

This file contains the following documents:

1. January 18, 2017, JBC staff memo titled: " Department of Personnel request for legislation".
2. January 19, 2017, JBC Staff document titled: "FY 2017-18 Statewide Compensation Policies Figure Setting".

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Alfredo Kemm, JBC Staff (303.866.4549)
DATE January 18, 2017
SUBJECT Department of Personnel request for legislation

The Department of Personnel has submitted a request (attached) for the Committee to carry legislation to adjust the due date of the annual compensation report from August 1st to October 1st. The Department has previously spoken with me about this request. I do not support the request nor do I oppose the request. However, because I do not believe this change will enhance the budget process, I would not recommend that the Committee carry the bill.

The Department believes that the Committee should carry the bill because it relates to statewide compensation policy. The Department has communicated that the delay would provide additional time for analysis that becomes available in the Spring of each year and that the Department does not receive "complete information" on the performance of the State's medical benefits package for the prior year until mid-August.

Staff is unconvinced that additional months will provide enhanced information for the annual compensation report that will significantly or even moderately affect the compensation policy budget process. Staff continues to receive budget amendments until January 1st as a part of the budget process and is able to communicate with the Department throughout the Long Bill figure setting and development process, generally through March of each year. The Department is free to share updated information either informally or through formal notice, if such additional information would have a significant effect on statewide compensation.

The Department does not believe that this change in deadline will delay the budget request process for compensation-related policies. Nevertheless, staff is concerned that a delay of the compensation report will necessarily generate delays in the back and forth development of state agency compensation templates in coordination with the Department, especially as it relates to the November 1 budget request.

Staff believes that one of the purposes for moving the publication deadline date for the annual compensation report may be to align the findings in the report with the Governor's request. Currently, the annual compensation report involves an independent and technocratic assessment of statewide compensation. The Governor's request, over at least the last two budget requests, has differed from the recommendations in the annual compensation report for salary increases. On its face, this might be considered a violation of the total compensation statutes. However, it is reasonable that the Governor's request would take into account funding available and funding needs in the entire State budget, and is therefore a political decision making process. On the basis of this concern, which may or may not be accurate, staff would prefer to keep distinct separation between the annual compensation report and the November 1 budget request with the current deadline.



COLORADO

**Department of Personnel
& Administration**

1525 Sherman St.
Denver, CO 80203

Honorable Kent Lambert, Chair
Honorable Millie Hamner, Vice Chair

Joint Budget Committee
200 East 14th Ave., 3rd Floor
Denver, Colorado 80203

January 17, 2017

Dear Senator Lambert and Representative Hamner,

Pursuant to 24-50-104, C.R.S., the Department of Personnel & Administration is required to submit an annual compensation report to the governor and the Joint Budget Committee no later than August 1, "to reflect all adjustments necessary to maintain the salary structure, state contributions for group benefit plans, and merit pay for the upcoming fiscal year."

To prepare this report the Department must collect and analyze a substantial amount of data from both public and private sector employer surveys to determine the relative position of State employees in each job class in relation to their respective market equivalents. Through this process, the Department identifies prevailing components of employee compensation in the market, including, but not limited to, salary, leave, and health benefits; appropriate pay ranges for each State employee job class based on similar jobs in the public and private sectors; and the distribution of actual State employee salaries within each job class. This analysis helps the Department determine what changes, if any, may be needed to maintain a competitive compensation package compared to the market.

The August 1 deadline prevents the Department from providing the Joint Budget Committee and the Governor with the most useful information possible for two reasons. First, market compensation data generally becomes available in the Spring of each year. This compresses the amount of time the Department has to conduct its analysis. Second, the Department does not receive complete information on the performance of the State's medical benefits package for the prior year until mid-August of the next fiscal year. This information should be taken into consideration during the development of the recommendations in the report. Extending the deadline for the Department to submit the annual compensation report would allow the Department to conduct a more thorough analysis and provide more useful and meaningful recommendations to the governor and the Joint Budget Committee.

For these reasons, the Department respectfully asks the Joint Budget Committee to consider legislation to extend the deadline for the Department to submit the Annual Compensation Report from August 1 to October 1.



Thank you for your consideration. Please contact the Department's legislative liaison, Jack Wylie, at jack.wylie@state.co.us or 303-866-3539 if you have any questions.

Respectfully,



June Taylor
Executive Director,
Department of Personnel & Administration

cc:

Members of the Joint Budget Committee
John Ziegler, Staff Director, Joint Budget Committee
Alfredo Kemm, Joint Budget Committee Staff
Kim Burgess, State Chief Human Resources Officer



JOINT BUDGET COMMITTEE



STAFF FIGURE SETTING FY 2017-18

STATEWIDE COMPENSATION POLICIES

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

PREPARED BY:
ALFREDO KEMM, JBC STAFF
JANUARY 19, 2017

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HOW TO USE THIS DOCUMENT

Section 7 provides a summary table of all requested and recommended compensation components. Sections 2 through 6 include the decision items for each of the statewide compensation components. Section 1 discusses base salary calculation and the base salary estimate. Section 8 discusses a decision item for the Committee related to appropriation assumptions for new FTE.

Appendix A provides all staff recommended components by department and Appendix B provides all requested compensation components by department. Throughout the document, figures for Judicial are either estimated or included as requested. Due to the independent nature of the Judicial Branch, the JBC staff analyst for the Judicial Branch will set appropriations for its compensation components.

COMPENSATION POLICIES OVERVIEW

The Department of Personnel produces an annual total compensation report to compare the State's compensation to prevailing market rates. 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.

During the annual budget process, the Joint Budget Committee and the General Assembly finalize compensation common policies, which determine the amount of salary and benefit increases. Historically, in addition to salary and benefit increases, Committee policy establishes standard methods for calculating base salaries and for determining the cost of compensation for new FTE.

Compensation common policies generally apply to a subset of all compensation that excludes higher education institutions and the legislature. Higher education uses a lump sum budgeting format and the legislature follows a different process. In addition, a large portion of positions at the higher education institutions and the legislature are exempt from the constitutionally created State Personnel System, and so the compensation for those positions is not bound by the same job classes and pay ranges. However, there are still a significant number of positions at the higher education institutions and in the legislature that are part of the State Personnel System. Also, many of the exempt positions use the same retirement and insurance benefits as the personnel system. So, while the common policies are not usually developed to apply to the higher education institutions or the legislature, it is important to consider that the common policy decisions will impact expenditures by the higher education institutions and the legislature.

Staff recommendations in this document are based on the objective of providing state employees with prevailing compensation, based on the statutory guidance in Section 24-50-104 (1), C.R.S.:

It is the policy of the state to provide prevailing total compensation to officers and employees in the state personnel system to ensure the recruitment, motivation, and retention of a qualified and competent work force. For purposes of this section, "total compensation" includes, but is not limited to, salary, group benefit plans, retirement benefits, performance awards, incentives, premium pay practices, and leave.

THE FY 2017-18 TOTAL COMPENSATION REQUEST

The FY 2017-18 Annual Compensation Report from the Executive Director of the Department of Personnel identifies that base pay accounts for 76 percent and benefits account for 24 percent of the total compensation package, with the State at 2.4 percent below the prevailing market overall. Overall, base salary for state employees is 5.7 percent below market and the value of benefits is 7.4 percent above market. Individual employee pay is projected to increase by three percent in the market over the next year and to maintain alignment with the market, the State should consider merit pay adjustments. The letter recommends that range minimums and maximums for all occupational groups be increased by 2.2 percent. The letter identifies a projected increase of 7.3

percent in medical costs and 3.0 percent in dental costs that would require an increase in the State's contribution in order to maintain the prevailing contribution level.

FY 2017-18 REQUEST

The FY 2017-18 request, including base salary, is estimated at \$2.34 billion total funds, an increase of \$105.9 million over the FY 2016-17 appropriation, which represents a 4.7 percent increase in total compensation-related appropriations and a 4.0 percent increase on the FY 2017-18 estimated salary base. The FY 2017-18 total compensation request includes the following elements:

- **Salary Survey:** The Salary Survey request includes:
 - A 2.5 percent across-the-board (ATB) salary increase for all occupational groups with base building up to the range maximum;
 - A 7.0 percent increase for State Troopers and a 3.5 percent increase for the State Patrol Admin II class; and
 - A 2.2 percent salary range adjustment for all occupational groups.

The Governor's request for Salary Survey totals \$48.8 million total funds, including \$26.2 million General Fund. JBC staff identifies a total salary survey request from all departments of \$52.8 million total funds, including \$30.3 million General Fund. Approximately \$8.0 million of the \$12.7 million total Salary Survey request for Judicial represents the 2.5 percent ATB salary increase; the additional \$4.7 million are other requests specific to Judicial.

For the purposes of this common policy figure setting document and recommended policies, staff will reflect the Governor's estimated figures for Judicial or other figures calculated on base salary. The Judicial Branch analyst will present the other aspects of that Department's Salary Survey request to the Committee for figure setting the appropriations for the Salary Survey component, which may necessitate additional adjustments for AED, SAED, and Short Term Disability. Staff's figures for Judicial are estimates to reflect the statewide cost of compensation policy decisions, but do not necessarily represent final figures for compensation policy line items.

- **Merit Pay:** A Merit Pay increase is not requested.
- **Shift Differential:** Shift differential is requested at 100 percent of prior year actual expenditures. In FY 2017-18 shift differential decreases by \$260,000; a 1.7 percent decrease from FY 2016-17.
- **AED:** Amortization Equalization Disbursement is set at a statutory rate of 5.0 percent in 2017 and future years for state employees generally; the PERA Judges Division is set at 2.2 percent. The AED increase is estimated to be \$6.4 million total funds, including \$3.6 million General Fund.
- **SAED:** Supplemental Amortization Equalization Disbursement is set at a statutory rate of 5.0 percent in 2017 and future years for state employees generally; the PERA Judges Division is set at 1.5 percent. The SAED increase is estimated to be \$7.2 million total funds, including \$4.1 million General Fund.

- **STD:** Short Term Disability is requested at 0.19 percent of revised base salaries. The STD adjustment is estimated to increase by \$103,000 total funds, including \$51,000 General Fund.
- **HLD:** Request amounts submitted for Health, Life, and Dental are based on employee health and dental election as of July 2016 and include a projected increase of 7.5 percent for health premiums. The base adjustment request reflects an increase of \$20.2 million total funds, including \$11.9 million General Fund.

ORDER OF OPERATIONS

The following tables illustrate the order of operations for calculating salary adjustments pursuant to State Personnel Rules.

Order of Operations - Employee Level		
Base Salary		\$50,000
1. Salary Survey	1.0%	500
Revised Base (base plus SS)		\$50,500
2. Merit Pay	2.0%	1,010
Revised Base (base plus SS and MP)		\$51,510

Once the Salary Survey and Merit Pay adjustments are determined at the individual employee level, the adjustments are aggregated to the department level.

Order of Operations - Department Level		
Department Base Salary		\$1,000,000
1. Salary Survey	1.0%	10,000
Dept. Revised Base (base plus SS)		\$1,010,000
2. Merit Pay	2.0%	20,200
Dept. Revised Base (base plus SS and MP)		\$1,030,200
3. Shift Differential		\$100,000
Dept. Revised Base (base plus SS, MP, Shift)		\$1,130,200
4. AED	5.00%	56,510
5. SAED	5.00%	56,510
6. STD	0.19%	2,147

AED, SAED and STD are calculated on the department revised base salary comprised of base salary, Salary Survey, Merit Pay, and Shift Differential. Changes to the Salary Survey and Merit Pay percentages will change each of the elements which follow in the order of operations except for Shift Differential.

(1) BASE SALARY ESTIMATE

This common policy establishes a standard method for JBC staff to calculate the continuation personal services for each line item 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.

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

DECISION ITEMS – BASE SALARY ESTIMATE

→ CALCULATION OF BASE SALARY

REQUEST: The request is consistent with the JBC's traditional method of calculating base continuation personal services. Although the budget requests from the Judicial Department and elected official agencies are not overseen by the Office of State Planning and Budgeting (OSPB), these agencies calculate continuation personal services consistent with the OSPB budget instructions.

RECOMMENDATION: Staff recommends that the Committee continue the use of the established calculation of base continuation personal services, described above.

→ BASE SALARY ESTIMATE

REQUEST: The request includes annualizations for prior year legislation and budget actions and technical adjustments. The request does not include a base personal services reduction.

RECOMMENDATION: Staff recommends that the Committee approve a 1 percent base personal services reduction in conjunction with approving a 2 percent average merit pay matrix.

As included in the merit pay section, staff is recommending a 2 percent average merit pay matrix as discussed in the merit pay section. Staff recommends funding the merit pay component with 1 percent of new funding and 1 percent from a personal services base reduction. Staff has also recommended using an imputed or implied base reduction, rather than reflecting an actual base reduction in budget figure setting for personal services-related line items. However, staff is

including the recommended base reduction in the Base Salary Estimate to better reflect the statewide budget impact of the recommendation. The following tables outline the requested base salary estimate and PERA and Medicare (FICA) payments and the recommended base salary estimate and PERA and Medicare payments with a 1 percent base reduction.

Base Salary Estimate - Request					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Base Salary	\$1,640,368,139	\$910,926,894	\$388,386,566	\$182,763,788	\$158,290,891
PERA	172,165,888	96,692,643	40,701,146	18,645,217	16,126,883
Medicare (FICA)	23,785,337	13,208,442	5,631,604	2,650,075	2,295,216
Subtotal - Base Salary Estimate	\$1,836,319,365	\$1,020,827,979	\$434,719,316	\$204,059,080	\$176,712,990
FY 2017-18 Request					
Base Salary	\$1,665,913,733	\$922,187,911	\$393,733,707	\$186,819,001	\$163,173,115
PERA	173,088,035	96,045,650	41,322,536	19,085,756	16,634,093
Medicare (FICA)	24,155,748	13,371,723	5,709,139	2,708,874	2,366,012
Subtotal - Base Salary Estimate	\$1,863,157,517	\$1,031,605,284	\$440,765,382	\$208,613,631	\$182,173,220
Increase/(Decrease)	26,838,152	10,777,305	6,046,066	4,554,551	5,460,230
Percent Change	1.5%	1.1%	1.4%	2.2%	3.1%

Base Salary Estimate - Recommendation - 1 percent base reduction					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Base Salary	\$1,640,368,139	\$910,926,894	\$388,386,566	\$182,763,788	\$158,290,891
PERA	172,165,888	96,692,643	40,701,146	18,645,217	16,126,883
Medicare (FICA)	23,785,337	13,208,442	5,631,604	2,650,075	2,295,216
Subtotal - Base Salary Estimate	\$1,836,319,365	\$1,020,827,979	\$434,719,316	\$204,059,080	\$176,712,990
FY 2017-18 Request					
Base Salary	\$1,649,254,596	\$912,966,032	\$389,796,370	\$184,950,811	\$161,541,384
PERA	171,357,155	95,085,194	40,909,311	18,894,899	16,467,752
Medicare (FICA)	23,914,190	13,238,006	5,652,048	2,681,785	2,342,351
Subtotal - Base Salary Estimate	\$1,844,525,941	\$1,021,289,231	\$436,357,728	\$206,527,495	\$180,351,487
Increase/(Decrease)	8,206,577	461,252	1,638,413	2,468,415	3,638,497
Percent Change	0.4%	0.0%	0.4%	1.2%	2.1%

DISCUSSION: Staff believes that using an imputed or implied base reduction will provide state agencies with flexibility for programs or divisions (due to program size or fund types) which may not have available vacancy or turnover savings to fund a 1 percent base reduction. Departments are afforded flexibility to allocate central POTS appropriations – including the recommended 1 percent of new funding for a 2 percent average merit pay matrix – to programs and divisions as necessary. Staff believes this will provide a department with the ability to afford a 2 percent average merit pay matrix funded at 1 percent (with the implied 1 percent base reduction) across the entire department that may not be strictly affordable within a particular program or division.

In particular, the Department of Corrections current supplemental requests to shift available personal services appropriations which will otherwise revert and be transferred to the State Employee Reserve Fund to other program purposes, suggests that other departments may have similar turnover savings-related appropriations in their base salary.

(2) SALARY SURVEY

The total compensation request for salary survey components includes the following:

1. A salary range adjustment of 2.2 percent for all occupational groups.
2. A 2.5 percent across-the-board (ATB) salary survey increase for all state employees, including base building up to the range maximum.
3. A 7.0 percent salary increase for the State Patrol Trooper class and a 3.5 percent salary increase for the State Patrol Admin II class, pursuant to Section 24-50-104 (1) (a) (III), C.R.S.

DECISION ITEMS - SALARY SURVEY

→ SALARY RANGE ADJUSTMENT

REQUEST: The request is for a 2.2 percent salary range adjustment for all occupational groups.

RECOMMENDATION: Staff recommends that the Committee approve the request.

The requested adjustment is included in the annual compensation report. As salaries in the market adjust, the salary range adjustment serves to keep classification minimums, maximums, and midpoints in line with market salaries. To the extent that these adjustments move an employee's salary below the range minimum, the associated funding has been requested within the salary survey compensation component.

Staff estimates that without the requested 2.5 percent salary survey increase, the cost of "movement to minimum" for employees below the range minimum totals \$4.55 million including \$2.66 million General Fund. With the requested 2.5 percent across-the-board increase, the cost of "movement to minimum" totals \$5,471 including \$2,166 General Fund.

→ ACROSS-THE-BOARD SALARY INCREASE

REQUEST: The request is for a 2.5 percent across-the-board salary increase for all state employees, including base building up to the range maximum.

RECOMMENDATION: Staff recommends that the Committee approve a 0.5 percent across-the-board salary increase for all state employees, including base building up to the range maximum.

As included in the merit pay section, staff is recommending a 2 percent average merit pay matrix as discussed in the merit pay section. Staff recommends augmenting the 2 percent average merit pay matrix with a half percent across-the-board salary increase to match the requested total increase percentage of 2.5 percent.

The Governor's request for the Salary Survey component, including 2.5 percent across-the-board increase, 2.2 percent salary range adjustment (cost for "movement to minimum"), and state patrol increases, totaled \$48.8 million, including \$26.2 million General Fund.

→ STATE PATROL SALARY INCREASE ADJUSTMENT

REQUEST: The request is for a 7.0 percent salary increase for the State Patrol Trooper class and a 3.5 percent salary increase for the State Patrol Admin II class, pursuant to Section 24-50-104 (1) (a) (III), C.R.S.

RECOMMENDATION: Staff recommends that the Committee approve the requested State Patrol salary increase adjustments.

→ SALARY SURVEY

The following tables outline the Salary Survey requested and recommended appropriation.

Salary Survey - Request - 2.5% ATB, 2.2% range adjustment, 7.0/3.5 State Patrol increase

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Salary Survey	\$8,635,009	\$2,621,111	\$5,180,943	\$453,513	\$379,442
FY 2017-18 Request					
Salary Survey	\$48,757,353	\$26,180,453	\$12,597,879	\$5,396,843	\$4,582,178
Percent Increase on Base Salary	2.6%	2.5%	2.9%	2.6%	2.5%

Salary Survey - Recommendation - 0.5% ATB, 2.2% range adjustment, 7.0/3.5 State Patrol increase

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Salary Survey	\$8,635,009	\$2,621,111	\$5,180,943	\$453,513	\$379,442
FY 2017-18 Recommendation					
Salary Survey	\$13,407,335	\$5,940,541	\$5,175,011	\$1,242,240	\$1,049,543
Percent Increase on Base Salary	0.7%	0.6%	1.2%	0.6%	0.6%

(3) MERIT PAY

The total compensation request is for no Merit Pay increase.

DECISION ITEMS - MERIT PAY

→ MERIT PAY ADJUSTMENT

REQUEST: The request is for no Merit Pay increase.

RECOMMENDATION:

Staff recommends that the Committee approve:

- A 2 percent average merit pay matrix for classified employees;
- A 2 percent merit pay equivalent for exempt employees;
- Funded in the budget at approximately 1 percent with the additional 1 percent funded from state agency turnover and vacancy savings, calculated as an imputed base salary reduction.

Staff recommends the following merit pay matrix for classified employees:

Staff Recommended Merit Pay Matrix - FY 2017-18					
Performance Rating	Quartile of class range				
	Q1	Q2	Q3	Q4	>Q4
3	3.50%	2.50%	1.50%	1.00%	0.75%
2	2.50%	2.00%	1.00%	0.50%	0.50%
1	0.00%	0.00%	0.00%	0.00%	0.00%

Staff recommends a footnote that prioritizes:

1. The 2 percent average merit pay matrix for classified employees; and
2. The intended 2 percent merit pay equivalent for exempt employees.

The footnote should state that it is the legislative intent that these items be funded through the appropriations included in the merit pay line item, with any additional cost for the specified increases to be borne by turnover and vacancy savings in the department salary base to the extent available. Additional funds for merit pay may be available in department accounts of the State Employee Reserve Fund.

The following table outlines the merit pay requested appropriation.

Merit Pay - Request - No Merit Pay					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Merit Pay	\$0	\$0	\$0	\$0	\$0
FY 2017-18 Request					
Merit Pay	\$0	\$0	\$0	\$0	\$0
Percent Increase on Base Salary	0.0%	0.0%	0.0%	0.0%	0.0%

The following tables outline the appropriation build for the recommended merit pay appropriation.

Merit Pay - Recommendation - 2 percent average Merit Pay - Classified Employees

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Merit Pay	\$0	\$0	\$0	\$0	\$0
FY 2017-18 Recommendation					
Merit Pay - Classified Employees	\$26,336,297	\$13,430,796	\$7,200,573	\$2,659,007	\$3,045,922
Percent Increase on Base Salary	1.4%	1.3%	1.6%	1.3%	1.7%

Merit Pay - Recommendation - 2 percent for Exempt Employees ("MP equivalent")

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Merit Pay	\$0	\$0	\$0	\$0	\$0
FY 2017-18 Recommendation					
Merit Pay - Exempt Employees	\$10,787,593	\$7,523,706	\$1,257,954	\$1,315,793	\$690,142
Percent Increase on Base Salary	0.6%	0.7%	0.3%	0.6%	0.4%

Merit Pay - Recommendation - Total Classified and Exempt

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Merit Pay	\$0	\$0	\$0	\$0	\$0
FY 2017-18 Recommendation					
Merit Pay - Classified Employees	\$26,336,297	\$13,430,796	\$7,200,573	\$2,659,007	\$3,045,922
Merit Pay - Exempt Employees	10,787,593	7,523,706	1,257,954	1,315,793	690,142
Merit Pay - Total	\$37,123,891	\$20,954,502	\$8,458,526	\$3,974,799	\$3,736,064
Percent Increase on Base Salary	2.0%	2.0%	1.9%	1.9%	2.1%

Merit Pay - Recommended 1 percent imputed salary base reduction

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Merit Pay	0	0	0	0	0
FY 2017-18 Recommendation					
Recommended 1 percent salary base reduction	(18,640,793)	(10,325,271)	(4,407,654)	(2,086,136)	(1,821,732)
Percent Change on Base Salary	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)

Merit Pay - Recommended Line Item Funding with 1 percent imputed base reduction					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Merit Pay	0	0	0	0	0
FY 2017-18 Recommendation					
Merit Pay - Classified Employees	\$26,336,297	\$13,430,796	\$7,200,573	\$2,659,007	\$3,045,922
Merit Pay - Exempt Employees	10,787,593	7,523,706	1,257,954	1,315,793	690,142
Merit Pay - Total	\$37,123,891	\$20,954,502	\$8,458,526	\$3,974,799	\$3,736,064
Recommended 1 percent salary base reduction	(18,640,793)	(10,325,271)	(4,407,654)	(2,086,136)	(1,821,732)
Recommended Merit Pay Funding	\$18,483,098	\$10,629,231	\$4,050,873	\$1,888,663	\$1,914,331
Percent Change on Base Salary	1.0%	1.0%	0.9%	0.9%	1.1%

DISCUSSION:

The merit pay component only applies to classified state employees. Therefore, the Department of Personnel's compensation template only generates a merit pay increase for classified employees. Staff believes that this may be one of if not the primary reason that the Governor's request was for an across-the-board increase rather than any merit pay increase.

A 2.5 percent across-the-board increase ensures that all state employees, classified and exempt, will receive the 2.5 percent. However, if the increase were split between across-the-board and merit pay, in any share, such as staff's recommended 0.5 percent across-the-board and 2 percent merit pay, exempt staff would only receive the portion that is across-the-board. At this time, it appears that the Department of Personnel's compensation templates, perhaps along with the state personnel compensation system as guided by statute, does not have the capacity to provide some kind of "merit pay equivalent" for exempt employees. The executive request has not attempted to address this issue either through a similar merit pay budget build operation through the templates or through recommended legislation if the Department believes statutory change would be necessary to modify the templates to allow for a merit pay equivalent component for exempt staff.

At this time, staff is recommending the use of a "merit pay equivalent" of 2 percent for exempt employees for this reason. This should eliminate the executive branch's desire to apply all increase-related funding to an across-the-board increase, which entirely discards the advantages and purpose of the State's performance-based increase system. Exempt employees fall outside of the classified state employee system and its rigidity for compensation and benefit structure. While the merit pay equivalent was calculated at a 2 percent average increase, departments have flexibility to provide exempt staff with salary increases of any size. The 2 percent merit pay equivalent for exempt employees was simply used to calculate the total appropriation and should not be seen as a recommendation for an additional 2 percent across-the-board increase for exempt staff. Staff recommends the use of a footnote to communicate the legislative intent for the merit pay equivalent.

Additionally, because the compensation templates do not automatically calculate a "merit pay equivalent" for exempt employees, staff generated additional calculations to arrive at the estimated need. Additional estimates were generated for AED, SAED, and STD components. Staff is confident in the estimates (as can be identified in the percentages of base salary outlined in the

tables), and believes that if the Committee chooses to approve the staff recommendations, the appropriations recommended will achieve the intended policy.

Rationale for Merit Pay

1. The State Personnel Director recommends the use of merit pay. The State Personnel Director's FY 2017-18 Annual Compensation Letter reads:

"Similar to prior years, delivering performance based pay continues as the prevailing practice in the market. This method of pay increase meets the State's goal of rewarding State employees who are meeting or exceeding performance expectations. The merit-based approach affords lower paid, high-performing employees greater opportunity to work toward the prevailing pay rate (midpoint of the range). ...

Individual employee pay is projected to increase by 3% in the market. As a result of the trend analysis and market pay projections, the State should continue to consider offering pay increases through merit; an average 3% merit adjustment may be warranted."

2. A January 3, 2017, article in Governing magazine, titled, "Why Public Sector Pay Is a Mess" includes the following statements:

"Budgets are a core problem, but the situation is exacerbated by the continued reliance on noncompetitive, inflexible pay systems. When companies experience a staffing problem, they simply raise the starting salary. High-demand occupations command premium pay. Moreover, in the private sector pay for performance attracts the higher performers.

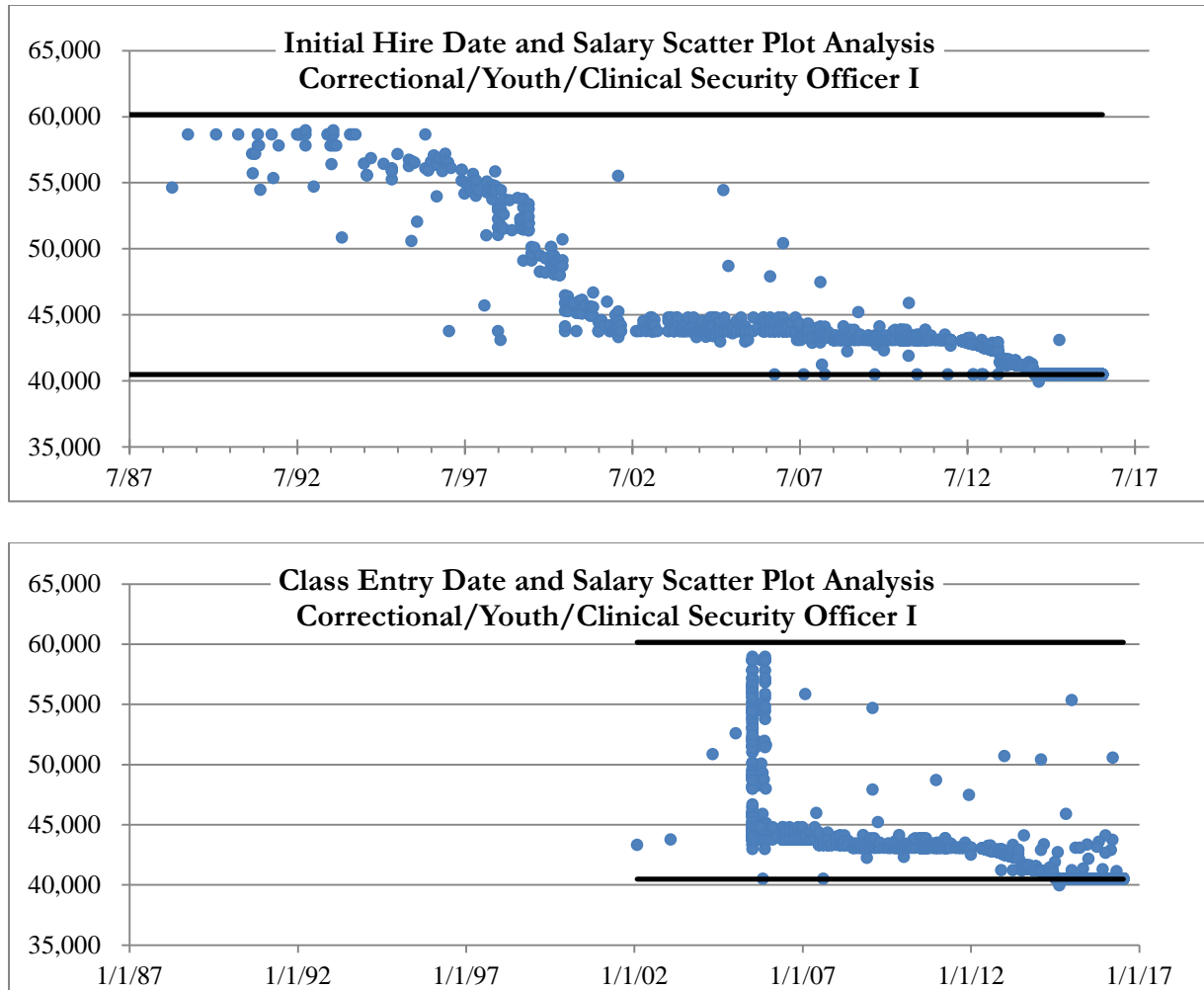
...

The continuing budget problems make it even more important to use available funds wisely. Across-the-board increases are not the best use of limited funds, nor are cost-of-living increases or automatic step increases. Those practices continue only in government."

3. Staff's issue brief, Funding Merit Pay, in staff's December budget briefing on the Department of Personnel, included quartile analysis that suggests that approximately 55 percent of classified state employees are clustered in the lowest quartile of their classification salary range. And just under 75 percent are below midpoint of their classification range. According to a Department snapshot of classified employees, approximately two-thirds with at least five years in their classification have not reached midpoint of the range and just under 40 percent have not reached quartile 2 – or 25 percent above the range minimum – by five years.

Staff's recommended merit pay matrix will provide 3.5 percent increases for quartile 1 employees with superior ratings and 2.5 percent increases for quartile 1 employees with meets expectations ratings and for quartile 2 employees with superior ratings. In addition to the 0.5 percent across-the-board increase, staff's recommendation will allow these employees to receive greater increases than the Governor's requested 2.5 percent across-the-board increase.

4. In particular, the Department of Corrections, which includes a large, classified workforce, is the type of state agency which can most benefit from a regular, annual merit pay award for those classified employees concentrated at the bottom of classification pay range. The following charts developed by the JBC staff analyst for the Department of Corrections capture the Correctional Officer I classification in the Department which illustrates the problem of not regularly funding merit pay, the State's only in-classification increase system.



Each dot represents a single Correctional Officer I in the Department of Corrections compensation template and plots each officer's start date and current salary. The first chart reflects the initial hire date of each Correctional Officer I, while the second chart reflects the class entry date for each Correctional Officer I. The second chart compresses the dots around 2005 or 2006, at what appear to be two distinct points fairly near each other. This may suggest that there was a broad reclassification in two waves at that time. Each of those compressed dots at that point or points, are reflected at a point of initial hire in the first chart in the years preceding that class entry date.

The first chart reflects a descending slope that begins around 1997 and ends in 2002 – a five-year period. As of the 2002 initial hire date, most of these correctional officers have remained below \$45,000 in annual salary – within the first quartile of the salary range. Correctional officers hired before 2002 enjoy higher salaries, depending on how many years before 2002 they were initially hired. Correctional officers hired before 1997 enjoy the highest salaries near the top of the range, between \$55,000 and \$60,000. The step increase system which was replaced in 2002, would appear to be the reason for the difference in salaries. The step increase system included five annual increases over the first five years, with an additional increase to the range maximum in the 10th year.

This graphical analysis appears to confirm that not consistently and regularly funding the merit pay system (which is the replacement for the step increase system as regards in-classification increases

with the benefit of being performance-based awards) has the effect of almost indefinitely holding most Correctional Officers I within the first quartile of the pay range.

The Department of Corrections compensation template includes a total of 2,300 Correctional Officers I. A total of 2,083 or 90.6 percent are in quartile 1, 64 or 2.8 percent are in quartile 2, 75 or 3.3 percent are in quartile 3, and 78 or 3.4 percent are in quartile 4. All Correctional Officers I represent \$98.5 million in salary, including \$87.0 million in quartile 1, \$3.0 million in quartile 2, \$4.0 million in quartile 3, and \$4.5 million in quartile 4. An even split of 25 percent in each quartile, at an average quartile salary (\$42,500, \$47,500, \$52,500, \$57,500) would generate total salary of \$115.0 million, or \$16.5 million more statewide for Correctional Officers I in the Department of Corrections. From a different policy perspective, most correctional facilities are located in rural areas of the State. A shift to consistently and regularly funding merit pay would have the effect of eventually generating approximately 17 percent more in state employee salary for this single classification, which would be paid, earned, and predominantly spent in those areas of the State.

(4) HEALTH, LIFE, AND DENTAL

This line item 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. There are no tiers for the state contribution to life insurance.

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 United Health Care and Kaiser. The vast majority of the appropriations are related to health insurance.

The following table outlines the proposed FY 2017-18 monthly state contributions for Health, Life, and Dental components.

FY 2016-17 Health, Life, and Dental Monthly State Contribution by Plan and Tier					
Tier	Health	Dental	Life	FY17-18 Request	FY16-17 Rate
United Health Care - High Deductible and Co-pay					
Tier 1 - Employee	\$500.56	\$25.92	\$8.97	\$535.45	\$500.38
Tier 2 - Employee + Spouse	938.06	42.62	8.97	989.65	924.06
Tier 3 - Employee + Children	931.80	46.44	8.97	987.21	922.06
Tier 4 - Family	1,322.32	62.22	8.97	1,393.51	1,301.12
Kaiser - High Deductible					
Tier 1 - Employee	\$444.30	\$25.92	\$8.97	\$479.19	\$500.38
Tier 2 - Employee + Spouse	825.68	42.62	8.97	877.27	924.06
Tier 3 - Employee + Children	824.52	46.44	8.97	879.93	922.06
Tier 4 - Family	1,162.20	62.22	8.97	1,233.39	1,301.12
Kaiser - Co-pay					
Tier 1 - Employee	\$499.42	\$25.92	\$8.97	\$534.31	500.38
Tier 2 - Employee + Spouse	939.18	42.62	8.97	990.77	924.06
Tier 3 - Employee + Children	927.40	46.44	8.97	982.81	922.06
Tier 4 - Family	1,323.56	62.22	8.97	1,394.75	1,301.12

DECISION ITEMS – HEALTH, LIFE, AND DENTAL

➔ HEALTH INSURANCE

For FY 2017-18, the request adjusts health premiums for both employers and employees, which vary by tier and by plan. The changes maintain the average 80-20 employer to employee cost share. The following table outlines the proposed employer monthly premiums for Health Insurance.

Health Insurance - FY 2017-18 Proposed Employer Monthly Premium				
Plan	FY16-17 Rate	FY17-18 Request	Change	Percent Change
United Health Care - High Deductible				
Tier 1 - Employee	\$465.62	\$500.56	\$34.94	7.5%
Tier 2 - Employee + Spouse	872.60	938.06	65.46	7.5%
Tier 3 - Employee + Children	866.78	931.80	65.02	7.5%
Tier 4 - Family	1,230.06	1,322.32	92.26	7.5%
United Health Care - Co-pay				

Health Insurance - FY 2017-18 Proposed Employer Monthly Premium				
Plan	FY16-17 Rate	FY17-18 Request	Change	Percent Change
Tier 1 - Employee	\$465.62	\$500.56	\$34.94	7.5%
Tier 2 - Employee + Spouse	872.60	938.06	65.46	7.5%
Tier 3 - Employee + Children	866.78	931.80	65.02	7.5%
Tier 4 - Family	1,230.06	1,322.32	92.26	7.5%
Kaiser - High Deductible				
Tier 1 - Employee	\$465.62	\$444.30	(\$21.32)	(4.6%)
Tier 2 - Employee + Spouse	872.60	825.68	(46.92)	(5.4%)
Tier 3 - Employee + Children	866.78	824.52	(42.26)	(4.9%)
Tier 4 - Family	1,230.06	1,162.20	(67.86)	(5.5%)
Kaiser - Co-pay				
Tier 1 - Employee	\$465.62	\$499.42	\$33.80	7.3%
Tier 2 - Employee + Spouse	872.60	939.18	66.58	7.6%
Tier 3 - Employee + Children	866.78	927.40	60.62	7.0%
Tier 4 - Family	1,230.06	1,323.56	93.50	7.6%

The following table outlines the proposed employee monthly premiums for Health Insurance.

Health Insurance - FY 2017-18 Proposed Employee Monthly Premium				
Plan	FY16-17 Rate	FY17-18 Request	Change	Percent Change
United Health Care - High Deductible				
Tier 1 - Employee	\$18.20	\$18.92	\$0.72	4.0%
Tier 2 - Employee + Spouse	132.14	137.44	5.30	4.0%
Tier 3 - Employee + Children	44.46	46.24	1.78	4.0%
Tier 4 - Family	202.24	210.34	8.10	4.0%
United Health Care - Co-pay				
Tier 1 - Employee	\$135.14	\$140.56	\$5.42	4.0%
Tier 2 - Employee + Spouse	377.74	392.86	15.12	4.0%
Tier 3 - Employee + Children	266.66	277.34	10.68	4.0%
Tier 4 - Family	553.10	575.24	22.14	4.0%
Kaiser - High Deductible				
Tier 1 - Employee	\$56.20	\$34.88	(\$21.32)	(37.9%)
Tier 2 - Employee + Spouse	212.22	165.32	(46.90)	(22.1%)
Tier 3 - Employee + Children	116.02	73.76	(42.26)	(36.4%)
Tier 4 - Family	315.74	247.90	(67.84)	(21.5%)
Kaiser - Co-pay				
Tier 1 - Employee	\$89.20	\$89.20	\$0.00	0.0%
Tier 2 - Employee + Spouse	280.22	280.22	0.00	0.0%
Tier 3 - Employee + Children	177.02	177.02	0.00	0.0%
Tier 4 - Family	412.74	412.74	0.00	0.0%

REQUEST: The FY 2017-18 request is for an average 80 percent employer-paid premium with health plan premium adjustments outlined in the tables above.

RECOMMENDATION: Staff recommends that the Committee approve the Health Insurance component of the request.

→ DENTAL INSURANCE

For FY 2017-18, no changes for dental premiums or benefit plans are requested. The November 1 budget request included an estimated 3 percent increase to dental rates; the budget amendment submitted on January 3rd requests holding the rates equal to the FY 2016-17 premiums.

Dental Insurance - FY 2017-18 Proposed Employer Monthly Premium				
Plan	FY16-17 Rate	FY17-18 Request	Change	Percent Change
Dental Basic				
Tier 1 - Employee	\$25.92	\$25.92	\$0.00	0.0%
Tier 2 - Employee + Spouse	42.62	42.62	0.00	0.0%
Tier 3 - Employee + Children	46.44	46.44	0.00	0.0%
Tier 4 - Family	62.22	62.22	0.00	0.0%
Dental Basic Plus				
Tier 1 - Employee	\$25.92	\$25.92	\$0.00	0.0%
Tier 2 - Employee + Spouse	42.62	42.62	0.00	0.0%
Tier 3 - Employee + Children	46.44	46.44	0.00	0.0%
Tier 4 - Family	62.22	62.22	0.00	0.0%

REQUEST: The FY 2017-18 request is for no change for dental premiums or benefit plans.

RECOMMENDATION: Staff recommends that the Committee approve the Dental Insurance component of the request.

→ LIFE INSURANCE

Life insurance provides a benefit of one times the employees' annual salary, up to a maximum of \$150,000. The premiums will increase 1.5 percent from the FY 2016-17 budgeted cost of \$8.84 per covered life per month to \$8.97 per covered life per month due to an increased renewal rate.

Life Insurance - FY 2017-18 Proposed Employer Monthly Premium				
Plan	FY16-17 Rate	FY17-18 Request	Change	Percent Change
Life Insurance	\$8.84	\$8.97	\$0.13	1.5%

REQUEST: The FY 2017-18 request is for \$8.97 per covered life per month, a 1.5 percent increase of \$0.13 per employee per month for the life insurance premium.

RECOMMENDATION: Staff recommends that the Committee approve the Life Insurance component of the Health, Life, and Dental request.

→ HEALTH, LIFE, AND DENTAL

REQUEST: The FY 2017-18 request is for \$237.8 million total funds including \$138.0 million General Fund.

RECOMMENDATION: Staff recommends that the Committee approve the Health, Life, and Dental request.

The following table outlines the statewide Health, Life, and Dental request and recommendation.

Health, Life, and Dental					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Health, Life, Dental	\$217,602,840	\$126,086,426	\$49,085,624	\$23,180,161	\$19,250,629
FY 2017-18 Request and Recommendation					
Health, Life, Dental	\$237,821,713	\$138,023,816	\$53,768,792	\$24,896,775	\$21,132,331
Percent of Base Salary	12.8%	7.4%	2.9%	1.3%	1.1%
Increase/(Decrease)					
Percent Change	9.3%	9.5%	9.5%	7.4%	9.8%

(5) SHIFT DIFFERENTIAL AND SHORT TERM DISABILITY

DECISION ITEMS – SHIFT DIFFERENTIAL AND SHORT TERM DISABILITY

→ SHIFT DIFFERENTIAL

Shift differential is premium pay for employees who work weekends and holidays or hours outside the normal day-time hours. Departments only pay shift differential when it is the prevailing market practice for a job classification. The majority of shift differential payments occur in the Department of Corrections and the Department of Human Services, mostly for employees providing direct supervision or care in institutional settings.

REQUEST: The FY 2017-18 request is at 100 percent of prior year actual expenditures (FY 2015-16). The request is for \$14.6 million total funds, including \$11.9 million General Fund. The request is a decrease of \$260,000 total funds, including a decrease of \$97,000 General Fund, and represents a 1.7 percent decrease from the FY 2016-17 appropriation.

RECOMMENDATION: Staff recommends that the Committee approve the FY 2017-18 request at 100 percent of prior year actual expenditures.

Shift Differential					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Shift Differential	\$14,862,373	\$12,026,641	\$752,552	\$2,036,643	\$46,537
FY 2017-18 Request and Recommendation					
Shift Differential	\$14,602,611	\$11,929,213	\$668,875	\$1,948,155	\$56,368
Percent of Base Salary	0.8%	0.6%	0.0%	0.1%	0.0%
Increase/(Decrease)	(259,762)	(97,428)	(83,677)	(88,488)	9,831
Percent Change	(1.7%)	(0.8%)	(11.1%)	(4.3%)	21.1%

→ SHORT TERM DISABILITY (STD)

Short-term Disability is used to provide partial payment of an employee's salary in the event that the employee becomes disabled and cannot perform his or her work duties. The benefit is not optional for employees who are eligible, but temporary employees are not eligible for the benefit.

REQUEST: The FY 2017-18 request is for short-term disability funding at a rate of 0.19 percent of revised base salaries. The request is for \$3.1 million total funds, including \$1.7 million General Fund.

RECOMMENDATION: Staff recommends that the Committee approve short-term disability funding at a rate of 0.19 percent of revised base salaries. Based on staff's recommendations for salary survey and merit pay which differ from the request, staff recommends appropriations outlined in the recommendation table.

The following tables outline the requested and recommended appropriation for short term disability.

Short Term Disability - Request (0.19 percent of revised base salary)

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Short-term Disability	\$2,983,473	\$1,629,261	\$714,531	\$345,070	\$294,610
FY 2017-18 Request					
Short-term Disability	\$3,086,827	\$1,680,623	\$737,245	\$360,142	\$308,817
Percent Increase on Base Salary	0.2%	0.2%	0.2%	0.2%	0.2%
Increase/(Decrease)					
Percent Change	103,355	51,362	22,714	15,072	14,207
	3.5%	3.2%	3.2%	4.4%	4.8%

Short Term Disability - Recommendation (0.19 percent of revised base salary)

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Short-term Disability	\$2,983,473	\$1,629,261	\$714,531	\$345,070	\$294,610
FY 2017-18 Recommendation					
Short-term Disability	\$3,084,140	\$1,680,496	\$737,718	\$357,667	\$308,259
Percent Increase on Base Salary	0.2%	0.2%	0.2%	0.2%	0.2%
Increase/(Decrease)					
Percent Change	100,668	51,235	23,187	12,597	13,649
	3.4%	3.1%	3.2%	3.7%	4.6%

(6) PERA AMORTIZATION PAYMENTS

Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED) are calculated on revised base salary, which includes base salary, salary survey, merit pay, and shift differential. They are commonly considered to be part of the total compensation package because payment amounts are calculated on total salary. However, these payments are primarily intended to be amortization payments for PERA's unfunded liabilities. Nevertheless, as created in statute and by federal pension fund rules, SAED contributions are structured as employee compensation and represent salary increases foregone by employees; essentially SAED reflects an amount that would otherwise be reflected and located in base salary.

DECISION ITEMS – PERA AMORTIZATION PAYMENTS

➔ 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 reaching the maximum contribution rate of 5.0 percent for calendar year 2017, except for judges where the state contribution remains constant at 2.2 percent.

REQUEST: The FY 2017-18 request is based on the statutory rate of 5.0 percent for state employees and 2.2 percent for judges applied to the revised base salary. The request is for \$84.7 million total funds, including \$46.5 million General Fund.

RECOMMENDATION: Staff recommends that the Committee approve amounts calculated using the statutory rate. Based on staff's recommendations for salary survey and merit pay which differ from the request, staff recommends appropriations outlined in the recommendation table.

The following tables outline the requested and recommended appropriation for AED.

AED - Request (5.0 percent state employees, 2.2 percent judges)					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
AED	\$78,283,043	\$42,898,987	\$18,888,371	\$8,879,531	\$7,616,154
FY 2017-18 Request					
AED	\$84,671,486	\$46,506,049	\$20,128,795	\$9,671,028	\$8,365,614
Percent Increase on Base Salary	4.5%	4.5%	4.6%	4.6%	4.6%
Increase/(Decrease)					
Percent Change	6,388,443	3,607,062	1,240,424	791,497	749,460
	8.2%	8.4%	6.6%	8.9%	9.8%

AED - Recommendation (5.0 percent state employees, 2.2 percent judges)					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
AED	\$78,283,043	\$42,898,987	\$18,888,371	\$8,879,531	\$7,616,154
FY 2017-18 Recommendation					
AED	\$84,571,972	\$46,485,705	\$20,139,090	\$9,602,659	\$8,344,518
Percent Increase on Base Salary	4.5%	4.5%	4.6%	4.6%	4.6%
Increase/(Decrease)	6,288,929	3,586,718	1,250,719	723,128	728,364
Percent Change	8.0%	8.4%	6.6%	8.1%	9.6%

→ 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 reaching the maximum contribution rate of 5.0 percent for calendar year 2017, except for judges where the state contribution remains constant at 1.5 percent.

Although the SAED payment is made by the State, funding is 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 would otherwise appear in the salary base. While the State's contribution to PERA is often cited as approximately 20 percent, including the 10.15 percent standard employer contribution plus 5 percent for AED and SAED, it is more technically correct to cite a figure of 15 percent from the State and 13 percent from the employee, including the 8 percent employee contribution plus the 5 percent of base salary foregone as SAED. Additionally, the standard normal cost for state employees in 2016 was 11.01 percent, meaning that only 3 percent of the state contribution is paying for the cost of current employees retirement cost in PERA. Or, considered another way, including the SAED which would otherwise be employee salary, current employees are contributing 13 percent of salary to cover their retirement benefit cost of 11 percent. Current employees are paying the additional 2 percent to the unfunded liability, along with the State's entire contribution of 15 percent.

REQUEST: The FY 2017-18 request is based on the statutory rate of 5.0 percent for state employees and 1.5 percent for judges applied to the revised base salary. The request is for \$84.3 million total funds, including \$46.1 million General Fund.

RECOMMENDATION: Staff recommends that the Committee approve amounts calculated using the statutory rate. Based on staff's recommendations for salary survey and merit pay which differ from the request, staff recommends appropriations outlined in the recommendation table.

The following tables outline the requested and recommended appropriation for SAED.

SAED - Request (5.0 percent state employees, 1.5 percent judges)

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
SAED	\$77,012,394	\$41,998,496	\$18,690,041	\$8,787,036	\$7,536,820
FY 2017-18 Request					
SAED	\$84,252,459	\$46,089,509	\$20,126,308	\$9,671,028	\$8,365,614
Percent Increase on Base Salary	4.5%	4.5%	4.6%	4.6%	4.6%
Increase/(Decrease)	7,240,065	4,091,012	1,436,267	883,992	828,794
Percent Change	9.4%	9.7%	7.7%	10.1%	11.0%

SAED - Recommendation (5.0 percent state employees, 1.5 percent judges)

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
SAED	\$77,012,394	\$41,998,496	\$18,690,041	\$8,787,036	\$7,536,820
FY 2017-18 Request					
SAED	\$84,152,945	\$46,069,165	\$20,136,603	\$9,602,659	\$8,344,518
Percent Increase on Base Salary	4.5%	4.5%	4.6%	4.6%	4.6%
Increase/(Decrease)	7,140,551	4,070,668	1,446,562	815,623	807,698
Percent Change	9.3%	9.7%	7.7%	9.3%	10.7%

(7) SUMMARY OF COMPENSATION COMPONENTS

The following tables outline the requested and recommended statewide compensation components.

All Compensation Components - Request and Recommendation					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2016-17 Appropriation					
Shift Differential	\$14,862,373	\$12,026,641	\$752,552	\$2,036,643	\$46,537
Salary Survey	8,635,009	2,621,111	5,180,943	453,513	379,442
Merit Pay	0	0	0	0	0
Health, Life, Dental	217,602,840	126,086,426	49,085,624	23,180,161	19,250,629
Short-term Disability	2,983,473	1,629,261	714,531	345,070	294,610
AED	78,283,043	42,898,987	18,888,371	8,879,531	7,616,154
SAED	77,012,394	41,998,496	18,690,041	8,787,036	7,536,820
Subtotal - Compensation Components	\$399,379,131	\$227,260,924	\$93,312,062	\$43,681,953	\$35,124,192
FY 2017-18 Request					
Shift Differential	\$14,602,611	\$11,929,213	\$668,875	\$1,948,155	\$56,368
Salary Survey	48,757,353	26,180,453	12,597,879	5,396,843	4,582,178
Merit Pay	0	0	0	0	0
Health, Life, Dental	237,821,713	138,023,816	53,768,792	24,896,775	21,132,331
Short-term Disability	3,086,827	1,680,623	737,245	360,142	308,817
AED	84,671,486	46,506,049	20,128,795	9,671,028	8,365,614
SAED	84,252,459	46,089,509	20,126,308	9,671,028	8,365,614
Subtotal - Compensation Components	\$473,192,450	\$270,409,663	\$108,027,893	\$51,943,971	\$42,810,922
Increase/(Decrease)	73,813,318	43,148,739	14,715,831	8,262,017	7,686,731
Percent Change	15.6%	16.0%	13.6%	15.9%	18.0%
FY 2017-18 Estimated Base Salary	\$1,864,079,314	\$1,032,527,081	\$440,765,382	\$208,613,631	\$182,173,220
Compensation Components percent of Base Salary	25.4%	26.2%	24.5%	24.9%	23.5%
Increase percent of Base Salary	4.0%	4.2%	3.3%	4.0%	4.2%
FY 2017-18 Recommendation					
Shift Differential	\$14,602,611	\$11,929,213	\$668,875	\$1,948,155	\$56,368
Salary Survey	13,407,335	5,940,541	5,175,011	1,242,240	1,049,543
Merit Pay	18,483,098	10,629,231	4,050,873	1,888,663	1,914,331
Health, Life, Dental	237,821,713	138,023,816	53,768,792	24,896,775	21,132,331
Short-term Disability	3,084,140	1,680,496	737,718	357,667	308,259
AED	84,571,972	46,485,705	20,139,090	9,602,659	8,344,518
SAED	84,152,945	46,069,165	20,136,603	9,602,659	8,344,518
Subtotal - Compensation Components	\$456,123,814	\$260,758,167	\$104,676,961	\$49,538,818	\$41,149,869
Increase/(Decrease)	56,744,683	33,497,243	11,364,899	5,856,864	6,025,677
Percent Change	12.4%	12.8%	10.9%	11.8%	14.6%
FY 2017-18 Estimated Base Salary	\$1,864,079,314	\$1,032,527,081	\$440,765,382	\$208,613,631	\$182,173,220
Compensation Components percent of Base Salary	24.5%	25.3%	23.7%	23.7%	22.6%
Increase percent of Base Salary	3.0%	3.2%	2.6%	2.8%	3.3%

(8) COMPENSATION ASSUMPTIONS FOR NEW FTE

When estimating funding required for new FTE, JBC staff and Legislative Council Staff (LCS) Fiscal Notes generally use the same assumptions. 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.
- First-year impacts are prorated to reflect the effective date of the bill, and reflect the payday shift for General Fund employees.
- 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 POTS and some operating costs as follow:
 - Health, life, and dental;
 - Short-term disability;
 - AED and SAED; and
 - Leased space and indirect costs.

An exception to the exclusion is provided for increases of at least 20.0 new FTE in staff.

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 operations, all excluded benefits and operating expenses are built into a department's budget through the normal budget processes. Costs for health, life, and dental insurance are re-estimated every year based on current enrollment. Similarly, the base salary assumptions that drive expenditures for short-term disability, AED, and SAED are recalculated each year. Leased space costs are driven by actual leased space needs determined on their own cycle generally independent of staffing adjustments and through their own decision items. Other centralized operating and indirect costs are likewise structured into the budget as operating common policy base adjustments.

The advantage to "fully funding" new FTE from the budget perspective is a recognition of the full cost at the time of the decision. The budget process uses the cost or pricing signal more effectively when costs are fully included. However, staff believes that the incremental cost of benefits is relatively minor in relationship to the cost of base salary, and funding the incrementally higher "full" cost of a request item would not adversely affect any single decision to fund new FTE. In other words, the decision to add new FTE will likely be made regardless of the additional incremental cost of benefits. However, as individual decisions are made across budget items and bills over the course of a legislative session, those incremental costs will generate a more substantial subtotal within the

state budget. The relatively invisible and incremental amount generated in a given year may impact Committee balancing decisions.

The following table outlines an example for an "average" \$40,000 salary, as extrapolated to the 914 new FTE approved in the budget in FY 2016-17.

New FTE Policy Example		
Salary		\$40,000
PERA	10.15%	4,060
Medicare	1.45%	580
Base Salary		\$44,640
AED	5.00%	\$2,232
SAED	5.00%	2,232
STD	0.19%	85
HLD	\$8,000	8,000
Subtotal - Benefits		\$12,549
FTE added in FY16-17		914
Base Salary Total		\$40,800,960
Benefits Total		\$11,469,618
Benefits Percentage of Base Salary		28.1%

Looking at the isolated FTE example at the top of the table, it is unlikely that a budget decision against adding this FTE would be affected by the additional cost of the benefits of \$13,000. However, across all budget and appropriations decisions in a legislative session, the cost is enough to require offsetting an additional \$11.5 million in the budget. Staff also generated a table with a \$30,000 average salary, which generated a \$10.4 million benefits cost.

This policy has the effect of forcing departments to identify operating efficiencies in the first year for a single FTE while saving more substantially across all appropriations in a given legislative session or budget year. Considered another way, it is similar to taking a "base reduction" in the first year, only in advance of funding new FTE, after which the base is fully funded, adjusted, or annualized in the second year.

DECISION ITEM – COMPENSATION ASSUMPTIONS FOR NEW FTE

→ COMPENSATION ASSUMPTIONS FOR NEW FTE

REQUEST: State agency request items generally estimate salaries for new FTE at the minimum of the current year range for the job class, with occasional exceptions with accompanying explanations and justifications, consistent with the JBC and LCS Fiscal Note assumptions. However, Executive Branch requests generally include compensation benefits POTS and operating expenses that are excluded from the JBC and LCS Fiscal Note assumptions.

RECOMMENDATION: Staff recommends continuing the current JBC and LCS Fiscal Note assumptions when estimating compensation for new FTE. If the JBC would like to change the policy, staff would recommend adopting any change for the 2018 legislative session, so that all bills and decision items in the current legislative session may be treated uniformly and not based on a mid-year change.

APPENDIX (A) STAFF RECOMMENDATION COMPENSATION COMPONENTS BY DEPARTMENT

The following tables outline the staff recommendation for compensation common policy components in Long Bill order by department.

Health, Life, and Dental (HLD) - State Agency Appropriations					
FY 2017-18 HLD	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$2,409,997	\$571,352	\$1,824,112	\$0	\$14,534
Corrections	54,085,187	52,512,475	1,572,712	0	0
Education	5,180,585	2,058,491	634,569	455,053	2,032,472
Governor's Office	9,682,523	658,096	435,449	8,434,363	154,615
Health Care Policy and Financing	3,637,117	1,305,776	344,132	103,846	1,883,363
Higher Education - Admin & Hist.CO	1,824,262	24,941	970,616	363,535	465,170
Human Services	35,271,330	23,723,820	1,045,699	7,296,264	3,205,546
Judicial	40,528,232	37,843,335	2,684,897	0	0
Labor and Employment	10,787,604	643,805	3,663,664	46,354	6,433,781
Law	4,100,333	1,138,267	514,081	2,343,126	104,859
Legislature	2,917,498	2,917,498	0	0	0
Local affairs	1,616,584	382,455	264,954	594,338	374,837
Military and Veterans Affairs	1,099,477	394,619	3,213	0	701,645
Natural Resources	14,157,819	2,692,500	10,773,085	356,075	336,159
Personnel	3,524,252	987,236	250,378	2,286,638	0
Public Health and Environment	11,622,144	1,409,043	4,145,143	1,243,001	4,824,958
Public Safety	16,299,944	3,703,260	10,957,719	1,051,409	587,556
Regulatory Agencies	4,591,610	205,433	4,135,242	238,099	12,837
Revenue	11,848,685	4,692,581	7,132,435	23,669	0
State	1,006,113	0	1,006,113	0	0
Transportation	1,332,161	0	1,271,155	61,006	0
Treasury	298,256	158,832	139,424	0	0
TOTAL	\$237,821,713	\$138,023,816	\$53,768,792	\$24,896,775	21,132,331

Short Term Disability - Recommendation (0.19 percent of revised base salary)					
FY 2017-18 STD	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$28,766	\$8,661	\$19,826	\$0	279
Corrections	628,283	611,087	17,196	0	0
Education	79,126	28,137	10,682	8,609	31,698
Governor's Office	159,077	11,836	7,092	138,502	1,647
Health Care Policy and Financing	58,131	21,613	4,807	1,366	30,345
Higher Education - Admin & Hist.CO	21,996	625	12,455	4,282	4,634
Human Services	415,523	280,732	14,001	74,749	46,041
Judicial	472,182	442,593	29,589	0	0
Labor and Employment	148,006	8,373	53,321	1,140	85,172
Law	77,705	20,366	9,172	46,466	1,701
Legislature	42,600	42,600	0	0	0
Local affairs	22,311	4,789	2,884	9,977	4,661
Military and Veterans Affairs	15,593	5,444	155	0	9,994
Natural Resources	182,473	29,652	142,756	4,985	5,080
Personnel	46,301	16,497	3,121	26,683	0
Public Health and Environment	184,630	22,239	63,853	20,688	77,850

Short Term Disability - Recommendation (0.19 percent of revised base salary)

FY 2017-18 STD	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Public Safety	246,917	58,591	164,298	15,183	8,845
Regulatory Agencies	70,367	2,575	63,314	4,166	312
Revenue	144,101	61,775	82,156	170	0
State	15,981	0	15,981	0	0
Transportation	20,355	0	19,654	701	0
Treasury	3,716	2,311	1,405	0	0
TOTAL	\$3,084,140	\$1,680,496	\$737,718	\$357,667	308,259

AED - Recommendation (5.0 percent state employees, 2.2 percent judges)

FY 2017-18 AED	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$800,542	\$241,279	\$551,472	\$0	7,791
Corrections	16,898,079	16,444,692	453,387	0	0
Education	2,247,382	804,728	302,384	243,892	896,378
Governor's Office	4,192,703	312,160	187,051	3,650,050	43,442
Health Care Policy and Financing	1,615,851	600,487	133,736	38,137	843,491
Higher Education - Admin & Hist.CO	600,282	17,040	340,021	116,800	126,421
Human Services	11,264,242	7,609,156	373,402	2,060,609	1,221,075
Judicial	13,743,613	12,957,164	786,449	0	0
Labor and Employment	3,926,148	222,280	1,412,582	30,073	2,261,213
Law	2,044,875	535,941	241,370	1,222,801	44,763
Legislature	1,244,245	1,244,245	0	0	0
Local affairs	609,036	130,567	78,844	271,628	127,997
Military and Veterans Affairs	427,315	148,755	4,167	0	274,393
Natural Resources	5,403,081	879,397	4,227,002	147,258	149,424
Personnel	1,252,759	444,272	84,277	724,210	0
Public Health and Environment	4,999,202	602,305	1,729,966	558,964	2,107,967
Public Safety	6,586,594	1,535,106	4,413,972	405,516	232,000
Regulatory Agencies	1,858,492	67,877	1,672,835	109,617	8,163
Revenue	3,798,036	1,624,882	2,168,659	4,495	0
State	420,547	0	420,547	0	0
Transportation	536,696	0	518,087	18,609	0
Treasury	102,252	63,372	38,880	0	0
TOTAL	\$84,571,972	\$46,485,705	\$20,139,090	\$9,602,659	8,344,518

SAED - Recommendation (5.0 percent state employees, 1.5 percent judges)

FY 2017-18 SAED	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$800,542	\$241,279	\$551,472	\$0	7,791
Corrections	16,898,079	16,444,692	453,387	0	0
Education	2,247,382	804,728	302,384	243,892	896,378
Governor's Office	4,192,703	312,160	187,051	3,650,050	43,442
Health Care Policy and Financing	1,615,851	600,487	133,736	38,137	843,491
Higher Education - Admin & Hist.CO	600,282	17,040	340,021	116,800	126,421
Human Services	11,264,242	7,609,156	373,402	2,060,609	1,221,075
Judicial	13,324,586	12,540,624	783,962	0	0
Labor and Employment	3,926,148	222,280	1,412,582	30,073	2,261,213
Law	2,044,875	535,941	241,370	1,222,801	44,763
Legislature	1,244,245	1,244,245	0	0	0
Local affairs	609,036	130,567	78,844	271,628	127,997

SAED - Recommendation (5.0 percent state employees, 1.5 percent judges)

FY 2017-18 SAED	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Military and Veterans Affairs	427,315	148,755	4,167	0	274,393
Natural Resources	5,403,081	879,397	4,227,002	147,258	149,424
Personnel	1,252,759	444,272	84,277	724,210	0
Public Health and Environment	4,999,202	602,305	1,729,966	558,964	2,107,967
Public Safety	6,586,594	1,535,106	4,413,972	405,516	232,000
Regulatory Agencies	1,858,492	67,877	1,672,835	109,617	8,163
Revenue	3,798,036	1,624,882	2,168,659	4,495	0
State	420,547	0	420,547	0	0
Transportation	536,696	0	518,087	18,609	0
Treasury	102,252	63,372	38,880	0	0
TOTAL	\$84,152,945	\$46,069,165	\$20,136,603	\$9,602,659	8,344,518

Salary Survey - Recommendation - 0.5% ATB, 2.2% range adjustment, 7.0/3.5 State Patrol increase

FY 2017-18 Salary Survey	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$87,226	\$26,262	\$60,118	\$0	846
Corrections	2,021,997	1,971,949	50,048	0	0
Education	249,013	88,955	33,543	27,018	99,497
Governor's Office	463,129	34,628	20,769	402,909	4,823
Health Care Policy and Financing	192,687	70,573	17,157	5,048	99,909
Higher Education - Admin & Hist.CO	70,385	1,984	40,105	13,590	14,706
Human Services	1,443,231	968,491	47,694	259,569	167,477
Judicial	1,872,418	1,758,987	113,432	0	0
Labor and Employment	483,213	34,659	164,071	3,288	281,195
Law	234,012	60,860	27,481	140,750	4,920
Legislature	153,720	153,720	0	0	0
Local affairs	71,566	15,057	9,456	30,686	16,367
Military and Veterans Affairs	56,034	20,673	459	0	34,902
Natural Resources	607,726	99,866	474,637	16,807	16,416
Personnel	149,662	51,981	14,248	83,433	0
Public Health and Environment	572,461	66,850	204,287	67,736	233,588
Public Safety	3,836,944	306,001	3,280,029	176,916	73,998
Regulatory Agencies	212,399	8,331	191,181	11,988	899
Revenue	512,634	194,004	318,143	487	0
State	45,872	0	45,872	0	0
Transportation	58,538	0	56,523	2,015	0
Treasury	12,468	6,710	5,758	0	0
TOTAL	\$13,407,335	\$5,940,541	\$5,175,011	\$1,242,240	1,049,543

Merit Pay - Recommendation - Total Classified and Exempt - with 1 percent imputed base reduction

FY 2017-18 Merit Pay	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$335,722	\$106,710	\$225,192	\$0	3,820
Corrections	1,062,571	590,643	471,928	0	0
Education	120,971	92,843	9,281	11,802	7,045
Governor's Office	801,482	7,397	0	794,085	0
Health Care Policy and Financing	731,713	266,728	61,645	20,338	383,002
Higher Education - Admin & Hist.CO	5,760	0	5,298	0	462
Human Services	4,834,457	3,251,611	172,739	885,971	524,136
Judicial	8,051,398	7,563,643	487,756	0	0

Merit Pay - Recommendation - Total Classified and Exempt - with 1 percent imputed base reduction					
FY 2017-18 Merit Pay	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Labor and Employment	1,774,577	97,877	612,790	10,412	1,053,498
Law	241,820	70,980	67,709	92,901	10,231
Legislature	85,385	85,385	0	0	0
Local affairs	219,674	43,696	31,009	83,462	61,507
Military and Veterans Affairs	195,267	67,083	716	0	127,468
Natural Resources	2,010,449	363,529	1,563,601	47,950	35,369
Personnel	502,337	149,338	29,106	323,893	0
Public Health and Environment	1,778,934	221,767	628,020	171,981	757,166
Public Safety	2,498,821	614,461	1,636,674	167,356	80,330
Regulatory Agencies	769,059	24,783	705,335	37,053	1,888
Revenue	1,587,829	687,233	898,146	2,450	0
State	166,384	0	166,384	0	0
Transportation	189,355	0	180,002	9,353	0
Treasury	38,713	19,993	18,720	0	0
TOTAL	\$28,002,679	\$14,325,700	\$7,972,050	\$2,659,007	3,045,922

Shift Differential - State Agency Appropriations					
FY 2017-18 Shift Differential	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$0	\$0	\$0	\$0	\$0
Corrections	8,125,195	8,085,286	39,909	0	0
Education	114,584	114,584	0	0	0
Governor's Office	92,356	0	0	92,356	0
Health Care Policy and Financing	0	0	0	0	0
Higher Education - Admin & Hist.CO	0	0	0	0	0
Human Services	5,431,696	3,653,036	56,345	1,722,315	0
Judicial	0	0	0	0	0
Labor and Employment	13,339	0	0	0	13,339
Law	0	0	0	0	0
Legislature	0	0	0	0	0
Local affairs	0	0	0	0	0
Military and Veterans Affairs	27,954	0	0	0	27,954
Natural Resources	42,863	0	42,863	0	0
Personnel	43,735	0	0	43,735	0
Public Health and Environment	27,437	1,156	13,270	0	13,011
Public Safety	529,250	73,878	364,442	88,866	2,064
Regulatory Agencies	0	0	0	0	0
Revenue	130,712	1,273	129,439	0	0
State	0	0	0	0	0
Transportation	23,490	0	22,607	883	0
Treasury	0	0	0	0	0
TOTAL	\$14,602,611	\$11,929,213	\$668,875	\$1,948,155	56,368

APPENDIX (B) GOVERNOR'S REQUEST COMPENSATION COMPONENTS BY DEPARTMENT

The following tables outline the Governor's request for compensation common policy components by department in Long Bill order.

Health, Life, and Dental (HLD) - State Agency Appropriations					
FY 2017-18 HLD	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$2,409,997	\$571,352	\$1,824,112	\$0	\$14,534
Corrections	54,085,187	52,512,475	1,572,712	0	0
Education	5,180,585	2,058,491	634,569	455,053	2,032,472
Governor's Office	9,682,523	658,096	435,449	8,434,363	154,615
Health Care Policy and Financing	3,637,117	1,305,776	344,132	103,846	1,883,363
Higher Education - Admin & Hist.CO	1,824,262	24,941	970,616	363,535	465,170
Human Services	35,271,330	23,723,820	1,045,699	7,296,264	3,205,546
Judicial	40,528,232	37,843,335	2,684,897	0	0
Labor and Employment	10,787,604	643,805	3,663,664	46,354	6,433,781
Law	4,100,333	1,138,267	514,081	2,343,126	104,859
Legislature	2,917,498	2,917,498	0	0	0
Local affairs	1,616,584	382,455	264,954	594,338	374,837
Military and Veterans Affairs	1,099,477	394,619	3,213	0	701,645
Natural Resources	14,157,819	2,692,500	10,773,085	356,075	336,159
Personnel	3,524,252	987,236	250,378	2,286,638	0
Public Health and Environment	11,622,144	1,409,043	4,145,143	1,243,001	4,824,958
Public Safety	16,299,944	3,703,260	10,957,719	1,051,409	587,556
Regulatory Agencies	4,591,610	205,433	4,135,242	238,099	12,837
Revenue	11,848,685	4,692,581	7,132,435	23,669	0
State	1,006,113	0	1,006,113	0	0
Transportation	1,332,161	0	1,271,155	61,006	0
Treasury	298,256	158,832	139,424	0	0
TOTAL	\$237,821,713	\$138,023,816	\$53,768,792	\$24,896,775	21,132,331

Short Term Disability - Request (0.19 percent of revised base salary)					
FY 2017-18 STD	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$28,756	\$8,658	\$19,819	\$0	279
Corrections	627,467	610,293	17,174	0	0
Education	80,489	28,622	10,866	8,757	32,244
Governor's Office	160,847	12,059	7,233	139,875	1,680
Health Care Policy and Financing	57,989	21,560	4,796	1,363	30,270
Higher Education - Admin & Hist.CO	22,421	637	12,696	4,365	4,723
Human Services	414,973	280,369	13,970	74,652	45,982
Judicial	472,182	442,593	29,589	0	0
Labor and Employment	147,773	8,359	53,237	1,138	85,039
Law	79,147	20,718	9,253	47,457	1,719
Legislature	43,299	43,299	0	0	0
Local affairs	22,365	4,801	2,891	10,001	4,672
Military and Veterans Affairs	15,546	5,428	154	0	9,964
Natural Resources	182,582	29,670	142,841	4,988	5,083
Personnel	46,326	16,506	3,122	26,698	0
Public Health and Environment	185,171	22,304	64,040	20,749	78,078

Short Term Disability - Request (0.19 percent of revised base salary)

FY 2017-18 STD	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Public Safety	244,882	58,108	162,944	15,058	8,772
Regulatory Agencies	70,413	2,576	63,357	4,168	312
Revenue	144,039	61,749	82,120	170	0
State	16,010	0	16,010	0	0
Transportation	20,430	0	19,727	703	0
Treasury	3,720	2,314	1,406	0	0
TOTAL	\$3,086,827	\$1,680,623	\$737,245	\$360,142	308,817

AED - Request (5.0 percent state employees, 2.2 percent judges)

FY 2017-18 AED	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$801,132	\$241,205	\$552,156	\$0	7,771
Corrections	16,876,581	16,422,847	453,734	0	0
Education	2,286,448	816,369	307,980	248,206	913,893
Governor's Office	4,239,344	318,035	190,773	3,686,229	44,307
Health Care Policy and Financing	1,613,795	600,009	133,459	37,924	842,403
Higher Education - Admin & Hist.CO	611,940	17,380	346,520	119,125	128,915
Human Services	11,251,504	7,601,524	372,552	2,057,587	1,219,841
Judicial	13,743,613	12,957,164	786,449	0	0
Labor and Employment	3,920,646	221,751	1,412,234	30,196	2,256,465
Law	2,082,851	545,214	243,513	1,248,875	45,249
Legislature	1,265,104	1,265,104	0	0	0
Local affairs	610,888	131,133	78,957	273,177	127,621
Military and Veterans Affairs	426,426	148,444	4,218	0	273,764
Natural Resources	5,417,877	880,102	4,239,027	147,966	150,782
Personnel	1,254,088	446,134	84,394	723,560	0
Public Health and Environment	5,016,170	604,108	1,734,978	561,930	2,115,154
Public Safety	6,534,371	1,532,740	4,367,297	403,124	231,210
Regulatory Agencies	1,859,883	68,053	1,673,486	110,105	8,239
Revenue	3,796,382	1,625,034	2,166,875	4,473	0
State	421,313	0	421,313	0	0
Transportation	538,703	0	520,152	18,551	0
Treasury	102,427	63,699	38,728	0	0
TOTAL	\$84,671,486	\$46,506,049	\$20,128,795	\$9,671,028	8,365,614

SAED - Request (5.0 percent state employees, 1.5 percent judges)

FY 2017-18 SAED	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$801,132	\$241,205	\$552,156	\$0	7,771
Corrections	16,876,581	16,422,847	453,734	0	0
Education	2,286,448	816,369	307,980	248,206	913,893
Governor's Office	4,239,344	318,035	190,773	3,686,229	44,307
Health Care Policy and Financing	1,613,795	600,009	133,459	37,924	842,403
Higher Education - Admin & Hist.CO	611,940	17,380	346,520	119,125	128,915
Human Services	11,251,504	7,601,524	372,552	2,057,587	1,219,841
Judicial	13,324,586	12,540,624	783,962	0	0
Labor and Employment	3,920,646	221,751	1,412,234	30,196	2,256,465
Law	2,082,851	545,214	243,513	1,248,875	45,249
Legislature	1,265,104	1,265,104			
Local affairs	610,888	131,133	78,957	273,177	127,621

SAED - Request (5.0 percent state employees, 1.5 percent judges)

FY 2017-18 SAED	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Military and Veterans Affairs	426,426	148,444	4,218	0	273,764
Natural Resources	5,417,877	880,102	4,239,027	147,966	150,782
Personnel	1,254,088	446,134	84,394	723,560	0
Public Health and Environment	5,016,170	604,108	1,734,978	561,930	2,115,154
Public Safety	6,534,371	1,532,740	4,367,297	403,124	231,210
Regulatory Agencies	1,859,883	68,053	1,673,486	110,105	8,239
Revenue	3,796,382	1,625,034	2,166,875	4,473	0
State	421,313	0	421,313	0	0
Transportation	538,703	0	520,152	18,551	0
Treasury	102,427	63,699	38,728	0	0
TOTAL	\$84,252,459	\$46,089,509	\$20,126,308	\$9,671,028	8,365,614

Salary Survey - Request - 2.5% ATB, 2.2% range adjustment, 7.0/3.5 State Patrol increase

FY 2017-18 Salary Survey	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$436,130	\$131,309	\$300,592	\$0	4,229
Corrections	8,989,753	8,743,757	245,996	0	0
Education	1,241,925	441,635	167,714	135,093	497,483
Governor's Office	2,305,604	173,146	103,841	2,004,506	24,111
Health Care Policy and Financing	878,535	326,644	72,622	20,631	458,638
Higher Education - Admin & Hist.CO	336,345	9,553	190,459	65,476	70,857
Human Services	5,993,375	4,049,745	201,460	1,078,098	664,072
Judicial	8,696,574	8,173,477	523,097	0	0
Labor and Employment	2,134,937	120,718	769,076	16,439	1,228,704
Law	1,338,367	295,759	213,925	786,478	42,205
Legislature	688,711	688,711	0	0	0
Local affairs	332,562	71,388	42,984	148,715	69,475
Military and Veterans Affairs	231,460	80,811	2,296	0	148,353
Natural Resources	2,948,424	479,129	2,306,648	80,562	82,085
Personnel	681,647	242,891	45,945	392,811	0
Public Health and Environment	2,730,112	328,852	944,179	305,918	1,151,163
Public Safety	5,139,708	867,257	3,846,480	289,657	136,314
Regulatory Agencies	1,012,503	37,044	911,027	59,943	4,489
Revenue	2,063,548	884,630	1,176,480	2,438	0
State	229,359	0	229,359	0	0
Transportation	292,693	0	282,615	10,078	0
Treasury	55,081	33,997	21,084	0	0
TOTAL	\$48,757,353	\$26,180,453	\$12,597,879	\$5,396,843	4,582,178

Merit Pay - Request - No Merit Pay

FY 2017-18 Merit Pay	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$0	\$0	\$0	\$0	0
Corrections	0	0	0	0	0
Education	0	0	0	0	0
Governor's Office	0	0	0	0	0
Health Care Policy and Financing	0	0	0	0	0
Higher Education - Admin & Hist.CO	0	0	0	0	0
Human Services	0	0	0	0	0
Judicial	0	0	0	0	0

Merit Pay - Request - No Merit Pay

FY 2017-18 Merit Pay	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
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	0	0	0	0	0
Natural Resources	0	0	0	0	0
Personnel	0	0	0	0	0
Public Health and Environment	0	0	0	0	0
Public Safety	0	0	0	0	0
Regulatory Agencies	0	0	0	0	0
Revenue	0	0	0	0	0
State	0	0	0	0	0
Transportation	0	0	0	0	0
Treasury	0	0	0	0	0
TOTAL	\$0	\$0	\$0	\$0	0

Shift Differential - State Agency Appropriations

FY 2017-18 Shift Differential	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Agriculture	\$0	\$0	\$0	\$0	\$0
Corrections	8,125,195	8,085,286	39,909	0	0
Education	114,584	114,584	0	0	0
Governor's Office	92,356	0	0	92,356	0
Health Care Policy and Financing	0	0	0	0	0
Higher Education - Admin & Hist.CO	0	0	0	0	0
Human Services	5,431,696	3,653,036	56,345	1,722,315	0
Judicial	0	0	0	0	0
Labor and Employment	13,339	0	0	0	13,339
Law	0	0	0	0	0
Legislature	0	0	0	0	0
Local affairs	0	0	0	0	0
Military and Veterans Affairs	27,954	0	0	0	27,954
Natural Resources	42,863	0	42,863	0	0
Personnel	43,735	0	0	43,735	0
Public Health and Environment	27,437	1,156	13,270	0	13,011
Public Safety	529,250	73,878	364,442	88,866	2,064
Regulatory Agencies	0	0	0	0	0
Revenue	130,712	1,273	129,439	0	0
State	0	0	0	0	0
Transportation	23,490	0	22,607	883	0
Treasury	0	0	0	0	0
TOTAL	\$14,602,611	\$11,929,213	\$668,875	\$1,948,155	56,368

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

LONG BILL FOOTNOTES

Staff recommends **ADDING** the following footnote:

- N All departments -- It is the intent of the General Assembly that funding provided for a Merit Pay increase should be prioritized for classified state employees use the following merit pay matrix:

Merit Pay Matrix					
Performance Rating	Quartile of class range				
	Q1	Q2	Q3	Q4	>Q4
3	3.50%	2.50%	1.50%	1.00%	0.75%
2	2.50%	2.00%	1.00%	0.50%	0.50%
1	0.00%	0.00%	0.00%	0.00%	0.00%

Additionally, average 2 percent increases for exempt employees may be provided through the Merit Pay line item. However, the General Assembly has imputed 1 percent of base salary to fully fund this line item for all classified and exempt employees. It is the intent of the General Assembly that any additional cost for intended Merit Pay increases should be borne by turnover and vacancy savings in the department salary base to the extent available. While the merit pay equivalent for exempt employees was calculated to be a 2 percent average increase, departments have flexibility to provide exempt staff with salary increases of any size and the merit pay equivalent is not intended to provide an additional 2 percent across-the-board increase for each exempt employee.

COMMENT: This footnote expresses legislative intent regarding the Merit Pay component of statewide compensation. The average 2 percent merit pay matrix for classified employees should be prioritized before an average 2 percent "merit pay equivalent" for exempt employees. The Merit Pay component is funded at approximately 1 percent in the line item with an imputed 1 percent of base salary expected to come from department budgets from turnover and vacancy savings. While the merit pay equivalent was calculated at a 2 percent average increase, departments have flexibility to provide exempt staff with salary increases of any size using remaining merit pay appropriations and turnover and vacancy savings.

REQUESTS FOR INFORMATION

There are no compensation policy-related requests for information. Staff recommends no change.