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Memorandum

THIS IS NOT A LEGAL OPINION.
April 10, 2018

TO: Interested Persons

FROM: Natalie Mullis, Fiscal Director, (303) 866-4778

SUBJECT: State Employee Payroll Schedule

Summary

This memorandum addresses questions around recent announcements and consideration of changes to the state employee payroll schedule. Legislative Council Staff has received inquiries regarding the timing and amount of state employee payroll during the months of July and August 2018 as a result of a March 8, 2018 email from the Department of Personnel and Administration (DPA) to Executive Branch employees. The email announces a transition in July 2018 from monthly to biweekly lag pay.

This memorandum also addresses other uncertainties that have been raised through the legislative process. During their deliberations on the FY 2018-19 budget package, the Joint Budget Committee (JBC) discussed legislation brought by the DPA to codify a biweekly pay schedule. Uncertainties about the method of accounting for the biweekly schedule's implications for the payday shift and a proposed payroll loan program were discussed on the record and within JBC Staff memoranda.

Contents

Current law was put into effect following the passage of House Bill 15-1392, which was brought to the General Assembly at the request of the Executive Branch. It requires most state employees to transition from monthly pay to twice-monthly pay as soon as the DPA determines that the new information technology human resources system currently being built to implement the new payroll schedule, HRWorks, is ready.

The current law twice-monthly schedule requires 24 pay periods each year that split each month in half, with one payday on or near the 15th of the month and the second payday landing on the last working day of the month. Biweekly pay requires 26 pay periods each year, with a payday landing on every other Friday. The transition to either schedule includes a one-time delay in pay for state employees, because both require a two-week gap between the end of a pay period and its payday, whereas the current monthly schedule does not include any gap.

House Bill 15-1392 did not alter other statutes requiring monthly pay to continue for certain categories of employees and elected officials, including legislators and the Office of Legislative Legal Services (OLLS). The DPA has stated that they plan to implement biweekly pay for all elected officials and employees and that they have statutory authority to do so because these statutes conflict with House Bill 15-1392.

According to the DPA, biweekly pay improves accuracy and efficiency in payroll administration by reducing manual accounting processes because it allows pay periods to be defined by work weeks. Breaking a week requires additional manual calculations to ensure the proper payment of overtime, shift differential pay, and other timesheet adjustments. Biweekly pay is not required by federal law for a state agency to receive federal grants. The DPA, however, has stated that the accounting efficiencies created by the biweekly schedule will make compliance easier to achieve. Because the Legislative Branch does not pay overtime nor manage federal grants, the advantages of biweekly pay raised by the DPA are not affected by the current law requirement that legislators and the OLLS continue to be paid on a monthly basis.

About 8 percent of state employees are already paid biweekly and will, therefore, be unaffected by the transition. Assuming biweekly pay is implemented, employees currently paid monthly will need to adjust their household budgets to a different schedule and will experience a one-time pay delay during the month of July 2018. The Office of State Planning and Budgeting (OSPB) and the Office of the State Controller plan to provide interest free loans to affected employees to mitigate the gap in pay. Employees would repay the loans with deductions from each paycheck over three years. The DPA has stated that it can use treasury funds without an appropriation to finance the loans, although their statutory authority to do so is unclear.

Because the biweekly schedule does not fit neatly within each fiscal year, there are potential implications for the payday shift. In addition, employees have expressed concerns about how deductions from pay will be handled. The DPA has indicated that the state will pay for employees' deductions for health, life, and dental benefits for the month of July out of the Group Benefits Plan Reserve Fund.[1] After July, health and dental benefit contributions will be deducted from 24 out of 26 paychecks each year. PERA deductions will be applied to all 26 paychecks.

[1]The Group Benefit Plan Reserve Fund is created in §24-50-613, C.R.S. and is also known as the Employee Benefits Plan Fund.

Current Law

Current law was put into effect following the passage of House Bill 15-1392, which was brought to the legislature at the request of the executive branch. It requires most state employees to transition from monthly pay to twice-monthly pay, lagged by two weeks, as soon as the DPA determines that the new information technology human resources system currently being built to implement the new payroll schedule, HRWorks, is ready.

Because HRWorks is still under development, most state employees, including legislators and full-time permanent legislative staff, are currently paid on the last working day of each month. According to the DPA, about 8 percent of state employees are currently paid biweekly. During the legislative session, about one-third of Legislative Branch employees are paid biweekly. Positions paid biweekly in the Legislative Branch are seasonal and/or part-time, and include aides, sergeants, summer tour guides, and interns in the State Auditor's Office.

House Bill 15-1392 did not alter statutes requiring monthly pay for legislators, the OLLS, the Divisions of Labor Standards and Statistics and Workers Compensation in the Department of Labor and Employment (CDLE), justices and judges in the Judicial Branch, elected state officials, appointed state officials, and the Water Conservation Board. Statutory references for each category are shown at right in the breakout box.

In 2016, the General Assembly passed Senate Bill 16-215, which allowed DPA to delay implementation of the twice-monthly payroll until a new human resources information technology application, HRWorks, was ready. The most recent contract with the developer of HRWorks includes a work plan for a twice-monthly implementation that would be ready by February 1, 2019. The DPA has indicated to state employees that the transition will occur earlier, in July 2018. It is unclear whether or not the contract provides for a monthly schedule for those categories of employees with specific statutory requirements for monthly pay.

Statutes Requiring Monthly Pay

Legislators	§ 2-2-307 (1)(a)(II)(b), C.R.S.
Office of Legislative Legal Services	§ 2-3-507 (2), C.R.S.
CDLE Division of Labor Standards and Statistics	§ 8-1-103 (2), C.R.S.
CDLE Division of Workers Compensation	§ 8-47-205, C.R.S.
Justices and Judges	§ 13-30-103 (2), C.R.S.
Elected State Officials *Governor, Lt. Governor, Attorney General, Secretary of State, State Treasurer*	§ 24-9-101 (1), C.R.S.
Appointed State Officials *Deputy Secretary of State, Deputy State Treasurer, Public Utilities Commission*	§ 24-9-102 (1), C.R.S.
Water Conservation Board	§ 37-60-112, C.R.S.

How will the transition affect pay? Figure 1 on page 5 shows pay schedules for a hypothetical employee with an annual overtime-exempt salary of $67,300 and estimated monthly take-home pay of $4,002.36 under current law. The figure shows pay periods and shaded paydays marked in blue circles, gold triangles, and grey rectangles for July, August, and September, respectively. Assuming a July transition, the left and middle columns show current law for monthly (denoted as "certain") and other employees, respectively.

Appendix A contains estimated detail for this hypothetical employee's pay stubs for the monthly, twice-monthly, and biweekly schedules, respectively, for the months of June through September. The hypothetical employee is assumed to be a single tax filer with no dependents (i.e., one tax allowance) who opts for Delta basic dental insurance and the Kaiser Permanente DHMO, works in the City and County of Denver, and has no other optional payroll deductions. Where applicable, the analysis assumes the employee takes the payroll loan on July 31 (see page 5), and nets the repayment cost from paychecks delivered thereafter.

DPA Implementation

The DPA sent an email to Executive Branch employees on March 8, 2018, announcing a plan to transition to biweekly pay in July 2018. A copy of the content of the email, which was not sent to Legislative or Judicial Branch employees, is attached to this memorandum (see Attachment A). The email includes a hyperlink to a DPA website[2] that contains similar information. The schedule laid out in the email and on the website is shown in the far right column of Figure 1 and would include paydays for pay periods in June through August as follows:

- ***June.*** Employees would receive their regular monthly paycheck for June on July 2. This is consistent across all three schedules in the figure.
- ***July pay periods.*** Employees will receive a single paycheck in July on the 20th, consisting of pay for 5 working days. Employees will receive pay for July 7-20 on August 3 and will receive pay for the remainder of July and the first three days of August on August 17.
- ***August pay periods.*** Employees would receive paychecks for pay periods in August on August 31 and September 14.

Paychecks for biweekly pay periods are smaller than those for twice-monthly pay periods because, in most months, a two-week pay period is shorter than half of a month. Annual pay should theoretically be unaffected, however, because there are 26 biweekly pay periods per year, two more than provided by a twice-monthly pay schedule. The transition to lag pay will mean employees will experience a permanent shift equal to two weeks of pay into the future, thus reducing total pay in FY 2018-19 by two weeks. In FY 2019-20 and later, total pay may vary slightly from year-to-year depending on how pay periods are timed at the close of each fiscal year.

Who is affected? The DPA is implementing the biweekly schedule for all employees and elected officials, including legislators, regardless of the statutes listed on page 2 that exempt certain categories of employees. The DPA has stated to staff that they consider the statutes listed on page 2 to be in direct conflict with § 24-50-104 (8), C.R.S., which requires a twice-monthly schedule, and because § 24-50-104 (8), C.R.S. was enacted at a later date, § 24-50-104 (8), C.R.S. is the controlling statute.[3]

[2] https://www.colorado.gov/pacific/dpa/biweekly-lag-pay-implementation
[3] There may be varying legal opinions regarding whether § 24-50-104 (8), C.R.S., is the controlling statute in all circumstances.

Figure 1. Pay Schedules for a Hypothetical Employee

Estimated Paychecks for Hypothetical Employee with $4,002 in Monthly Take-Home Payl See Appendix A for Detail

Paydays for worked performed in July, August, and September are marked with blue circles, gold triangles, and grey squares, respectively.

Current Law for Certain Employees Monthly Schedule						Current Law for Most Employees Twice-monthly Schedule						DPA Implementation Biweekly Schedule for All Employees**					
M	T	W	R	F		M	T	W	R	F		M	T	W	R	F	
July																	
2	3	4	5	6	June: $4,002	2	3	4	5	6	June: $4,002	2	3	4	5	6	June: $4,002
9	10	11	12	13		9	10	11	12	13		9	10	11	12	13	
16	17	18	19	20		16	17	18	19	20		16	17	18	19	20	July 1-6 $1,028
23	24	25	26	27		23	24	25	26	27	July 1-15 $1,999, and	23	24	25	26	27	
30	31				July: $4,002	30	31				potential payroll loan, $2,003***	30	31				Potential payroll loan, $3,140*** payable for 3 years, no interest
August																	
		1	2	3				1	2	3				1	2	3	July 7-20 $1,803
6	7	8	9	10		6	7	8	9	10		6	7	8	9	10	
13	14	15	16	17		13	14	15	16	17	July 16-31 $1,973	13	14	15	16	17	July 21-Aug. 3 $1,803
20	21	22	23	24		20	21	22	23	24		20	21	22	23	24	
27	28	29	30	31	Aug: $4,002	27	28	29	30	31	Aug. 1-15 $1,973	27	28	29	30	31	Aug. 4-17 $1,852
September																	
3	4	5	6	7		3	4	5	6	7		3	4	5	6	7	
10	11	12	13	14		10	11	12	13	14	Aug. 16-31 $1,973	10	11	12	13	14	Aug 18-31 $1,803
17	18	19	20	21		17	18	19	20	21		17	18	19	20	21	
24	25	26	27	28	Sept: $4,002	24	25	26	27	28	Sept. 1-15 $1,973	24	25	26	27	28	Sept. 1-14 $1,803

*Dollar figures presume a $4,002 monthly take-home pay net of monthly deductions under current law for taxes, PERA, and other benefits.
**Although each biweekly paycheck is smaller, there are two more paychecks per year. The annual salary base is unchanged.
***The employee is assumed to take the loan. Monthly deductions of $25.69 and $40.26 are assumed for paychecks after July 31.

Payroll loan program. The DPA has proposed a payroll loan program that would allow employees to borrow money on July 31 interest free for up to 17 days (out of 23 working days in July) of pay to mitigate the delay in pay created by the transition to a lagged schedule. The current law twice-monthly analysis shown in Figure 1 assumes that the hypothetical employee described therein would be offered a loan of up to $2,003.63, or the difference between the amount the employee would have received had he or she received a monthly paycheck for July and the amount of take-home pay actually received absent the loan in July. Assuming biweekly pay, the employee would be offered a loan of up to $3,140.31.[4] Employees would repay the loan in deductions from their paychecks for three years. There is no penalty for early payment.

Estimates in Figure 1 and Appendix A assume the employee would opt to take out the loan; therefore August and September paychecks are net of a deduction to repay the loan. The deduction is estimated at $25.69 per pay period (or 1.3 percent of take-home pay) for the current law twice-monthly schedule, and $40.26 per pay period (or 2.2 percent of take-home pay) for the biweekly schedule.

A memorandum[5] published by JBC Staff on March 20, 2018, included estimates for the fiscal impact of the payroll loan program. Assuming biweekly implementation, approximately $88.4 million in state employee wages across state agencies could potentially be loaned out to state employees. Assuming 50 percent of employees choose to take a loan and that net pay for all employees is equal to 75 percent of gross pay, the DPA would have a one-time cost of $44.2 million to fund employee loans in FY 2018-19. Actual costs for the loan program will vary depending on employee participation.

The cost of the payroll loan program is lower under the current law twice-monthly schedule, since the amount of loans to individual employees is smaller. The loans are assumed to be smaller because the twice-monthly schedule would pay employees for two weeks instead of just six days before the end of July. According to the JBC Staff, approximately $54.8 million in state employee wages across state agencies could potentially be loaned out to state employees. Assuming 50 percent participation and that net pay is equal to 75 percent of gross pay, the DPA would have a one-time cost of $27.4 million in FY 2018-19, which is $16.8 million lower than the equivalent estimate for biweekly pay.

The FY 2018-19 budget package does not include an appropriation or a set aside for the loan program. However, it is not clear whether or not the Office of the State Controller has the authority under current law to make loans out of the treasury for this purpose. The DPA has stated that it does not require an appropriation for the program, because it would simply record employee loans and repayments as a balance sheet transaction within the treasury. During deliberations on the FY 2018-19 budget package, the JBC chose not to set aside $27.4 million General Fund for the program. Absent direction from legislation, a fiscal note would assume that General Fund would be required for the program.

Advantages of biweekly lag pay. According to the State Controller, because biweekly pay allows pay periods to be defined by work weeks, it improves accuracy and efficiency in payroll administration

[4]$3,140.31 = ($4,002.36*12)*(17/260). This is the estimated amount of take-home pay for 17 days; with 260 working days per year.
[5]Budget issues related to the payroll loan program are discussed in greater detail in pages 2 through 5 of a JBC Staff memorandum published on March 20, 2018 here: http://leg.colorado.gov/sites/default/files/jbc_staff_figure_setting_cb5_030-20-18.pdf

by reducing manual accounting processes. Breaking a week requires additional manual calculations to ensure the proper payment of overtime and other corrections to employee timesheets. In February 2018, payments to approximately 25.8 percent of employees included overtime adjustments. In addition, the DPA has stated to staff that the accounting efficiencies created by the biweekly schedule will make compliance under federal law for managing federal grants easier to achieve. Biweekly pay, however, is not required by federal law for a state agency to receive federal grants. The Legislative Branch, which includes two categories of employees required by current law to be paid monthly (see the breakout box on page 3), does not pay overtime or administer federal grants.

Benefit and PERA deductions. The DPA sent an email to state agency controllers on March 22, 2018, providing guidance on how the DPA plans to handle deductions for PERA and benefits during the transition to biweekly pay. A copy of the content of the email is attached to this memorandum (see Attachment B). In particular, the DPA plans to pay for employees' deductions for health and dental benefits for the month of July out of the Group Benefit Plans Reserve Fund. The email did not specify whether employees who are currently paid biweekly would also be eligible for this benefit holiday. In addition, the FY 2018-19 budget package does not include an appropriation for the benefit holiday.

After July, health and dental benefits will be deducted from 24 out of 26 paychecks each year. During each of the two months during the year in which employees receive three paychecks, benefits would not be deducted from the third paycheck. PERA deductions will be applied to all 26 paychecks. While the email does not specifically address other deductions, it is presumed that deductions for taxes would also be applied to all 26 paychecks, along with payments on the July 2018 payroll loan, if applicable. These assumptions were incorporated into the estimates in Figure 1 and Appendix A.

Implications for the payday shift. The DPA has stated that its intention is that the transition to biweekly pay will not affect the payday shift relative to a twice-monthly schedule. The current law monthly and twice-monthly schedules both shift a month of payroll by moving a June payday into the next fiscal year, such that shifted pay is received by employees during the year it is appropriated. The DPA has proposed shifting four weeks of pay, or pay for the first two biweekly paydays in June, into the next fiscal year with an accounting journal entry. This would allow employees to receive their paychecks in June even though the state is making the appropriation for the expenditures in the following fiscal year. In 2019, this would shift pay for work performed between May 11 and June 7, 2019 from the FY 2018-19 budget to the FY 2019-20 budget. Pay for work performed in June after the 7th would continue to be accounted for in the budget for FY 2018-19. Accomplishing the payday shift using an accounting journal entry requires the General Assembly to delegate control of the payday shift to the Executive Branch.[6]

[6]Issues related to the payday shift are discussed in greater detail on pages 7 and 8 of a JBC staff memorandum published on March 20, 2018, here: http://leg.colorado.gov/sites/default/files/jbc_staff_figure_setting_cb5_03-20-18.pdf

Human Resource Information System (HRWorks)

HRWorks was commissioned by the DPA, the Office of State Planning and Budgeting, and the Governor's Office of Information Technology to implement the shift to twice-monthly pay required by House Bill 15-1392. The HRWorks website[7] indicates that the objectives of the system include "accurate and timely paychecks," to "reduce time spent on monthly payroll administration," and to "convert all state employees to a twice-monthly payroll in 2019." The most recent contract appears to implement a twice-monthly schedule, as required by current law, with a go live date of February 1, 2019. However, communications from DPA indicate that they expect the system to go live with a biweekly schedule (rather than twice-monthly) in time for a transition in July.

Funding. A history of appropriations to fund HRWorks is shown in Table 1. Including an appropriation in House Bill 18-1322, the FY 2018-19 Long Bill, the total project cost of HRWorks to date is $41,591,590. The Governor's Office of Information Technology received an appropriation of $16,070,000 from the Capital Construction Fund (CCF) for the Statewide Leave, Time Tracking, and Human Resources Management Systems Modernization project in FY 2014-15 through the 2014 Long Bill, House Bill 14-1336. In 2015, the scope of the project was expanded and the project title was changed to Human Resource Information System (HRWorks) through Senate Bill 15-165. At that time, the project received an additional $15,218,801 from the CCF for FY 2014-15.

During the 2018 legislative session, House Bill 18-1170 appropriated an additional $2,888,529 from the CCF in FY 2017-18 for additional work associated with changing vendors for the time and leave tracking component of the project. Finally, the introduced version of the 2018 Long Bill, House Bill 18-1322, contains a FY 2018-19 appropriation of $7,414,260 from the CCF to complete the project.

Table 1
Appropriations to the Governor's Office of Information Technology for HRWorks

Fiscal Year	Legislation	Appropriation	Note
FY 2014-15	HB 14-1336	$16,070,000 CCF	Statewide Leave, Time Tracking, and Human Resources Modernization Project
FY 2014-15	SB 15-165	$15,218,801 CCF	Scope expanded; title changed to Human Resource Information System (HRWorks)
FY 2017-18	HB 18-1170	$2,888,529 CCF	Costs associated with changing vendors for the time and leave tracking component.
FY 2018-19	HB 18-1322	$7,414,260 CCF	Pending; FY 2018-19 Long Bill
	Total	$41,591,590 CCF	

"CCF" denotes an appropriation from the Capital Construction Fund.

[7]https://sites.google.com/a/state.co.us/hrworks/about

Appendix A: Estimated Pay Stubs for Hypothetical Employee

Assumes $67,300 Annual Overtime-Exempt Salary, Single Tax Filer with No Dependents (1 Allowance), Denver Job Location; Basic Delta Dental Insurance, Kaiser DHMO Coverage, and No Voluntary Deductions

Monthly Pay

Pay Period	**June**	**July**	**August**	**Sept.**
Pay Day	*July 2*	*July 31*	*Aug. 31*	*Sept. 28*
Gross Pay	**$5,608.33**	**$5,608.33**	**$5,608.33**	**$5,608.33**
***Less* Pre-Tax Deductions**				
Health	89.20	89.20	89.20	89.20
Dental	4.28	4.28	4.28	4.28
PERA*	448.67	448.67	448.67	448.67
***Less* Tax Withholdings**				
Federal**	751.62	751.62	751.62	751.62
State***	233.00	233.00	233.00	233.00
Medicare	73.46	73.46	73.46	73.46
Local Tax	5.75	5.75	5.75	5.75
Take-Home	**$4,002.36**	**$4,002.36**	**$4,002.36**	**$4,002.36**

Twice-Monthly Lag Pay

Pay Period	**June**	**July 1-15**	**LOAN**	**Jul. 16-31**	**Aug. 1-15**	**Aug.16-31**	**Sept.1-15**
Pay Day	*July 2*	*July 31*	*July 31*	*Aug. 15*	*Aug. 31*	*Sept. 14*	*Sept. 28*
Gross Pay	**$5,608.33**	**$2,804.17**		**$2,804.17**	**$2,804.17**	**$2,804.17**	**$2,804.17**
***Less* Pre-Tax Deductions**							
Health	89.20	44.60		44.60	44.60	44.60	44.60
Dental	4.28	2.14		2.14	2.14	2.14	2.14
PERA*	448.67	224.33		224.33	224.33	224.33	224.33
***Less* Tax Withholdings**							
Federal**	751.62	375.76		375.76	375.76	375.76	375.76
State***	233.00	119.00		119.00	119.00	119.00	119.00
Medicare	73.46	36.73		36.73	36.73	36.73	36.73
Local Tax	5.75	2.88		2.88	2.88	2.88	2.88
***Plus* Loan**			$2,003.63	($25.69)	($25.69)	($25.69)	($25.69)
Take-Home	**$4,002.36**	**$1,998.72**	**$2,003.63**	**$1,973.04**	**$1,973.04**	**$1,973.04**	**$1,973.04**

Biweekly Lag Pay

Pay Period	**June**	**July 1-6**	**LOAN**	**July 7-20**	**July 21 – August 3**	**Aug. 4-17**	**Aug18-31**	**Sept.1-14**
Pay Day	*July 2*	*July 20*	*July 31*	*Aug. 3*	*Aug. 17*	*Aug, 31*	*Sept. 14*	*Sept. 28*
Gross Pay	**$5,608.33**	**$1,294.23**		**$2,588.46**	**$2,588.46**	**$2,588.46**	**$2,588.46**	**$2,588.46**
***Less* Pre-Tax Deductions**								
Health	89.20	****		44.60	44.60	****	44.60	44.60
Dental	4.28	****		2.14	2.14	****	2.14	2.14
PERA*	448.67	103.54		207.08	207.08	207.08	207.08	207.08
***Less* Tax Withholdings**								
Federal**	751.62	92.00		346.87	346.87	346.87	346.87	346.87
State***	233.00	48.00		108.00	108.00	108.00	108.00	108.00
Medicare	73.46	17.27		33.85	33.85	33.85	33.85	33.85
Local Tax	5.75	5.75		2.88	2.88	***	2.88	2.88
***Plus* Loan**			$3140.31	($40.26)	($40.26)	($40.26)	($40.26)	($40.26)
Take-Home	**$4,002.36**	**$1,027.68**	**$3140.31**	**$1,802.79**	**$1,802.79**	**$1,851.72**	**$1,802.79**	**$1,802.79**

**Assumes the current law employee contribution for most divisions of 8 percent (state troopers contribute 10 percent).*
***Source: https://www.irs.gov/pub/irs-pdf/p15.pdf*
****Source: https://www.colorado.gov/pacific/sites/default/files/DR1098.pdf*
*****Assumes the benefit holiday proposed by the DPA for the July 1-6 pay period and the DPA's proposal to deduct premiums for dental and health care insurance from the first two paychecks, but not the third paycheck, within each month. This analysis also assumes that the local tax is deducted from the first two paychecks, but not the third, within each month.*

Attachment A: March 8, 2018 Email from the Department of Personnel and Administration to Executive Branch Employees

State of Colorado Employees,

The State anticipates moving all employees to biweekly lag pay in July 2018. You will be paid every two weeks and will receive your check two weeks after the end of the pay period. With lag pay, you will complete your timesheets for a two-week pay period. The information will be used to pay you and allocate your labor costs. This is consistent with best practice, simplifies the payroll process, and enables the State to continue to comply with federal timekeeping reporting requirements.

What does this mean for me?

You will continue to earn the same amount. The payment of your annual salary will be done over 26 pay periods rather than the 12 pay periods currently. During the month of July, the transition to lag pay will cause a delay in your pay. (Employees who are currently paid biweekly will be unaffected.) The pay schedule will be as follows:

July 2 - Employees paid for June
July 20 - Employees paid for July 1-6
August 3 - Employees paid for July 7-20
August 17 - Employees paid for July 21 - August 3
August 31 - Employees paid for August 4 - 17

The Department of Personnel & Administration (DPA) will provide employees with tools, calculators, and resources to assist with the move to biweekly pay. DPA will regularly update a biweekly pay website with information to help you.

What should I do to prepare?

You may need to adjust your personal budgeting to fit the new biweekly pay cycle (every other Friday). You can start by reviewing your monthly bills and expenses to determine if changes need to be made. Special attention should be directed at both automatic bill payments and deductions from your paycheck.

Be sure to read all communications you receive about the change to biweekly pay. Also, review all of the biweekly pay website, including FAQs.

To assist with this transition, the State will offer employees loans in July. The State Controller will work with each department and the Office of State Planning and Budgeting to determine the amount of the loan for each employee.

Why is the State making this change?

The State is moving to lag pay because it improves accuracy of employee pay and reduces manual accounting processes, and as a result, allows the State to file more timely financial statements. This also creates the opportunity for employees to receive overtime and shift differential compensation in the same period worked. Also, the shift to biweekly allows employees to receive more frequent paychecks - every other Friday.

The State needs to move to biweekly lag pay to coincide with the implementation of the State's HRWorks, an integrated system that will implement best practices and improve human resources and payroll functions. DPA is working closely with the State legislature and Governor's Office to ensure this transition will occur smoothly, including working on legislation to enact this change.

Please be on the lookout for more information. If you have questions, send them to dpa_biweeklypay@state.co.us.

Attachment B: March 22, 2018, Email from the Department of Personnel and Administration to State Agency Controllers

Date: 03/22/2018 03:50 PM
Subject: Biweekly Payroll Update

Colleagues,

Thank you for all you have done to support the State's transition to biweekly lag pay. Your positive voice and support are vital to ensure our employees understand and are prepared for the change. We want to give our employees time and resources to help them with the transition, but we have been timing the information we release to ensure it's accurate and useful.

Since sending out our initial all-employee message, much of the feedback we received has revolved around how deductions will work. Approximately 60% of the emails we received from employees ask about this important detail.

We have most of those details ready now. We wanted to provide this information to you before we send out another employee-wide communication next week.

- The State will implement a benefits holiday for July 2018. The State will pay the employees' deductions to health and dental benefits for that month. This cost will be paid for out of the Employee Benefits Plan Fund and not by departments. The benefits holiday will not apply to institutions of higher education.

- After July, health and dental benefits will be deducted from 24 of employees' 26 paychecks. During the two months employees receive three paychecks, health and dental deductions will come out of the first two paychecks of the month, but not the third. (Note: this is the original text sent to other groups; DPA knows that after the July benefits holiday, there will only be 24 more biweekly checks, 22 of which will have benefits deducted from them. The text was intended to address the general solution of benefits deductions).

- PERA deductions will be applied to all 26 paychecks.

We will be providing employees with a table that shows how deductions (e.g. parking, state tax, direct deposits) will be taken after the transition.

We hope the benefits holiday will be welcomed news to employees and will relieve some anxiety for those who had questions about July. We are currently scheduling information sessions with June Taylor across State agencies. We hope that your HR directors, payroll experts, and other principals will be able to attend to help answer questions and understand the concerns employees have.