JOINT
BUDGET
COMMITTEE

STAFF BUDGET BRIEFING
FY 2023-24

STATEWIDE COMPENSATION AND PERA

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

PREPARED BY:
ROBIN J. SMART, JBC STAFF
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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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STATEWIDE COMPENSATION

STATEWIDE COMPENSATION OVERVIEW

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

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

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

DEFINING COMPENSATION-RELATED COMPONENTS

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

- Salary Survey;
- Merit Pay;
- Shift Differential;
- Short-term Disability (STD);
- Health, Life, and Dental (HLD);
- Amortization Equalization Disbursement (AED);
- Supplemental Amortization Equalization Disbursement (SAED);
- Paid Family and Medical Leave Insurance; and
- PERA Direct Distribution.

DEFINING POTS

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

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

Because POTS are centrally appropriated in the EDO or other central administration division, allocations from these line items are distributed to department divisions and programs as determined by each department's EDO. This approach simplifies the appropriations process by limiting each POTS appropriation to a single line item in each department and provides flexibility to departments to make adjustments as necessary to accommodate actual POTS needs across a department.

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

POTS line items include the following:

- Salary Survey;
- Merit Pay;
- Shift Differential;
- Short-term Disability (STD);
- Health, Life, and Dental (HLD);
- Amortization Equalization Disbursement (AED); and
- Supplemental Amortization Equalization Disbursement (SAED).

Therefore, POTS include all compensation-related line items, except Paid Family and Medical Leave Insurance and PERA Direct Distribution.

DEFINING EMPLOYEE BENEFITS

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

- Salary Survey;
- Merit Pay;
- Shift Differential;
- Short-term Disability (STD); and
- Health, Life, and Dental (HLD).

DEFINING PERA PAYMENTS FOR THE UNFUNDED LIABILITY

Although included as request items, AED and SAED are statutorily-required contributions for *amortization payments* to improve PERA's funded status and are calculated on current payroll. The term amortization refers to payments for an existing debt or liability. AED and SAED are payments made to PERA for the legacy cost of the unfunded liability and do not help fund current employee PERA retirement benefits. Similarly, the PERA Direct Distribution is a payment to PERA for the legacy cost of the unfunded liability.

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

The PERA Direct Distribution does not pay for an employee benefit, and is not calculated on current payroll, but is an **annuity** allocated to state agencies as charges to General Fund, cash funds, reappropriated funds, and federal funds in the same proportion as the AED and SAED components. In a similar manner, the PERA Direct Distribution does not "purchase a service" from the Department of Personnel through their "operating common policies". Therefore, the PERA Direct Distribution is neither a compensation common policy nor an operating common policy, but is simply an annual debt payment located in compensation-related common policies due to its nexus with AED and SAED.

PREVAILING COMPENSATION

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

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

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

COMPENSATION REPORT

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

THE STATE PERSONNEL SYSTEM ACT AND DIVISION OF AUTHORITY

Article 50 of Title 24, C.R.S., sets forth the State Personnel System Act. Section 24-50-101, C.R.S., sets forth two broad areas of authority and responsibility for the administration of the state personnel system (emphasis added):

> *(3)(c)* ***It is the duty of the state personnel director to establish the general criteria*** *for adherence to the merit principles and for fair treatment of individuals within the state personnel system.* ***It is the responsibility of the state personnel director to provide leadership*** *in the areas of policy and operation of the state personnel system…*

> *(3)(d)* ***The heads of principal departments*** *and presidents of colleges and universities* ***shall be responsible and accountable for the actual operation and management of the state personnel system*** *for their respective departments, colleges, or universities.*

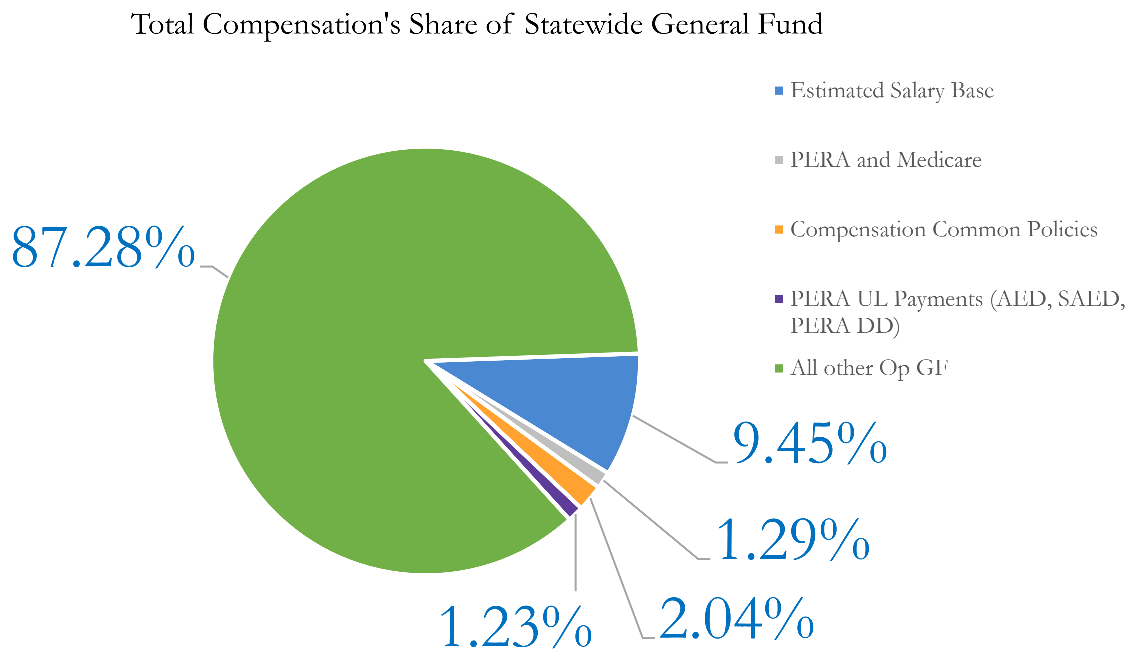
While this provides a reasonable and functional split of responsibility and authority, this bifurcation has the effect of creating some ambiguity regarding responsibility over statewide, classified system, and department-specific recruitment and retention policies and practices. This briefing specifically addresses the statewide compensation-related request. Individual state agency requests will be addressed during JBC staff presentations for state departments. At this time, targeted salary adjustments budget requests have been submitted by the Departments of Human Services, Law, and Public Safety. Adjustments are requested by the Judicial Department, however, these adjustments are specific to its system maintenance process.

STATE PERSONNEL SYSTEM (CLASSIFIED SYSTEM)

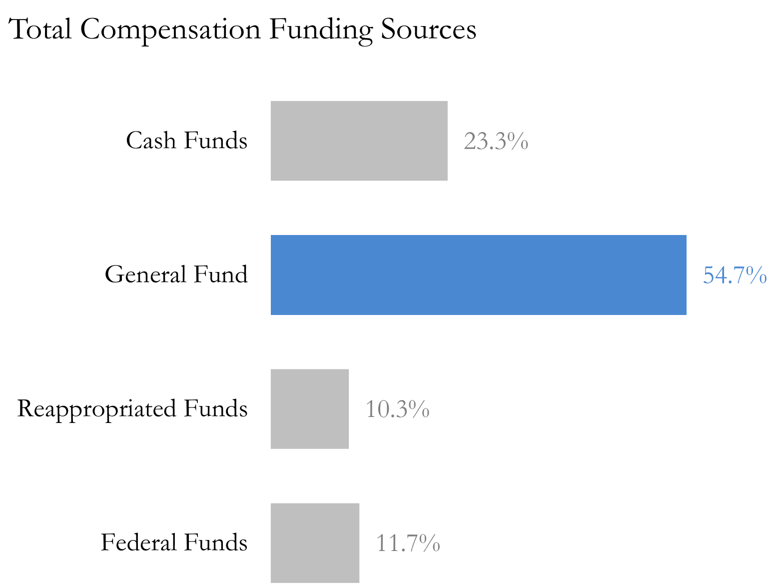
To ensure a state workforce based on merit and fitness, the Colorado Constitution establishes a State Personnel System, commonly referred to as the classified system, after the job classes used to determine appropriate pay ranges for employees. The Department of Personnel manages the personnel system,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

The Constitution specifically exempts some positions from the classified system, allowing potentially different pay ranges, benefits, and hiring and termination procedures. Exempt positions include education faculty and certain education administrators, the judicial branch, the legislative branch other than the State Auditor's Office, assistant attorneys general, certain employees of the Governor's office, the heads of departments, and most boards and commissions. With the exception of higher education institutions, exempt employees use the same insurance and retirement benefits as employees of the classified system. While the judicial branch is exempt from the state personnel system, the courts have developed their own version of a classified system for employees who are not judges, which largely mirrors the state personnel system with regard to salaries and hiring and termination procedures. Judges and elected officials salaries are set in statute.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW



Based on the FY 2022-23 appropriation.



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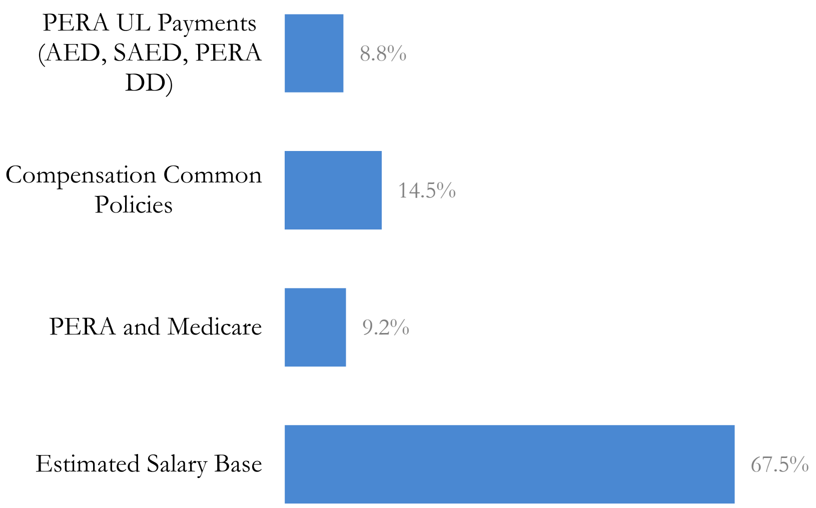
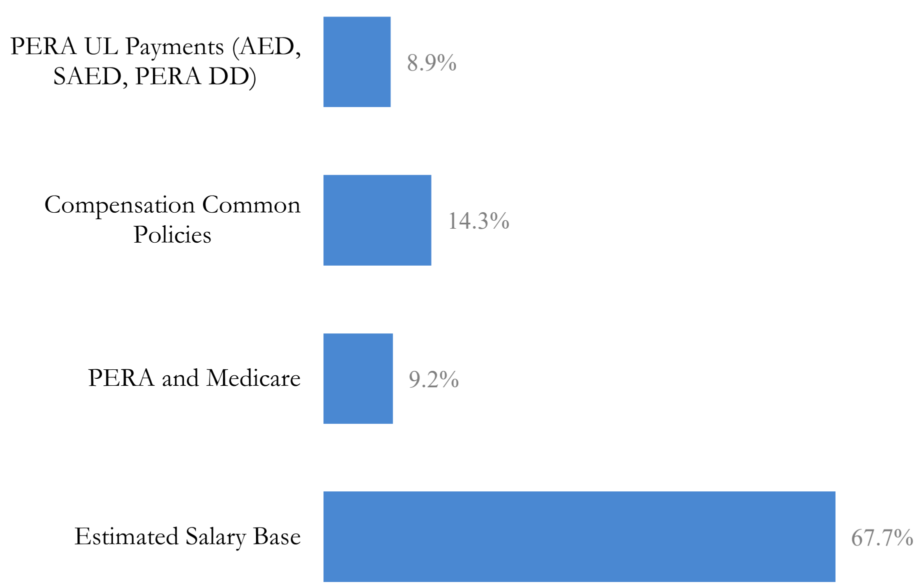
Based on the FY 2022-23 appropriation.

Distribution of General Fund by Category



Based on the FY 2022-23 appropriation.

Distribution of Total Funds by Category



Based on the FY 2022-23 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

NUMBER OF STATE EMPLOYEES

Statewide expenditures for compensation are driven by the number of employees, the percentage of employees who choose to participate in optional benefit plans, and contracts with the benefit providers. The following table shows the number of FTE appropriated statewide, excluding employees in the Department of Higher Education.

STATE EMPLOYEES[1] - FTE REFLECTED IN APPROPRIATIONS										
	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Total FTE	30,787.2	31,480.9	31,878.2	32,174.8	32,412.7	32,819.4	34,650.4	35,047.3	35,467.7	37,262.0
Percent Change		2.3%	1.3%	0.9%	0.7%	1.3%	5.6%	1.1%	1.2%	5.1%
10-year FTE compound average annual growth rate										1.93%
10-year Colorado Population compound average annual growth rate - 2012-2021 [2]										1.16%

[1] Source: FY 2022-23 Appropriations Report excluding Department of Higher Education Governing Boards

[2] From population estimates, State Demography Office: https://demography.dola.colorado.gov/population/population-totals-colorado-substate/#population-totals-for-colorado-and-sub-state-regions

SALARY BASE

Tied to the number of state employees, changes in the salary base reflect the actual increase in salary compensation over time. The salary base increases as a result of funding for additional FTE, salary survey and merit pay increases, and other approved salary increases by agency or occupational class. The following table outlines a ten-year history of the estimated salary base included in department compensation templates.

STATEWIDE SALARY BASE 10-YEAR ESTIMATED APPROPRIATIONS (IN MILLIONS) TOTAL FUNDS										
	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
Salary Base	$1,690.9	$1,757.2	$1,836.3	$1,864.1	$1,964.2	$2,052.2	$2,212.6	$2,246.6	$2,296.0	$2,547.5
Change		66.3	79.1	27.8	100.1	88.0	160.4	34.0	49.4	251.5
Percentage Change		3.9%	4.5%	1.5%	5.4%	4.5%	7.8%	1.5%	2.2%	11.0%
10-year Statewide Salary Base compound average annual growth rate										4.2%

Annual changes in the salary base reflect salary increases from the prior year that are built into the base in the following year, as well as increases in FTE appropriated through budget decisions and bills. The Joint Budget Committee makes a determination on a common figure setting policy to be applied for salary increases. Differences between the salary survey adjustments in a given year, as identified in the table below, and the percentage change identified for the same fiscal year in the statewide salary base are as a result of changes made in FTE-related funding in special bills.

COMMON POLICY SALARY SURVEY ADJUSTMENTS		
FISCAL YEAR	ADJUSTMENT	RATE OF INFLATION
FY 2014-15	2.50%	1.8%
FY 2015-16	1.00%	2.2%
FY 2016-17	2.00%	2.8%
FY 2017-18	1.75%	3.4%
FY 2018-19	3.00%	1.8%
FY 2019-20	3.00%	2.6%
FY 2020-21	0.00%	1.5%
FY 2021-22	3.00%	3.2%

Common Policy Salary Survey Adjustments		
Fiscal Year	Adjustment	Rate of Inflation
FY 2022-23	3.00%	8.2%
FY 2023-24 (Governor's Request)	5.00%	
Compound average annual growth rate	1.8%	16.4%

Compensation Common Policies and PERA

In addition to the base salary, total compensation includes state employee compensation benefits, including health, life, and dental insurance, paid family and medical leave insurance, and short-term disability, and state payments to PERA and Medicare. While paid family and medical leave insurance was a newly created common policy in FY 2022-23, pursuant to H.B. 22-1133 (Family and Medical Leave Insurance Fund), $57.0 million from the Revenue Loss Restoration Cash Fund was transferred to the Family and Medical Leave Insurance Fund to prepay state employer premiums for FY 2022-23 and into the future until the Insurance Fund balance reaches zero. As a result, at this time no appropriations are made to departments for this purpose.

Benefits					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
FY 2022-23 Appropriation					
PERA and Medicare	$284,945,263	$161,133,212	$63,565,907	$29,334,275	$30,911,869
Health, Life, Dental	347,941,052	199,586,005	78,344,196	33,312,313	36,698,538
Paid Family Leave and Medical Insurance	4,263,336	2,139,639	1,072,372	511,063	540,263
Short-term Disability	3,401,364	1,926,738	743,502	356,031	375,093
SUBTOTAL - Benefits	**$640,551,016**	**$364,785,594**	**$143,725,978**	**$63,513,682**	**$68,525,762**
FY 2023-24 Request/Recommendation					
PERA and Medicare	$317,720,301	$175,781,924	$73,249,621	$32,487,814	$36,200,942
Health, Life, Dental	389,008,233	215,858,831	90,556,302	37,193,519	45,399,581
Paid Family Leave and Medical Insurance	9,047,159	4,312,646	2,374,598	1,112,014	1,247,902
Short-term Disability	3,472,063	1,894,189	800,163	366,601	411,110
SUBTOTAL - Benefits	**$719,247,756**	**$397,847,590**	**$166,980,684**	**$71,159,948**	**$83,259,535**
Increase/(Decrease)	78,696,740	33,061,996	23,254,706	7,646,266	14,733,773
Percent Change	12.3%	9.1%	16.2%	12.0%	21.5%

Cost of Health Insurance

Health insurance is traditionally the compensation component experiencing the greatest increases. The following table outlines the 10-year history of appropriations for Health, Life, and Dental (HLD).

Health, Life, and Dental 10-year Appropriations History (in millions)										
	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21*	FY21-22	FY22-23	FY23-24
HLD Total Approp.	$184.5	$217.3	$217.6	$237.8	$261.3	$287.2	$309.8	$323.2	$347.9	$389.0
Change		32.8	0.3	20.2	23.5	25.9	22.6	13.4	24.7	41.1
Percentage Change		4.4%	17.8%	0.1%	9.3%	9.9%	9.9%	7.9%	4.3%	11.8%
10-year HLD Appropriations compound average annual growth rate										7.7%

* The FY 2020-21 appropriation for HLD included a General Fund balancing action decrease totaling $57.8 million. That decrease is not included in this total to more accurately reflect the actual annual change in cost of Health, Life, and Dental in this table.

The FY 2023-24 request amount for HLD totals $389.0 million; a $41.1 million or 11.8 percent increase over the full appropriation amount identified for the prior fiscal year. This amount includes $215.9 million General Fund; this is a $16.3 million or 7.5 percent increase over the prior fiscal year.

PERA Payments for the Unfunded Liability

As part of the total compensation package received by employees and in lieu of contributions to Social Security, the state makes contributions to the Public Employees Retirement Association (PERA). The FY 2023-24 contribution rate is 11.6 percent. Appropriations for the base salary contribution to PERA are made in Personal Services or program line items in which funding to support a department's FTE are found. Actuarial analyses of PERA resulted in the passage of bills in 2004 and 2006 which increased contributions to the pension plan above the base employer and employee contribution rates. These additional state payments, defined in Section 24-51-411, C.R.S., and called Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED), are each calculated at 5.0 percent of the base salary for most state employees and are appropriated in separate line items in each department's section of the Long Bill. AED and SAED rates for judges remained constant at 2.2 percent and 1.5 percent, respectively, until H.B. 17-1265 (PERA Judicial Division Total Employer Contribution) enacted increases for both line items to 3.4, 3.8, 4.2, 4.6, and 5.0 percent in each succeeding year beginning in calendar year 2019.

Pursuant to S.B. 18-200 (PERA Unfunded Liability), automatic increase adjustments were triggered for employee contribution rates. For most employees, the rate increased from 8.0 to 8.75 percent in FY 2019-20; increased to 10.0 percent in FY 2020-21; increased to 10.5 percent in FY 2021-22; and increased to 11.0 percent in FY 2022-23. Job classes in the Safety Officers category have consistently and historically paid 2.0 percent higher than other state employees, resulting in a current fiscal year (2022-23) contribution rate of 13.0 percent.

In FY 2019-20, a common policy allocation to state agencies was added for the State's $225.0 million statutory PERA Direct Distribution payment. This allocation was added to common policies in order to charge cash and federal funds sources for what would otherwise be a General Fund payment. Unlike AED and SAED, the direct distribution payment is not calculated as a percentage of payroll, however the allocation of fund sources by each state agency should match the proportions determined for the AED and SAED appropriations. The following table outlines the 10-year history of AED, SAED, and PERA Direct Distribution appropriations.

PERA Unfunded Liability (UL) Payments (AED/SAED/PERA DD) 10-year Appropriations History
(Total Funds in Millions)

	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21*	FY21-22	FY22-23	FY23-24 (request)
AED	$62.1	$70.1	$78.3	$84.8	$89.8	$96.8	$98.4	$103.3	$108.9	$118.4
SAED	58.0	67.3	77.0	84.4	89.6	96.6	98.4	103.3	108.9	118.4
PERA Direct Distribution	0.0	0.0	0.0	0.0	0.0	56.5	0.0	57.6	58.1	8.9
PERA UL Payments	$120.1	$137.4	$155.3	$169.2	$179.4	$249.9	$196.8	$264.2	$275.9	$245.7
Change		17.3	17.9	13.9	10.2	70.5	(53.1)	67.4	11.7	(30.2)
Percentage Change		14.4%	13.0%	9.0%	6.0%	39.3%	(21.2%)	34.2%	4.4%	(10.9%)
PERA Amortization Payments compound average annual growth rate										7.4%

* House Bill 20-1379, Suspend PERA Direct Distribution for FY 2020-21, suspended this payment for the fiscal year. The amount appropriated in the Long Bill totaled $54.1 million.

TOTAL COMPENSATION GENERAL FUND

The compensation components share of state operating General Fund is determined by total operating General Fund as well as annual changes in each of the components.

COMPENSATION COMPONENTS SHARE OF STATE OPERATING GENERAL FUND			
	FY 2021-22	FY 2022-23	FY 2023-24
Operating General Fund	$12,497,820,709	$12,497,820,709	$14,755,420,667
Estimated Salary Base	1,125,169,833	1,181,558,215	1,211,993,595
percent change		5.0%	2.6%
PERA and Medicare	141,732,960	161,133,212	175,781,924
percent change		13.7%	9.1%
Compensation Common Policies	240,473,528	254,418,171	301,319,255
percent change		5.8%	18.4%
Total State Employee Compensation	1,507,376,321	1,597,109,598	1,689,094,774
percent change		6.0%	5.8%
PERA UL Payments	147,917,055	153,832,255	133,894,421
percent change		4.0%	(13.0%)
PERCENTAGE OF OPERATING GENERAL FUND			
Estimated Salary Base	9.0%	9.5%	8.2%
PERA and Medicare	1.1%	1.3%	1.2%
Compensation Common Policies	1.9%	2.0%	2.0%
State Employee Compensation	12.1%	12.8%	11.4%
PERA UL Payments	1.2%	1.2%	0.9%

SUMMARY: FY 2022-23 APPROPRIATION & FY 2023-24 REQUEST

Salary Base, Compensation Common Policies, and PERA Payroll Components	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
FY 2022-23 Appropriation					
Base Salary Estimate	$2,098,366,201	$1,181,558,215	$466,652,996	$218,627,953	$231,527,037
PERA	253,282,261	143,252,350	56,558,972	26,040,759	27,430,180
Medicare (FICA)	31,663,002	17,880,862	7,006,935	3,293,516	3,481,689
Shift Differential	16,049,041	12,699,428	742,385	1,755,688	851,540
Salary Survey	66,265,624	36,666,318	15,146,039	6,720,421	7,732,846
Merit Pay	0	0	0	0	0
Minimum Wage	859,716	123,613	695,742	35,051	5,310
Health, Life, Dental	347,941,052	199,586,005	78,344,196	33,312,313	36,698,538
Paid Family Leave and Medical Insurance	0	0	0	0	0
Short-term Disability	3,401,364	1,926,738	743,502	356,031	375,093
AED	108,934,267	61,409,617	24,161,857	11,356,955	12,005,838
SAED	108,934,267	61,409,617	24,161,857	11,356,955	12,005,838
PERA Direct Distribution	58,129,321	31,013,021	16,237,771	5,389,913	5,488,616
TOTAL	**$3,093,826,116**	**$1,747,525,783**	**$690,452,253**	**$318,245,555**	**$337,602,524**
FY 2023-24 Request					
Base Salary Estimate	$2,229,829,465	$1,211,993,595	$522,244,320	$233,392,290	$262,199,260
PERA	283,295,009	156,983,976	65,243,195	28,889,045	32,178,793
Medicare (FICA)	34,425,292	18,797,948	8,006,426	3,598,769	4,022,149
Shift Differential	17,269,238	14,176,471	711,215	1,625,431	756,121
Salary Survey	118,810,307	65,539,704	28,374,706	10,591,644	14,304,253
Merit Pay	0	0	0	0	0
Minimum Wage	59,822	20,300	8,526	0	30,996
Health, Life, Dental	389,008,233	215,858,831	90,556,302	37,193,519	45,399,581
Paid Family Leave and Medical Insurance	0	0	0	0	0
Short-term Disability	3,472,063	1,894,189	800,163	366,601	411,110
AED	118,399,887	64,605,938	27,571,040	12,357,326	13,865,583
SAED	118,399,887	64,605,938	27,571,040	12,357,326	13,865,583
PERA Direct Distribution	8,880,925	4,682,545	2,551,394	838,485	808,501
TOTAL	**$3,321,850,128**	**$1,819,159,435**	**$773,638,327**	**$341,210,436**	**$387,841,930**
Increase/(Decrease)	$228,024,012	$71,633,652	$83,186,074	$22,964,881	$50,239,406
Percent Change	7.4%	4.1%	12.0%	7.2%	14.9%

FY 2023-24 TOTAL COMPENSATION REQUEST

The FY 2023-24 total compensation request is estimated to be $3.32 billion total funds, including $1.82 billion General Fund, an increase of $228.02 million over the prior year appropriation, which represents a 7.4 percent increase in total compensation-related appropriations.

Base Salary, PERA, and Medicare (FICA)	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
FY 2022-23 Appropriation					
Base Salary Estimate	$2,098,366,201	$1,181,558,215	$466,652,996	$218,627,953	$231,527,037
PERA	253,282,261	143,252,350	56,558,972	26,040,759	27,430,180

BASE SALARY, PERA, AND MEDICARE (FICA)					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Medicare (FICA)	31,663,002	17,880,862	7,006,935	3,293,516	3,481,689
TOTAL	**$2,383,311,464**	**$1,342,691,427**	**$530,218,903**	**$247,962,228**	**$262,438,906**
FY 2023-24 Request					
Base Salary Estimate	$2,229,829,465	$1,211,993,595	$522,244,320	$233,392,290	$262,199,260
PERA	283,295,009	156,983,976	65,243,195	28,889,045	32,178,793
Medicare (FICA)	34,425,292	18,797,948	8,006,426	3,598,769	4,022,149
TOTAL	**$2,547,549,766**	**$1,387,775,519**	**$595,493,941**	**$265,880,104**	**$298,400,202**
Increase/(Decrease)	$164,238,302	$45,084,092	$65,275,038	$17,917,876	$35,961,296
Percent Change	6.9%	3.4%	12.3%	7.2%	13.7%

BASE SALARY ESTIMATE: The request includes a base salary estimate of $2.2 billion total funds, including $1.2 billion General Fund, for FY 2023-24 employee salaries.

PERA: The request includes an estimate of $283.3 million total funds, including $157.0 million General Fund, for employer payroll-related contributions to PERA.

MEDICARE (FICA): The request includes an estimate of $34.4 million total funds, including $18.8 million General Fund, for employer payroll-related contributions to Medicare.

OTHER SALARY RELATED ADJUSTMENTS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2022-23 Appropriation					
Shift Differential	$16,049,041	$12,699,428	$742,385	$1,755,688	$851,540
Salary Survey	66,265,624	36,666,318	15,146,039	6,720,421	7,732,846
Merit Pay	0	0	0	0	0
Minimum Wage	859,716	123,613	695,742	35,051	5,310
SUBTOTAL - Salary	**$83,174,381**	**$49,489,359**	**$16,584,166**	**$8,511,160**	**$8,589,696**
FY 2023-24 Request					
Shift Differential	$17,269,238	$14,176,471	$711,215	$1,625,431	$756,121
Salary Survey	118,810,307	65,539,704	28,374,706	10,591,644	14,304,253
Merit Pay	0	0	0	0	0
Minimum Wage	59,822	20,300	8,526	0	30,996
SUBTOTAL - Salary	**$136,139,367**	**$79,736,475**	**$29,094,447**	**$12,217,075**	**$15,091,370**
Increase/(Decrease)	$52,964,986	$30,247,116	$12,510,281	$3,705,915	$6,501,674
Percent Change	63.7%	61.1%	75.4%	43.5%	75.7%

SHIFT DIFFERENTIAL: Shift differential funds are used for adjustments to some employee wages for work that is performed outside of standard 8:00 a.m. to 5:00 p.m. business hours. Shift differential is requested at 100 percent of prior year actual expenditures. The request includes $17.3 million total funds, including $14.2 million General Fund.

SALARY SURVEY: The request, based on the modified Partnership Agreement, includes $118.8 million total funds, including $65.5 million General Fund, for a 5.0 percent across-the-board increase for state employees.

MERIT PAY: The request does not include funding for merit pay increases for state employees.

MINIMUM WAGE: The request includes $59,822 total funds, including $20,300 General Fund, for adjustments to wages for those employees who earned less than $15.75 per hour.

INSURANCE BENEFITS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2022-23 Appropriation					
Health, Life, Dental	$347,941,052	$199,586,005	$78,344,196	$33,312,313	$36,698,538
Paid Family Leave and Medical Insurance	0	0	0	0	0
Short-term Disability	3,401,364	1,926,738	743,502	356,031	375,093
SUBTOTAL - Benefits	**$351,342,416**	**$201,512,743**	**$79,087,698**	**$33,668,344**	**$37,073,631**
FY 2023-24 Request					
Health, Life, Dental	$389,008,233	$215,858,831	$90,556,302	$37,193,519	$45,399,581
Paid Family Leave and Medical Insurance	0	0	0	0	0
Short-term Disability	1,926,739	1,894,189	800,163	366,601	411,110
SUBTOTAL - Benefits	**$392,480,296**	**$217,753,020**	**$91,356,465**	**$37,560,120**	**$45,810,691**
Increase/(Decrease)	$41,137,880	$16,240,277	$12,268,766	$3,891,776	$8,737,060
Percent Change	11.7%	8.1%	15.5%	11.6%	23.6%

HEALTH, LIFE, DENTAL: The request includes $389.0 million total funds, including $215.9 million General Fund, for employee health, life, and dental benefits elected by employees as of July 2022. Additional adjustments may be included in a budget amendment based on new actuarial recommendations received in December. The base adjustment request reflects an increase of $41.1 million total funds, including $16.2 million General Fund, in FY 2023-24.

PAID FAMILY AND MEDICAL LEAVE INSURANCE: The request does not include an appropriation for FY 2023-24. Pursuant to H.B. 22-1133 (Family and Medical Leave Insurance Fund), the State's portion of the insurance premium is prepaid until the balance in the Family and Medical Leave Insurance Fund reaches zero. JBC staff estimates that the balance in the Fund would last nearly twice as long if statute were amended to state that the "amount otherwise paid from the General Fund" is attributed to the Fund and not the entire amount of the State's premium. The total estimated cost of the insurance premium is $4.3 million in FY 2022-23 and $9.0 million in FY 2023-24. Proposition 118, approved by voters in November 2020, requires employers and employees in Colorado to pay a payroll premium (.90 percent with a minimum of half paid by the employer) to finance paid family and medical leave insurance benefits beginning January 1, 2023 in order to finance up to 12 weeks of paid family medical leave to eligible employees beginning January 1, 2024.

STD: Short term disability is requested at a rate of 0.15 percent of revised base salaries. STD is estimated at $1.92 million total funds, including $1.89 million General Fund.

PERA PAYMENTS FOR UNFUNDED LIABILITY (NON-BENEFIT COMPONENTS)					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2022-23 Appropriation					
AED	$108,934,267	$61,409,617	$24,161,857	$11,356,955	$12,005,838
SAED	108,934,267	61,409,617	24,161,857	11,356,955	12,005,838

PERA Payments for Unfunded Liability (non-benefit components)					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
PERA Direct Distribution	58,129,321	31,013,021	16,237,771	5,389,913	5,488,616
TOTAL	**$275,997,855**	**$153,832,255**	**$64,561,485**	**$28,103,823**	**$29,500,292**
FY 2023-24 Request					
AED	$118,399,887	$64,605,938	$27,571,040	$12,357,326	$13,865,583
SAED	118,399,887	64,605,938	27,571,040	12,357,326	13,865,583
PERA Direct Distribution	8,880,925	4,682,545	2,551,394	838,485	808,501
TOTAL	**$245,680,699**	**$133,894,421**	**$57,693,474**	**$25,553,137**	**$28,539,667**
Increase/(Decrease)	(30,317,156)	(19,937,834)	(6,868,011)	(2,550,686)	(960,625)
Percent Change	(11.0%)	(13.0%)	(10.6%)	(9.1%)	(3.3%)

AED: Amortization Equalization Disbursement is set at a statutory rate of 5.0 percent and is estimated to be $118.4 million total funds, including $64.6 million General Fund.

SAED: Supplemental Amortization Equalization Disbursement is set at a statutory rate of 5.0 percent and is estimated to be $118.4 million total funds, including $64.6 million General Fund.

PERA Direct Distribution: In FY 2019-20, a common policy allocation to state agencies was added for the state's $225.0 million statutory PERA Direct Distribution payment. This allocation was added to common policies to charge cash and federal funds sources for what would otherwise be a General Fund payment. The PERA Direct Distribution totals $8.9 million, including $4.7 million General Fund in FY 2023-24.

The following table outlines all PERA payments included in total compensation.

All PERA Payments					
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
FY 2022-23 Appropriation					
PERA (standard employer contrib.)	$253,282,261	$143,252,350	$56,558,972	$26,040,759	$27,430,180
AED	108,934,267	61,409,617	24,161,857	11,356,955	12,005,838
SAED	108,934,267	61,409,617	24,161,857	11,356,955	12,005,838
PERA Direct Distribution	58,129,321	31,013,021	16,237,771	5,389,913	5,488,616
SUBTOTAL - Benefits	**$529,280,116**	**$297,084,605**	**$121,120,457**	**$54,144,582**	**$56,930,472**
FY 2023-24 Request					
PERA (standard employer contrib.)	$283,295,009	$156,983,976	$65,243,195	$28,889,045	$32,178,793
AED	118,399,887	64,605,938	27,571,040	12,357,326	13,865,583
SAED	118,399,887	64,605,938	27,571,040	12,357,326	13,865,583
PERA Direct Distribution	8,880,925	4,682,545	2,551,394	838,485	808,501
SUBTOTAL - Benefits	**$528,975,708**	**$290,878,397**	**$122,936,669**	**$54,442,182**	**$60,718,460**
Increase/(Decrease)	(304,408)	(6,206,208)	1,816,212	297,600	3,787,988
Percent Change	(0.1%)	(2.1%)	1.5%	0.5%	6.7%

COWINS PARTNERSHIP AGREEMENT

The Colorado Partnership for Quality Jobs and Services Act requires the State to enter into a partnership agreement with certified employee organizations, defines the duties of the parties, and sets standards and procedure related to disputes. While the fiscal note for the Act identifies the need for additional human resources staff in some departments, it does not identify the fiscal impact of implementing certain provisions of the Partnership Agreement.

SUMMARY

- House Bill 20-1153 established a collective bargaining system between covered state employees and the State's Executive Branch. The partnership agreement identifies covered employees, defines the duties of the parties, and sets standards and procedure related to employment disputes.

- The bill's fiscal note identified the need for additional human resources staff to implement some provisions of the agreement; however did not identify the fiscal impact of implementing provisions of the agreement related to staffing.

- The state departments will incur a cost related to increased health, life dental costs, the impact of increased annual leave accrual rates, holiday pay, and paid family and medical leave requirements.

DISCUSSION

House Bill 20-1153 (Colorado Partnership for Quality Jobs and Services Act), codified in Section 24-50-1101 et seq., C.R.S., created a collective bargaining system between covered state employees and the State's Executive Branch. The Act requires the State to enter into a partnership agreement with certified employee organizations, defines the duties of the parties, and sets standards and procedure related to disputes. The Act defines covered employees as those who are employed in the State's personnel system, **except** for the following:

- Confidential employees;
- Managerial employees;
- Executive employees;
- The director of the Department of Personnel, the director of the Division of Labor Standards and Statistics, the governor's designee, and employees working with either director to implement the Act;
- Administrative law judges and hearing officers;
- State troopers;
- Employees of the Legislative Branch; and
- Temporary appointees as described in Section 24-50-114, C.R.S.

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

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

The 2021 Partnership Agreement contains provisions that result in a fiscal impact to total compensation. The FY 2022-23 Long Bill contains appropriations totaling $5.5 million total funds to address the cost of changes to shift differential and on-call pay for certain employees as specified in the agreement. The Partnership Agreement includes a wage reopener clause resulting in amendments to the agreement related to the Pay Equity Study and the Equal Pay for Equal Work Act. Although the amendments to the agreement have been ratified, as of the date of this writing, the Governor's signature is still pending, therefore JBC staff is unable to incorporate the anticipated changes into this discussion. There are, however, existing provisions of the agreement for which a significant fiscal impact may be realized by some state departments. Below is a brief statement concerning each of the provisions about which JBC staff is concerned. **Staff recommends that the Joint Budget Committee consider discussing the potential fiscal impact of these provisions with the Department of Personnel or any other impacted State department.**

Medical, Dental, and Vision Insurance – The State agrees to absorb the first $20 million of any increase in insurance rates through June 30, 2025. The cost of increased insurance rates in FY 2023-24 is $3.4 million, which amount is reflected in the Total Compensation budget request (see tables above).

Accrual of Annual Leave – Adjustments to the number of hours of annual leave per month will significantly impact the relief factor[1] for staffing in departments with hours other than normal business operating hours, including those with 24/7 facilities. The increased relief factor effectively results in additional FTE required to ensure that all shifts are appropriately covered. Departments that will be impacted to the greatest degree are those with 24/7 facilities and with high turnover rates resulting in a greater percentage of staff with less than five years of state service. Prior to the Partnership Agreement, state employees with less than five years of service earned eight hours of annual leave per month and those with between five and ten years of service earned 10 hours per month. In addition, the new maximum accrual rate will result in higher leave pay outs upon employee retirement or separation. The Partnership Agreement now requires the following annual leave accrual rates:

Years of Service	Hours Earned per Month	Maximum Accrual Rate
1-36 months	8	192
37-60 months	9	216
61-120 months	11	264
121-180 months	13	312
181 months or greater	16	384

Paid Family Medical Leave – Article 29.3 of the Partnership Agreement requires payment of up to 160 hours per 12 month period of paid family medical leave for qualifying employees. The provision states that the employees "shall not be required to use other paid leave that has been accrued" and

[1] Relief factor: a multiplier that will ensure that sufficient staff is employed to ensure all duty posts are manned per the organization's staffing plan.

will therefore result in increased staffing plan relief factors in impacted agencies and in higher leave pay outs when an employee retires or separated employment. Without additional appropriations, departments will find it necessary to ensure the existence of vacancy savings in order to cover the cost of the pay outs.

Holiday Pay for Observed Holiday Worked – If a non-exempt employee is scheduled and required to work on an observed State holiday, the employee must be paid premium pay equal to 1.5 times the regular base rate of pay for all hours worked, the cost of which will likely be covered with vacancy savings.

Finally, the exclusion of certain classified employee job classes from the Partnership Agreement does not preclude the departments or divisions from being impacted by the provisions of the agreement. Those agencies with excluded employees will still need to implement these provisions in order to minimize disparity.

JBC staff is aware that the impact of the implementation of these provisions may occur over time, but believes it is necessary to prepare the Committee for future discussions related to the true fiscal impact of the Partnership Agreement.

PERA UPDATE

The Public Employees' Retirement Association prepares an annual financial report that details the plan's performance for the preceding calendar year.

SUMMARY

- PERA experienced an investment return of 16.1 percent in 2021, compared with a 17.4 percent in 2020. The net investment income of the plan in 2021 was $10.2 billion. Member contributions totaled $1.3 billion and employer contributions totaled $2.1 billion.

- The healthy investment return contributed to an improved aggregate funded ratio of 67.8 percent, up from 62.8 percent a year earlier, and a decreased aggregate unfunded liability of $27.2 billion, a decrease of $3.8 billion from the previous year's value of $31.0 billion.

- The state employee contribution rate of 11.0 percent for most state employees and 13.0 percent for Safety Officers FY 2022-23, is not scheduled to increase in 2023. This compares to the normal cost rate of 12.76 percent for the State Division as identified in the 2021 annual report. The normal cost reflects the percentage of salary required to fully fund a current employee's PERA benefits.

DISCUSSION

According the PERA 2021 Comprehensive Annual Financial Report (CAFR), PERA experienced a positive investment year in 2021, resulting in a combined return of 16.1 percent net-of-fees. The investment performance is only one of several factors used to calculate a retirement plan's funded status, however. Factored into this determination are actuarial assumptions related to inflation, payroll and employment, retirement rates, and member longevity. As of December 31, 2021, the plan's unfunded liability is reported at $27.2 billion giving it a funded status of 67.8 percent, as compared with 62.8 percent on December 31, 2020. For the State Division, the unfunded liability is reported at $9.9 billion, with a funded status of 64.0 percent.

INVESTMENT RETURN

For 2021, PERA experienced an investment return of 16.1 percent. PERA's annualized rate of return over extended periods include the following:

- 17.9 percent over three years;
- 13.3 percent over five years;
- 10.9 percent over 10 years; and
- 9.0 percent over 30 years.

FUNDED RATIO

The following table outlines the funded ratio for each division and the aggregate for PERA as a whole.

FUNDED RATIO (ACTUARIAL VALUE FROM CAFR)						
	2016	2017	2018	2019	2020	2021
YEAR END	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
State	54.6%	57.5%	56.1%	58.0%	59.1%	64.0%
Judicial	66.6%	72.4%	70.6%	74.0%	78.7%	85.9%

Funded Ratio (actuarial value from CAFR)						
	2016	2017	2018	2019	2020	2021
School	56.3%	59.4%	57.9%	59.9%	60.6%	65.3%
DPS	75.9%	79.7%	76.8%	80.0%	81.2%	86.9%
Local Government	74.4%	79.5%	77.7%	80.7%	82.4%	88.6%
PERA aggregate	**58.1%**	**61.3%**	**59.8%**	**61.9%**	**62.8%**	**67.8%**

Unfunded Actuarial Accrued Liability

The following table outlines the unfunded actuarial accrued liability for each division and the aggregate for PERA as a whole.

Unfunded Actuarial Accrued Liability (in millions)										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Year end	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
State	$8,652.8	$9,714.3	$9,884.8	$10,202.9	$11,643.6	$10,525.7	$11,206.1	$10,795.6	$11,077.5	$9,780.3
Judicial	88.1	94.8	100.4	115.1	149.2	118.0	131.8	120.0	101.8	68.8
School	12,352.5	14,067.9	14,243.2	14,805.5	18,089.6	16,266.2	17,504.0	17,013.0	17,951.0	16,083.6
DPS	558.9	710.0	664.6	697.9	1,025.5	830.8	987.3	853.1	850.5	608.8
Local Gov.	1,058.9	1,211.0	981.6	1,003.5	1,333.9	1,036.5	1,170.2	1,028.1	995.9	654.4
PERA agg.	**$22,711.2**	**$25,798.0**	**$25,874.6**	**$26,824.9**	**$32,241.8**	**$28,777.2**	**$30,999.3**	**$29,809.8**	**$30,976.7**	**$27,195.9**
Agg. Change		3,086.8	76.6	950.3	5,416.9	(3,464.6)	2,222.2	(1,189.6)	1,166.9	(3,780.8)

Pursuant to S.B. 18-200 (Modifications to PERA Public Employees' Retirement Association to Eliminate Unfunded Liability), PERA must reach full funding by the end of 2047. With the plan's positive investment year and no changes to the actuarial assumptions, PERA's asset to liabilities comparison indicates that the automatic adjustment provision, which automatically adjusts member and employer contributions, will not be necessary in 2023. As a result the employee contribution will remain 11.0 percent for most State employees and 13.0 percent for employees in the Safety Officers category. The amortization funding valuation for the State Division changed from 33 years in 2020 to 23 years in 2021.

PERA Direct Distribution Payments

Pursuant to Section 24-51-414, C.R.S., the State Treasurer is required to issue an annual warrant on July 1st to the Public Employees' Retirement Association (PERA) in the amount of $225.0 million. The annual payment, established in S.B. 18-200 is to be made until there are no unfunded actuarial accrued liabilities of any division of PERA. Pursuant to S.B. 18-200, payment may be made from the General Fund or any other fund. Subsequent legislation enacted in 2020 and 2022 made changes to the amounts to be paid to PERA on July 1st in 2020, 2023, and 2024. A brief summary of PERA-related legislation enacted since 2018 is provided below.

- S.B. 18-200 (Modifications to PERA Public Employees' Retirement Association to Eliminate Unfunded Liability) established an annual direct distribution payment of $225.0 million to be made from the General Fund or any other fund. Payments are scheduled to be made on July 1st of each year beginning July 1, 2018 and continue until there is no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution.

- H.B. 20-1379 (Suspend Direct Distribution to PERA Public Employees' Retirement Association for 2020-21 Fiscal Year) eliminated the July 1, 2020 scheduled direct distribution payment of $225.0 million to PERA.

- S.B. 21-228 (PERA Public Employees' Retirement Association Payment Cash Fund) created the PERA Payment Cash Fund, appropriated $380.0 million General Fund to the Cash Fund, authorized the State Treasurer to use the Cash Fund to pay any employer contribution to or disbursements required by statute, and required that the PERA direct distribution payment scheduled to be paid on July 1, 2022, be made from the Cash Fund as opposed to the General Fund. The bill allows for the payment of some or all of a future payment to PERA to be made from the cash fund as well.

- H.B. 22-1329 (FY 2022-23 Long Appropriations Bill) includes an appropriation to the Department of the Treasury in the amount of $225.0 million total funds, including $198.5 million cash funds from the PERA Payment Cash Fund (pursuant to S.B. 22-228) and $26.5 million reappropriated funds from various state departments, to cover the required July 1, 2022 PERA direct distribution payment pursuant to S.B. 18-200 as amended by S.B. 21-228.

- S.B. 22-214 (General Fund Transfer to PERA Payment Cash Fund) requires the transfer of $198.5 million General Fund to the PERA Payment Cash Fund in order to reimburse the Cash Fund for the portion of the July 1, 2022 direct distribution payment that was made from the Cash Fund pursuant to H.B. 22-1329 (FY 2022-23 Long Appropriations Bill).

- H.B. 22-1029 (Compensatory Direct Distribution to Public Employees' Retirement Association) required the State Treasurer to make a payment to PERA as soon as practicable in the amount of $380.0 million cash funds from the PERA Payment Cash Fund, in order to recompense PERA for the eliminated July 1, 2020 direct distribution payment that was required by H.B. 20-1379. The payment is in addition to the regularly scheduled July 1, 2022 $225.0 million payment (funded in the FY 2022-23 Long Bill). In addition, the bill reduces the scheduled July 1, 2023 direct distribution payment by between $155.0 million and $190.0 million and reduces the scheduled July 1, 2024 direct distribution payment by no more than $27.6 million.

It is very important to note that the payment plan established in S.B. 18-200 is an annuity and was created in order to ensure that a fixed sum of money is paid to PERA on an annual basis so that the unfunded liability is resolved in a timely fashion. Legislation making changes to the annuity has in effect birthed the concept that modifications to the PERA Direct Distribution payment is a means through which the State budget can be balanced. This is a dangerous paradigm in that PERA is a healthy investment and the unfunded liability is a debt. Without factoring in the loss of investment returns or the cost of increased debt resulting from changes to the annual payment, overall payments to PERA, under current law, will be deficient by $62.55 million over time.

PERA Direct Distribution Payments

Fiscal Year	S.B. 18-200	S.B. 20-1379	H.B. 22-1029 (current law)
FY2019-20	$225 million	$225 million	$225 million
FY2020-21	225 million	0	0
FY2021-22	225 million	225 million	225 million
FY2022-23	225 million	225 million	605 million
FY2023-24	225 million	225 million	35 million
FY2024-25	225 million	225 million	197.45 million
FY2025-26	225 million	225 million	225 million

PERA Direct Distribution Payments			
Fiscal Year	S.B. 18-200	S.B. 20-1379	H.B. 22-1029 (current law)
FY2026-27	225 million	225 million	$225 million
	$1,800 million	$1,575 million	$1,737.45 million

JBC staff has provided an estimate of annual gains in the tables below. Based on an annual return of 17.4 percent and 16.1 percent for calendar years 2020 and 2021, respectively, JBC staff estimates that the lost gains resulting from the canceled July 1, 2020 $225.0 million payment to PERA have been addressed by the additional $380.0 million payment required pursuant to H.B. 22-1029. However, with the required reductions in the July 1, 2023 and July 1, 2024 payments, lost gains are again projected beginning in FY 2023-24 and ongoing. JBC staff estimates the lost gains resulting from the reduced July 1, 2023 payment to be $97.1 million by the end of FY 2023-24. JBC staff estimates the cumulative effect of the reduced July 1, 2023 and July 1, 2024 payments to be $131.7 million by the end of FY 2024-25. A simple solution to addressing this issue is to increase the July 1, 2023 payment to PERA from $35.0 million to at least $97.6 million, essentially ensuring that PERA receives an amount equivalent to the scheduled annuity payments.

Payments to PERA under S.B. 18-200 as amended by H.B. 20-1379 and H.B. 22-1029					
Year (July 1)	Interest Earned[1]	Scheduled Payment (on July 1)	Extra Annual Payment	Estimated End of Year Balance	Difference Between S.B. 18-200 and Current Law
2020	$0	$0	$0	$0	($225,000,000)
2021	0	225,000,000	0	225,000,000	(262,687,500)
2022	26,268,750	225,000,000	380,000,000	856,268,750	86,643,734
2023	62,079,484	35,000,000	0	953,348,234	(97,074,595)
2024	69,117,747	197,450,000	0	1,219,915,981	(131,662,503)
2025	88,443,909	225,000,000	0	1,533,359,890	(141,208,034)
2026	111,168,592	225,000,000	0	1,869,528,482	(151,445,617)
2027	135,540,815	225,000,000	0	2,230,069,297	(162,425,424)
2028	161,680,024	225,000,000	0	2,616,749,321	(174,201,267)
2029	189,714,326	225,000,000	0	3,031,463,647	(186,830,859)
2030	219,781,114	225,000,000	0	3,476,244,761	(200,376,097)

[1] 2022 earned interest is calculated at a blended rate of 11.68 percent (16.1 percent for the last six months of 2021 and 7.25 percent for the first six months of 2022). For all of other years, the earned interest is calculated at 7.25 percent.

Payment to PERA under S.B. 18-200 (unamended)				
Year (July 1)	Interest Earned[1]	Scheduled Payment (on July 1)	Extra Annual Payment	Estimated End of Year Balance
2020	$0	$225,000,000	$0	$225,000,000
2021	37,687,500	225,000,000	0	487,687,500
2022	56,937,516	225,000,000	0	769,625,016
2023	55,797,814	225,000,000	0	1,050,422,829
2024	76,155,655	225,000,000	0	1,351,578,484
2025	97,989,440	225,000,000	0	1,674,567,924
2026	121,406,175	225,000,000	0	2,020,974,099
2027	146,520,622	225,000,000	0	2,392,494,721
2028	173,455,867	225,000,000	0	2,790,950,588

Payment to PERA under S.B. 18-200 (unamended)				
Year (July 1)	Interest Earned[1]	Scheduled Payment (on July 1)	Extra Annual Payment	Estimated End of Year Balance
2029	202,343,918	225,000,000	0	3,218,294,506
2030	233,326,352	225,000,000	0	3,676,620,858

[1] 2021 earned interest is calculated at a blended rate of 16.75 percent (17.4 percent for the last six months of 2020 and 16.1 percent for the first six months of 2021). 2022 earned interest is calculated at a blended rate of 11.68 percent (16.1 percent for the last six months of 2021 and 7.25 percent for the first six months of 2022). For all of other years, the earned interest is calculated at 7.25 percent.

PERA Direct Distribution Payment Fund Sources

Statute allows for regularly scheduled direct distribution payments to be made from the General Fund or other sources of funding. Only a portion of the payment is attributable to the State (typically approximately $57 million), therefore "other sources of funding" refers to cash funds, reappropriated funds, or federal funds to which state departments have access and that can be used to cover pension plan costs. This language allows for Long Bill appropriations for each department's portion of the direct distribution payment to be made up of various sources, thereby reducing the impact of the annual payment on the General Fund.

Regularly scheduled $225 million payments are typically comprised of approximately 88.2 percent General Fund, 7.2 percent cash funds from various sources, 2.5 percent reappropriated funds, and 2.1 percent federal funds. The fund type splits for each department are determined through the use of the total compensation templates, however the statewide percentages reflected in the Long Bill change very little from year to year. It is important to note that these other sources of funding are only available for the portion of the payment attributable to the State Divisions. The portion of the liability associated with other PERA divisions are solely covered by General Fund. Under current law, the FY 2023-24 payment is $35.0 million, of which $8.9 million is attributed to the State departments. The Governor's budget request includes a request for $4.5 million of the payment to be covered by the balance in the PERA Payment Cash Fund.

APPENDIX A
UPDATE ON INFORMATION REQUESTS

The Joint Budget Committee annually submits requests for information to executive departments and the judicial branch via letters to the Governor, other elected officials, and the Chief Justice. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as an Appendix in the annual Appropriations Report (Appendix H in the FY 2021-22 Report):
https://leg.colorado.gov/sites/default/files/fy21-22apprept_0.pdf

The requests for information relevant to this document are listed below.

1 All Departments – The Departments are requested to provide by November 1 of each fiscal year responses to the following:

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

COMMENT: Information found in the responses will be addressed by each department analyst.

2 Department of Personnel – The Department is requested to provide to the Joint Budget Committee, on or before August 1, 2022, a detailed analysis of salary ranges and qualifications for all P.O.S.T certified job classes within the State of Colorado classified system, including those in Executive Branch and Judicial Branch agencies. The analysis should include, but need not be limited to, data concerning the:

- Required qualifications, training, and experience for each position within the agency;
- How the qualifications, training, and experience requirements and the salary ranges of each state agency compare with other state agencies with similar P.O.S.T certified positions;
- How the qualifications, training, and experience requirements and the salary ranges for each state agency compare with local agencies that have like-P.O.S.T certified job classes;
- How the qualifications, training, and experience requirements and the salary ranges for each state agency compare with other similar national agencies that have like-P.O.S.T certified job classes, if no in-state comparison can be made.

In addition, the Department is asked to provide a detailed analysis of the recruitment and retention of P.O.S.T. certified law enforcement officers for each Executive Branch and Judicial Branch agency with P.O.S.T certified classified positions, including monthly separation and retirement data for each agency, for each fiscal year beginning in FY 2017-18 through FY 2021-22. This analysis should be performed by rank. The data should be presented by region of the state and identify the top five reasons why each agency (by region) experiences recruitment and/or retention challenges. If available, the data should identify the number of separated and/or retired P.O.S.T. certified officers who went to work for a different law enforcement agency after leaving State of Colorado employment. The Department is further asked to provide an analysis of the impact (including the fiscal impact) of the recruitment and/or retention challenges of State of Colorado P.O.S.T certified law enforcement officers on the following (by region): officer safety, local law enforcement agencies, interstate commerce, tourism, and natural resource management.

In the August report to the Joint Budget Committee, the Department is asked to examine Section 24-50-104 (1)(a)(III), C.R.S., and make recommendations concerning changes or clarifications to the statutory language. The Department is further asked to make recommendations concerning pay range adjustments for classified P.O.S.T certified positions in each Department, including adjustments required to address compression pay.

Finally, the Department is asked to provide data concerning the comparison of qualifications, training, experience, and salary ranges for Security-related classified positions across all state agencies in which the positions exist.

COMMENT: The Department of Personnel submitted a partial response to the request for information on August 15, 2022 and presented to the Joint Budget Committee on September 22, 2022 concerning the findings of the analysis of P.O.S.T. Certified positions. The Department did not include information related to Security job classes, provided no recommendations related to targeted salary adjustments, and did not make any recommendations related to statutory changes. The request for information did not include an analysis of PERA retirement plan differences, however, disparities across departments did come to light during JBC staff discussions with various departments. The FY 2023-24 Total Compensation budget request does not include any salary adjustments related to this analysis. The Department of Law and the Colorado State Patrol have submitted prioritized budget requests for targeted salary adjustments in FY 2023-24. These requests will be discussed by the JBC analysts assigned to those departments.