FY 2020-21. In addition to savings included in the statewide salary increase, this action would save \$265,095 total funds, including \$67,376 General Fund.

ANALYSIS:

This recommendation provides consistency for the treatment of all requests for salary increases.

→ REVERSE DHS BA1 MHI PSYCHOLOGIST PAY ADJUSTMENT

JBC ACTION AS OF 3/16/20: Consistent with staff's recommendation, the Committee approved increase adjustments for psychologists within the Mental Health Institutes (MHI) in the Department of Human Services (DHS).

RECOMMENDATION: Staff recommends that the Committee reverse its action and deny this request for FY 2020-21. This action would save \$540,894 General Fund over prior action.

ANALYSIS:

This recommendation provides consistency for the treatment of all requests for salary increases.

SUMMARY OF RECOMMENDATIONS REQUIRING STATUTORY CHANGE

REDUCE GENERAL FUND EXPENDITURE - STATUTORY CHANGE REQUIRED ¹				
FY 2020-21 EXPENSE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS	FTE
Suspend state agency common policy allocations for PERA DD	(\$31,786,780)	(\$22,263,814)	(\$54,050,594)	0.0
Postpone PERA automatic increase adjustments of 0.5 percent	(6,992,537)	(4,965,588)	(11,958,125)	0.0
"Furlough"-equivalent policy recommendations:				
Postpone PERA automatic increase adjustment of 0.5 percent	\$0	\$0	\$0	0.0
Postpone PERA employee contrib. structural increase of 0.75%	0	0	0	0.0
Shift 2.5 percent of PERA employer contribution to employees	<u>(34,962,685)</u>	<u>(24,827,940)</u>	<u>(59,790,625)</u>	<u>0.0</u>
Subtotal – "Furlough"-equivalent policy recommendations	(\$34,962,685)	(\$24,827,940)	(\$59,790,625)	0.0
Total – PERA-related compensation policy adjustments	(\$73,742,002)	(\$52,057,342)	(\$125,799,344)	0.0
Personal Services Base Reduction of 2.5 percent (budget action only – legislation not required) ¹	(\$34,962,685)	(\$24,827,940)	(\$59,790,625)	0.0

¹ This item is included in this section to more appropriately include discussion of this action in context with similar policy actions in the narrative.

INCREASE AVAILABLE GENERAL FUND - STATUTORY CHANGE REQUIRED			
FY 2020-21 REVENUE	NET GF IMPACT	OTHER FUNDS	TOTAL FUNDS
Transfer State Employee Reserve Fund to GF	\$32,600,000	(\$32,600,000)	\$0

PERA-RELATED COMPENSATION POLICY ADJUSTMENTS

→ SUSPEND STATE AGENCY COMMON POLICY ALLOCATIONS FOR PERA DD

JBC ACTION AS OF 3/16/20: Consistent with staff's recommendation, the Committee approved state agency common policy allocations for the PERA Direct Distribution that total \$54.1 million, including \$31.8 million General Fund.

RECOMMENDATION: Consistent with staff's recommendation in the Treasury budget balancing document, Staff recommends that the Committee pursue legislation to suspend the PERA Direct Distribution payment for FY 2020-21, including the state agency common policy allocations, for budget balancing purposes.

ANALYSIS:

The following table outlines the common policy allocations included in the PERA Direct Distribution.

PERA DIRECT DISTRIBUTION - RECOMMENDED STATE AGENCY APPROPRIATIONS					
FY 2020-21 PERA DIRECT DISTRIBUTION	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$481,308	\$157,816	\$323,492	\$0	\$0
Corrections	9,388,586	9,128,687	259,899	0	0
Education	1,220,885	393,406	198,219	152,168	477,092
Governor's Office	2,427,624	216,878	58,019	2,138,775	13,952
Health Care Policy and Financing	977,212	363,858	74,277	22,307	516,770
Higher Education - Admin & Hist.CO	441,132	30,727	280,534	72,357	57,514
Human Services	7,450,138	5,101,079	74,354	1,799,456	475,249
Judicial	8,470,053	8,000,403	469,650	0	0
Labor and Employment	2,035,720	126,758	757,070	11,563	1,140,329
Law	1,121,212	301,065	137,650	657,504	24,993
Legislature	660,409	660,409	0	0	0
Local affairs	323,311	95,436	44,897	117,194	65,784
Military and Veterans Affairs	238,282	81,246	3,540	0	153,496
Natural Resources	2,936,082	448,249	2,329,063	86,386	72,384
Personnel	671,727	260,140	32,065	379,522	0
Public Health and Environment	2,671,912	435,270	896,319	279,116	1,061,207
Public Safety	3,859,353	924,586	2,518,486	319,705	96,576
Regulatory Agencies	1,040,006	33,071	932,277	63,897	10,761
Revenue	2,143,176	813,077	1,311,348	2,115	16,636
State	245,319	0	245,319	0	0
Transportation	5,197,200	0	5,197,200	0	0
Treasury	49,947	31,876	18,071	0	0
TOTAL	\$54,050,594	\$27,604,037	\$16,161,749	\$6,102,065	4,182,743
Federal Funds backfilled with General Fund	0	4,182,743	0	0	(4,182,743)
Statewide Recommendation	\$54,050,594	\$31,786,780	\$16,161,749	\$6,102,065	0

→ POSTPONE PERA AUTOMATIC INCREASE ADJUSTMENTS OF 0.5 PERCENT

JBC ACTION AS OF 3/16/20: Across department budgets, the Committee approved required annualizations for a 0.5 percent increase in the state (employer) contribution that is included in

personal services appropriations in state agency budgets. This increase is a result of the automatic increase adjustments provision in S.B. 18-200.

RECOMMENDATION: Staff recommends that the Committee pursue legislation to postpone the automatic increase adjustment for FY 2020-21 to FY 2021-22. This action would save \$12.0 million total funds including \$7.0 million General Fund.

This recommendation is not to permanently push forward or fundamentally change the automatic adjustment policy by a year; this is only to recommend delaying implementation of the FY 2020-21 adjustment to FY 2021-22.

Staff recommends delay of the 0.5 percent increase for both the employer and employee contribution rate. The recommendation for delay in the employee contribution rate is described in the next section.

ANALYSIS:

The following table outlines S.B. 18-200 annualizations included in department budgets.

SB 18-200 ANNUALIZATIONS FOR 0.5 PERCENT EMPLOYER CONTRIBUTION AUTOMATIC INCREASE IN PERSONAL SERVICES LINE ITEMS FOR FY 2020-21					
AGENCY	GF	CF	RF	FF	TF
Agriculture	\$34,408	\$70,636	\$0	\$0	\$105,044
Corrections	2,833,986	60,373	0	0	2,894,359
Education	80,346	35,143	31,283	98,080	244,852
Governor	4,971	0	510,228	0	515,199
Health Care Policy and Financing	248,084	18,117	5,441	289,645	561,287
Higher Education	5,276	49,030	11,985	615	66,906
Human Services	1,274,871	20,922	422,007	109,994	1,827,794
Judicial	1,740,731	87,999	0	0	1,828,730
Labor and Employment	41,380	183,535	0	216,583	441,498
Law	46,207	33,770	173,065	5,716	258,758
Legislature	0				0
Local Affairs	23,840	11,216	28,816	16,433	80,305
Military and Veterans Affairs	22,420	872	0	35,247	58,539
Natural Resources	99,281	515,675	19,133	16,032	650,121
Personnel	58,847	7,254	85,646	0	151,747
Public Health and Environment	99,964	263,812	39,011	244,434	647,221
Public Safety	198,587	539,672	68,586	20,773	827,618
Regulatory Agencies	7,191	203,131	13,894	2,340	226,556
Revenue	163,257	333,664	541	4,258	501,720
State	0	55,941	0	0	55,941
Transportation	0	0	0	0	0
Treasurer	8,890	5,040	0	0	13,930
Total	\$6,992,537	\$2,495,802	\$1,409,636	\$1,060,150	\$11,958,125

"FURLOUGH"-EQUIVALENT COMPENSATION POLICY ADJUSTMENTS

OVERVIEW/SUMMARY

The purpose of a furlough is to reduce personal services cost in order to prevent the need for position reductions or layoffs in times of revenue and budget challenges. Section 24-50-109.5, C.R.S., provides that mandatory furloughs can only be ordered in a "fiscal emergency" declared by a joint resolution

of the General Assembly and approved by the Governor. All employees regardless of status, position, or level of employment, are furloughed for the same length of time, except for:

- Colorado State Patrol;
- correctional officers;
- police officers;
- employees of the Department of Human Services providing hands-on care; and
- employees providing hands-on nursing care.

A day of furlough is calculated the same as a day of unpaid leave. The annualized hourly base rate is calculated by multiplying the monthly base salary rate multiplied by 12 months; this value is then divided by 2080 hours; this value is then multiplied by eight hours.

Calculated on the base salary estimate, staff estimates that a furlough of one eight-hour workday generates a savings of 0.4 percent, equal to \$7.6 million total funds, including \$4.2 million General Fund. A savings of 1.0 percent would require 2.6 furlough days and save \$19.7 million total fund, including \$11.0 million General Fund.

A furlough was last considered in 2009. At that time, the general recommendation to the JBC and the General Assembly was to rely instead on the appropriation power of the legislature to make decrease adjustments to personal services and program line items rather than implement an official or formal "furlough" policy.

Senate Bill 10-146 reduced the state contribution to PERA by 2.5 percentage points, and increased the employee contribution amount by 2.5 percentage points, for FY 2010-11 only. At that time this adjustment was anticipated to reduce state expenditures by approximately \$37.2 million, including \$20.4 million General Fund. Senate Bill 11-076 continued this contribution swap for FY 2011-12, and reduced state expenditures by approximately \$37.1 million, including \$20.0 million General Fund.

A sizable share of the State's citizens have become unemployed as a result of this crisis. A "furlough" or furlough-equivalent policy, in which state employees fairly share in the economic burden of reduced state revenue and a diminished jobs market, through reduced compensation for a defined period, is a reasonable budget balancing policy.

As an alternative to implementing a "furlough" policy, staff recommends that the Committee consider a policy to reduce the state contribution to PERA and offset that reduction with an increase to the employee contribution. Such a policy would affect all state employees similarly. Such a policy would function as a one-year salary reduction equal to the percentage offset without affecting employee salary or occupational classification salary ranges. The state would experience a budget savings equal to the amount of the offset.

In order to implement such a policy change, staff recommends that the Committee pursue legislation to delay the scheduled increases in PERA employee contributions of 0.75 percent for FY 2020-21 and 0.5 percent for FY 2021-22. Similarly, staff recommends that the Committee pursue legislation to delay the automatic increase adjustment of 0.5 percent in employee contributions. These delays would have the effect of leaving employee contribution rates at the current rate of 8.75 percent (for most employees), providing capacity for the recommended contribution swap.

Staff is recommending a contribution swap equal to those implemented in 2010 and 2011 of 2.5 percent. However, the Committee may wish to consider a swap of up to 5.0 percent, depending on the economic and revenue outlook and General Fund balancing needs. A contribution swap of 2.5 percent generates the equivalent savings of 6.5 furlough days. A contribution swap of 5.0 percent generates the equivalent savings of 13 furlough days, or just over one day per month.

→ POSTPONE PERA AUTOMATIC INCREASE ADJUSTMENTS OF 0.5 PERCENT

JBC ACTION AS OF 3/16/20: The Committee has not taken action related to this recommendation.

RECOMMENDATION: As the first in a package of PERA-related employee contribution recommendations, staff recommends that the Committee pursue legislation to postpone the automatic increase adjustment of 0.5 percent for FY 2020-21 to FY 2021-22. In itself, this recommendation generates no savings for the state budget.

→ POSTPONE PERA EMPLOYEE CONTRIBUTION STRUCTURAL INCREASE OF 0.75%

JBC ACTION AS OF 3/16/20: The Committee has not taken action related to this recommendation.

RECOMMENDATION: As the second in a package of PERA-related employee contribution recommendations, staff recommends that the Committee pursue legislation to postpone the employee contribution structural increase of 0.75 percent for FY 2020-21 to FY 2021-22. Relatedly, staff recommends that the structural increase of 0.5 percent for FY 2021-22 be postponed to FY 2022-23. In itself, this recommendation generates no savings for the state budget.

ANALYSIS:

Section 24-51-401 (1.7)(a), C.R.S., as amended in S.B. 18-200, provides a ramp up of the structural employee contribution to PERA from 8.0 percent to 10.0 percent over three years, included as Tables B, C, and D in that statute. The current fiscal year includes the first structural contribution adjustment of 0.75 percent, for a total base or structural contribution rate of 8.75 percent. Staff recommends delaying implementation of Tables C and D by one year to maintain the employee contribution rate at its current 8.75 percent rate.

→ SHIFT 2.5 PERCENT OF PERA EMPLOYER CONTRIBUTION TO EMPLOYEES

RECOMMENDATION: Staff recommends that the Committee pursue legislation to implement a PERA contribution swap of 2.5 percent for FY 2020-21 for budget balancing purposes. Staff calculates that this action will provide savings of \$59.8 million total funds, including \$35.0 million General Fund.

ANALYSIS:

To generate this savings, staff calculations are based on the S.B. 18-200 annualization of the 0.5 percent automatic increase adjustment as included in the table above, multiplied by 5 to achieve a 2.5 percent adjustment. As previously discussed: Staff is recommending a contribution swap equal to those implemented in 2010 and 2011 of 2.5 percent. However, the Committee may wish to consider

a swap of up to 5.0 percent, depending on the economic and revenue outlook and General Fund balancing needs. A contribution swap of 2.5 percent generates the equivalent savings of 6.5 furlough days. A contribution swap of 5.0 percent generates the equivalent savings of 13 furlough days, or just over one day per month.

BASE REDUCTION ADJUSTMENTS

While the Committee could consider a PERA contribution swap of greater than 5.0 percent to be borne by state employees, staff would instead recommend that additional personal services cuts be generated through across-the-board cuts to personal services, operating expenses, and program line items or through a personal services base reduction.

These options are borne by state agencies and require state agencies to use vacancy savings and find other opportunities for reducing operating expenditures. As a matter of fairness, staff would recommend an equivalent percentage in base reduction as is set for a PERA contribution swap.

Nevertheless, these two options in concert have the effect of sharing the burden related to budget balancing across employees and employers in the statewide compensation system.

→ PERSONAL SERVICES BASE REDUCTION OF 2.5 PERCENT (BUDGET ACTION – LEGISLATION NOT REQUIRED)

JBC ACTION AS OF 3/16/20: Consistent with the staff recommendation, the Committee did not include a personal services base reduction for FY 2020-21 in prior JBC action.

RECOMMENDATION: Staff recommends that the Committee approve a 2.5 percent personal services base reduction for budget balancing purposes. Using the figures included in budget schedules for the S.B. 18-200 automatic increase adjustment of 0.5 percent, staff calculates savings of \$59.8 million total funds, including \$35.0 million General Fund.

ANALYSIS:

The estimated salary base totals \$2.21 billion, including \$1.24 billion General Fund. A 1.0 percent reduction in the estimated salary base totals \$22.1 million, including \$12.4 million General Fund. A 2.5 percent reduction in the estimated salary base totals \$55.3 million, including \$31.0 million General Fund. The following table outlines the savings generated from a 2.5 percent personal services base reduction, calculated on the estimated salary base.

2.5 PERCENT PERSONAL SERVICES BASE REDUCTION - CALCULATED ON ESTIMATED SALARY BASE					
FY 2020-21	GF	CF	RF	FF	TF
Agriculture	(\$172,642)	(\$354,413)	\$0	\$0	(527,055)
Corrections	(9,732,501)	(282,009)	0	0	(10,014,510)
Education	(431,607)	(218,898)	(168,042)	(526,862)	(1,345,409)
Governor's Office	(240,195)	(64,257)	(2,366,680)	(15,452)	(2,686,584)
Health Care Policy and Financing	(445,627)	(90,970)	(27,320)	(632,903)	(1,196,820)
Higher Education - Admin & Hist	(27,440)	(250,524)	(64,616)	(51,361)	(393,941)

2.5 PERCENT PERSONAL SERVICES BASE REDUCTION - CALCULATED ON ESTIMATED SALARY BASE					
FY 2020-21	GF	CF	RF	FF	TF
Human Services	(5,478,428)	(80,627)	(1,925,237)	(498,612)	(7,982,904)
Judicial	(9,437,124)	(538,251)	0	0	(9,975,375)
Labor and Employment	(138,109)	(824,863)	(12,599)	(1,242,116)	(2,217,687)
Law	(360,282)	(164,810)	(786,625)	(29,924)	(1,341,641)
Legislature	(841,563)	0	0	0	(841,563)
Local affairs	(117,508)	(55,281)	(144,299)	(80,998)	(398,086)
Military and Veterans Affairs	(100,053)	(4,359)	0	(188,143)	(292,555)
Natural Resources	(516,439)	(2,682,433)	(99,527)	(83,396)	(3,381,795)
Personnel	(293,673)	(36,198)	(427,408)	0	(757,279)
Public Health and Environment	(513,665)	(1,057,515)	(329,400)	(1,252,209)	(3,152,789)
Public Safety	(1,032,431)	(2,805,699)	(356,564)	(107,998)	(4,302,692)
Regulatory Agencies	(37,263)	(1,050,045)	(71,996)	(12,124)	(1,171,428)
Revenue	(1,016,125)	(1,635,814)	(2,643)	(20,790)	(2,675,372)
State	0	(288,939)	0	0	(288,939)
Transportation	0	(311,064)	0	0	(311,064)
Treasury	(41,520)	(23,538)	0	0	(65,058)
SUBTOTAL	(\$30,974,195)	(\$12,820,507)	(\$6,782,956)	(\$4,742,888)	(55,320,546)

The estimated salary base is the most dependable data source for statewide salary and is the basis for the generation of compensation common policy appropriations. However, actual budget schedule adjustments submitted by state agencies for the PERA automatic adjustment increase of 0.5 percent, appear to indicate that a 1.0 percent or 2.5 percent base reduction may be greater than indicated in the estimated salary base calculation.

As included in the S.B. 18-200 annualization table above, the 0.5 percent adjustments submitted by state agencies total \$12.0 million, including \$7.0 million General Fund. Therefore, a 1.0 percent adjustment would total \$23.9 million, including \$14.0 million General Fund; and a 2.5 percent base reduction adjustment would total \$59.8 million, including \$35.0 million General Fund. This represents additional savings of \$4.5 million total funds, including \$4.0 million General Fund when compared to the calculation on the estimated salary base.

For purposes of the savings estimate included in the Reduce General Fund Expenditures table above, staff includes the greater amount of savings from the calculation on the S.B. 18-200 annualization. Primarily, this amount is used as it reflects actual budget schedule calculation submitted by state agencies and therefore should reflect "actual" versus "estimated" amounts. Additionally, equivalency with the recommendation for a 2.5 percent PERA contribution swap enhances recommendation consistency within the table.

It would be reasonable to instruct JBC staff to make adjustments on the basis of the S.B. 18-200 annualization amount – as equal to 0.5 percent of salary – in state agency budgets. As a matter of accuracy, staff recommends that the Committee include a clarifying motion on the method for calculating a base reduction to include the use of the S.B. 18-200 annualization as the basis for the calculation of the base reduction.

Depending on the severity of the revenue forecast, the Committee could choose to match a 5.0 percent PERA contribution rate swap with a 5.0 percent base reduction and generate a total of 10.0 percent savings of \$239.2 million total funds, including \$139.9 million General Fund.

CASH FUND TRANSFERS

→ TRANSFER STATE EMPLOYEE RESERVE FUND TO GF

JBC ACTION AS OF 3/16/20: The Governor's request includes a transfer of \$20.0 million from the State Employee Reserve Fund to the General Fund. The Committee has not yet acted on the request.

RECOMMENDATION: Staff recommends that the Committee sponsor legislation to transfer up to \$32.6 million from the State Employee Reserve Fund to the General Fund.

ANALYSIS:

The Office of the State Controller provided a balance as of January 2020 for the State Employee Reserve Fund (SERF). The FY 2018-19 ending fund balance totals \$55.6 million. A transfer of \$23.0 million to the General Fund on July 1, 2019, was included as a part of FY 2019-20 balancing in S.B. 19-208. This reduces the available balance to \$32.6 million, excluding current year General Fund reversions transferred to the SERF.

The SERF, created in Section 24-50-104 (1)(j)(II)(A), is funded from General Fund reversions from personal services and operating expenses line items and identified in accounts by department. The fund is continuously appropriated to departments for merit pay. However, merit pay is a statewide compensation component that is determined by legislative action. Historically, when merit pay was approved as a statewide compensation increase policy it has been fully funded by standard operating fund sources identified in compensation templates. In recent years, merit pay has not been requested. Functionally, the SERF exists simply as a General Fund reversions holding fund.