

# Joint Budget Committee



## Staff Figure Setting FY 2025-26

## Statewide Compensation Policies

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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**How to Use this Document:** Compensation policies overview covers the basics of compensation policies. Sections 1 through 3 cover existing compensation policy line items including salary components, benefits components, and other non-salary/non-benefit components. Section 1 also contains details on the new statewide compensation step pay plan. Section 4 provides a summary table of all requested and recommended compensation component line items. Section 5 includes a policy decision item for appropriation assumptions for new FTE and targeted salary adjustments. Section 6 provides all requested and staff recommended components by department.

# Compensation Policies Overview

The Department of Personnel produces an annual total compensation report to compare the State's compensation to prevailing market rates. The General Assembly is not required to follow the recommendations of the report, but the report expresses the professional opinion of the Department regarding how compensation should be adjusted annually. Following issuance of the report, the Department of Personnel works with the Office of State Planning and Budgeting (OSPB) to build the total compensation request for the following year, and directs executive agencies to apply consistent policies in their budget requests.

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

Compensation common policies generally apply to a subset of all compensation that excludes higher education institutions. A large portion of positions at the higher education institutions are exempt from the constitutionally created State Personnel System, and so the compensation for those positions is not bound by the same job classes and pay ranges. Nevertheless, there are still a significant number of positions at the higher education institutions that are part of the State Personnel System. So, while the common policies are not developed to apply to the higher education institutions, it is important to consider that the common policy decisions will impact expenditures by the higher education institutions.

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

# (1) Salary

## Base Salary

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

|  |
|--|
| <b>Prior year Long Bill</b>  |
| +/- Any other prior year appropriation bills   |
| +/- Supplemental bills recommended by the JBC in the current session                                 |
| <b>= Current year appropriation</b>  |
| +/- Annualizations of prior year legislation that were delineated in a fiscal note                   |
| +/- Annualizations of prior year budget decisions funded in the Long Bill                            |
| +/- The line item's share of any prior year salary increases provided in a centralized appropriation |
| +/- Technical adjustments, such as fund source adjustments   |
| - Base personal services reduction, if applicable  |
| <b>= Continuation funding</b>  |
| +/- Staff recommendations on department change requests  |
| +/- Other staff recommended adjustments  |
| <b>= Staff recommendation</b>  |

## Decision Items – Base Salary

### → CALCULATION OF BASE SALARY

#### Request

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

#### Recommendation

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

### → BASE SALARY ESTIMATE

## Request

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

## Recommendation

The following table includes the estimated salary base. **Staff recommends reflecting the following amounts included in the compensation templates as the estimated salary base.**

| Estimated Salary Base (incl. PERA and FICA) - Request and Recommendation |                 |                 |               |                 |               |
|--|-----------------|-----------------|---------------|-----------------|---------------|
| Item   | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2024-25 Appropriation   |                 |                 |               |                 |               |
| Base Salary  | \$2,494,634,429 | \$1,358,470,277 | \$586,297,877 | \$267,440,938   | \$282,425,337 |
| PERA   | 296,730,123     | 162,804,147     | 69,768,703    | 31,297,280      | 32,859,993    |
| Medicare (FICA)  | 36,172,562      | 19,698,118      | 8,501,356     | 3,877,904       | 4,095,184     |
| Subtotal - Estimated Salary Base   | \$2,827,537,114 | \$1,540,972,542 | \$664,567,936 | \$302,616,122   | \$319,380,514 |
| FY 2025-26 Request and Recommendation                                    |                 |                 |               |                 |               |
| Base Salary  | \$2,746,701,428 | \$1,501,504,911 | \$658,975,457 | \$290,432,958   | \$295,788,102 |
| PERA   | 327,381,434     | 180,427,129     | 78,371,426    | 34,071,031      | 34,511,848    |
| Medicare (FICA)  | 39,827,229      | 21,771,868      | 9,555,151     | 4,211,278       | 4,288,932     |
| Subtotal - Estimated Salary Base   | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| Increase/-Decrease   | \$286,372,976   | \$162,731,365   | \$82,334,098  | \$26,099,145    | \$15,208,368  |
| Percent Change   | 10.1%           | 10.6%           | 12.4%         | 8.6%            | 4.8%          |

## Statewide Salary Increases

Statewide salary increases are comprised of five primary salary survey components:

- step pay plan increases and other increases related to the step pay plan;
- across-the-board increases;
- targeted or across-the-board occupational class salary range adjustments;
- movement-to-minimum or movement-to-position adjustments for salary range adjustments; and
- minimum wage adjustments.

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

- System maintenance study targeted salary range adjustments for the Department of Labor and Employment;
- A 2.5 percent across-the-board (ATB) salary survey increase for all state employees, including State Patrol Trooper classes, including base building up to the range maximum;
- Non-base building increases for incentive pay in select agencies;
- A minimum wage adjustment to \$16.55; and
- Step pay plan estimates as well as estimates for increases related to the step pay plan.

➔ OFFICE OF THE STATE PUBLIC DEFENDER REQUESTED INCREASE

## Request

The Office of the State Public Defender is requesting a total salary base increase of 5.7 percent for FY 2025-26. This results in a request for a salary survey increase of \$7,625,588 General Fund, with a step pay increase accounting for \$4,388,977 of the total.

## Analysis

### OSPD Request

For FY 2025-26, the overall step increase for employees in the Executive Branch is 3.1 percent. This includes the 2.5 percent across-the-board increase and then a 0.6 percent average step increase on top of that. These numbers will be explained in greater detail below.

The Judicial Branch, being a separate branch of government, is not bound by either the COWINS Partnership Agreement nor the process that DPA requires of Executive Branch agencies. While this is true, the Judicial Branch has generally followed the compensation philosophies of the Executive Branch and modified them to fit their needs. This inevitably leads to differences in how compensation is requested in the Judicial Branch. These differences are compounded because the Judicial Branch is made up of multiple independent agencies that all have control over their own compensation philosophy.

For the current request, most agencies within the Judicial Branch have hovered around the 3.1 percent increase mark set by DPA and executive branch agencies. However, the Office of the State Public Defender (OSPD) is requesting a 5.7 percent increase overall.

The reason for this is because instead of asking for a 0.6 percent step increase on top of the 2.5 percent across-the-board increase, OSPD has asked for a 3.5 percent step increase.

OSPD has cited its own compensation policy statement from its November 1 budget request as the reason for requesting a 3.5 percent step increase. That compensation plan is included here with the relevant line highlighted.

## Compensation Plan

The Office of the State Public Defender implemented its Step and Grade compensation system on July 1, 2023, as a result of its work with Logic Compensation Group. The OSPD's compensation philosophy is centered on recognizing longevity and commitment to our mission. To this end, the steps are designed to provide annual increases within each grade for the first 20 years of an employee's career. The steps within grades include retention increases in the years where OSPD has historically experienced high turnover. The plan also recognizes the importance of providing employees progression within job classifications along with equitable pay for the work being performed and it structures pay grades accordingly.

OSPD estimates the cost of maintaining the structure for FY26 at 3.5% as outlined in the chart below. In accordance with statewide common policy practice, OSPD incorporated this 3.5% compensation request in the POTS template.

| <b>Step &amp; Grade Adjustments</b> |             |                      |                      |                       |                        |
|-------------------------------------|-------------|----------------------|----------------------|-----------------------|------------------------|
| Job Series                          | FTE         | FY25 Amount          | FY26 Amount          | FY25 to FY26 Increase | Avg % increase per FTE |
| Administrative                      | 167         | \$9,732,616          | \$10,044,564         | \$311,947             | 3.5%                   |
| Paralegals                          | 123         | \$7,670,389          | \$7,939,411          | \$269,022             | 3.6%                   |
| Social Workers                      | 33          | \$2,577,403          | \$2,668,006          | \$90,603              | 3.4%                   |
| Investigators                       | 182         | \$17,210,583         | \$17,673,802         | \$463,219             | 2.9%                   |
| Attorneys                           | 623         | \$68,209,928         | \$70,698,389         | \$2,488,461           | 3.9%                   |
| Central Admin.                      | 79          | \$9,171,772          | \$9,338,491          | \$166,720             | 1.8%                   |
| <b>Total</b>                        | <b>1206</b> | <b>\$114,572,691</b> | <b>\$118,362,663</b> | <b>\$3,789,972</b>    | <b>3.5%</b>            |

Retention of experienced employees has increased with the enactment of Step and Grade over the past year. Even with the increase, OSPD currently has only 43% of its employees with over five years of service, significantly under the 70% performance measure as shown in our Annual Performance Report. Furthermore, 59% of OSPD attorneys are early in their career and thus eligible for grade level adjustments in the next few years. Our goal is to continue to retain employees, which will help distribute these adjustments in the years to come and level out future requests.

Staff understands that OSPD has had significant retention issues in recent years, and indeed a majority of its workforce has worked there for fewer than five years. Staff supports OSPD's desire to increase salaries annually by 3.5 percent on average.

### How does the rest of the state apply increases?

In the whole of the Executive Branch, and in all other agencies in the Judicial Branch, any across-the-board increase is applied to an employee's current salary first. Then, if that employee's salary is still below the required salary for their step, an amount necessary for their

salary to match the minimum of the step is applied. If the across-the-board adjustment increases their salary above the minimum required by their step, then they receive no step increase.

In OSPD’s request, however, they have applied the 2.5 percent across-the-board increase, and then applied a 3.5 percent step adjustment, bringing the total increase to 5.7 percent. If OSPD were following the methodology of the Executive Branch and other Judicial agencies, the 2.5 percent increase would “contribute toward” the total 3.5 percent increase. As it has been requested, however, they are applying both increases up to the maximum of an employees pay range.

While it may be true that OSPD needs a 5.7 percent increase, staff would not be able to judge that objectively without having much more comprehensive knowledge of OSPD’s budget and staffing situation. Because of staff’s limitations, it is essential for staff to rely on methodological consistency when thinking about compensation policy across agencies and across branches.

In that light, staff recommends a step increase of 1.25 percent for OSPD. This would be applied on top of the 2.5 percent across-the-board increase that all state employees would receive if approved. Applying a 1.25 percent step increase brings the total percentage increase for employee salaries in OSPD to 3.5 percent – the number cited as necessary to retain employees and maintain the Office’s step structure. Adjusting OSPD’s compensation in this way will result in a \$3,154,996 General Fund savings compared to what was requested. For context, this decrease would be a roughly 2.0 percent decrease from the total requested compensation budget for OSPD.

| OSPD Request vs Recommendation |               |                |             |
|--------------------------------|---------------|----------------|-------------|
| Compensation Item              | Request       | Recommendation | Difference  |
| Current Total Base Salary      | \$127,990,920 | \$127,990,920  |             |
| Across-the-Board Total Request | 3,236,611     | 3,171,676      | 64,935      |
| Step Pay Total Request         | 4,388,977     | 1,567,492      | 2,821,485   |
| ULAED                          | 11,995,092    | 11,739,792     | 255,300     |
| STD                            | 83,966        | 82,179         | 1,787       |
| PFMLI                          | 539,779       | 528,291        | 11,488      |
| Total Difference               |               |                | \$3,154,995 |

## Recommendation

**Staff recommends funding a 1.25 percent step pay increase for the Office of the Public Defender instead of the requested 3.5 percent step pay increase.**

➔ STATEWIDE R-03 ELIMINATE STATE EMPLOYEE RESERVE FUND

## Request

The Department of Personnel has requested that the JBC sponsor legislation to transfer the balance of the State Employee Reserve Fund (SERF) to the General Fund and eliminate the SERF. The fund balance that would be transferred is \$12,912,688.



## Analysis

The State Employee Reserve Fund (SERF) was created alongside merit pay in Section 24-50-104 (1)(j)(II), C.R.S. to capture General Fund reversions from personal services lines to help pay for the merit pay system. Merit pay was never fully implemented, and the money in the SERF was never used to pay for merit pay, but General Fund from personal services lines still reverts to the SERF.

Eliminating this fund will simply allow future General Fund reversions from personal services lines to revert back to the General Fund directly instead of reverting to the SERF and then periodically being transferred back to the General Fund from the SERF.

The General Assembly has transferred the funds in the SERF back to the General Fund on:

- July 1, 2017;
- July 1, 2019;
- June 30, 2020;
- July 1, 2023; and
- June 30, 2024.

One final transfer and repeal of the SERF would transfer an estimated \$12,912,688 back to the General Fund to be used for other priorities in FY 2025-26.

## Recommendation

**Staff recommends approval of the request for the JBC to sponsor legislation to transfer the remaining balance of the SERF as of June 30, 2025 and repeal the SERF.**

### ➔ BUDGET REDUCTION OPTION: SALARY BASE REDUCTION

In staff's budget briefing document for total compensation, staff presented the Committee with a budget reduction option that consists of a one-time reduction to total compensation across all departments in the state. Information from that briefing issue is presented below with updated methodology and numbers based on the January 2 budget amendment submission.

Staff is not formally recommending any specific level of reduction, but staff believes that the Committee should have a sense of how much General Fund savings could be achieved for each percentage reduction to base salary. Any reduction would be a one-time savings.

The reductions outlined in the tables below impact base continuation salaries only. In staff's briefing document, staff included reductions to total compensation amounts, but in this document, staff is including only base salary amounts. The reason for this methodological change is that employee benefit amounts, which are calculated on base salary amounts, are estimated for the next fiscal year – they are not exact numbers and should not be used when calculating reductions. Base salary is a more reliable amount to base a reduction on because it is calculated based on an agencies total FTE. All employee benefit amounts are estimated based on that and then added to that amount to get a total compensation amount.

| 1.0 Percent Salary Base Reduction |                    |                    |                   |                   |                   |
|-----------------------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| Department                        | Total Funds        | General Fund       | Cash Funds        | Reapprop. Funds   | Federal Funds     |
| Agriculture                       | -332,774           | -109,447           | -198,658          | 0                 | -24,669           |
| Corrections                       | -4,684,359         | -4,622,245         | -62,115           | 0                 | 0                 |
| Early Childhood                   | -269,268           | -116,662           | -52,666           | -28,214           | -71,727           |
| Education                         | -686,165           | -278,974           | -101,696          | -73,015           | -232,479          |
| Governor's Office                 | -1,732,972         | -196,959           | -123,643          | -1,320,381        | -91,990           |
| Health Care Policy and Financing  | -919,851           | -372,429           | -66,708           | 0                 | -480,714          |
| Higher Education                  | -223,565           | -73,704            | -118,445          | 0                 | -31,416           |
| Human Services                    | -4,035,861         | -2,587,350         | -202,156          | -525,550          | -720,805          |
| Judicial                          | -5,564,672         | -5,243,419         | -313,228          | -8,025            | 0                 |
| Labor and Employment              | -1,565,857         | -135,118           | -783,586          | -9,661            | -637,492          |
| Law                               | -903,419           | -219,605           | -126,064          | -535,986          | -21,764           |
| Legislature                       | -494,772           | -494,772           | 0                 | 0                 | 0                 |
| Local affairs                     | -211,558           | -101,498           | -36,305           | -37,479           | -36,276           |
| Military and Veterans Affairs     | -158,807           | -64,354            | -3,060            | 0                 | -91,394           |
| Natural Resources                 | -1,891,317         | -258,278           | -1,536,260        | -61,884           | -34,895           |
| Personnel                         | -416,331           | -190,167           | -12,265           | -213,898          | 0                 |
| Public Health and Environment     | -2,217,843         | -426,447           | -765,311          | -197,388          | -828,697          |
| Public Safety                     | -2,394,307         | -847,465           | -1,300,444        | -218,193          | -28,205           |
| Regulatory Agencies               | -624,349           | -14,903            | -544,382          | -51,697           | -13,367           |
| Revenue                           | -1,413,283         | -645,834           | -761,667          | -5,782            | 0                 |
| State                             | -169,198           | 0                  | -169,198          | 0                 | 0                 |
| Transportation                    | -171,388           | 0                  | -171,388          | 0                 | 0                 |
| Treasury                          | -57,184            | -37,409            | -19,775           | 0                 | 0                 |
| <b>Total</b>                      | <b>-31,139,101</b> | <b>-17,037,039</b> | <b>-7,469,020</b> | <b>-3,287,153</b> | <b>-3,345,889</b> |

| 2.0 Percent Salary Base Reduction |             |              |            |                 |               |
|-----------------------------------|-------------|--------------|------------|-----------------|---------------|
| Department                        | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds |
| Agriculture                       | -665,547    | -218,894     | -397,316   | 0               | -49,338       |
| Corrections                       | -9,368,718  | -9,244,489   | -124,229   | 0               | 0             |
| Early Childhood                   | -538,536    | -233,324     | -105,331   | -56,427         | -143,454      |
| Education                         | -1,372,329  | -557,948     | -203,393   | -146,030        | -464,959      |
| Governor's Office                 | -3,465,945  | -393,917     | -247,285   | -2,640,762      | -183,980      |
| Health Care Policy and Financing  | -1,839,702  | -744,858     | -133,415   | 0               | -961,428      |
| Higher Education                  | -447,130    | -147,408     | -236,889   | 0               | -62,832       |
| Human Services                    | -8,071,721  | -5,174,700   | -404,313   | -1,051,100      | -1,441,609    |
| Judicial                          | -11,129,345 | -10,486,838  | -626,457   | -16,050         | 0             |
| Labor and Employment              | -3,131,715  | -270,236     | -1,567,173 | -19,323         | -1,274,984    |
| Law                               | -1,806,838  | -439,211     | -252,129   | -1,071,972      | -43,527       |
| Legislature                       | -989,545    | -989,545     | 0          | 0               | 0             |
| Local affairs                     | -423,117    | -202,997     | -72,610    | -74,959         | -72,551       |
| Military and Veterans Affairs     | -317,615    | -128,707     | -6,120     | 0               | -182,787      |
| Natural Resources                 | -3,782,635  | -516,557     | -3,072,521 | -123,768        | -69,790       |
| Personnel                         | -832,662    | -380,335     | -24,530    | -427,797        | 0             |
| Public Health and Environment     | -4,435,686  | -852,894     | -1,530,622 | -394,776        | -1,657,394    |
| Public Safety                     | -4,788,614  | -1,694,930   | -2,600,888 | -436,386        | -56,410       |
| Regulatory Agencies               | -1,248,699  | -29,807      | -1,088,764 | -103,393        | -26,735       |

| 2.0 Percent Salary Base Reduction |                    |                    |                    |                   |                   |
|-----------------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| Department                        | Total Funds        | General Fund       | Cash Funds         | Reapprop. Funds   | Federal Funds     |
| Revenue                           | -2,826,565         | -1,291,668         | -1,523,334         | -11,564           | 0                 |
| State                             | -338,396           | 0                  | -338,396           | 0                 | 0                 |
| Transportation                    | -342,777           | 0                  | -342,777           | 0                 | 0                 |
| Treasury                          | -114,367           | -74,818            | -39,549            | 0                 | 0                 |
| <b>Total</b>                      | <b>-62,278,202</b> | <b>-34,074,078</b> | <b>-14,938,041</b> | <b>-6,574,305</b> | <b>-6,691,778</b> |

| 5.0 Percent Salary Base Reduction |                     |                    |                    |                    |                    |
|-----------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| Item                              | Total Funds         | General Fund       | Cash Funds         | Reapprop. Funds    | Federal Funds      |
| Agriculture                       | -1,663,868          | -547,235           | -993,289           | 0                  | -123,344           |
| Corrections                       | -23,421,796         | -23,111,223        | -310,573           | 0                  | 0                  |
| Early Childhood                   | -1,346,341          | -583,310           | -263,328           | -141,068           | -358,635           |
| Education                         | -3,430,823          | -1,394,870         | -508,482           | -365,074           | -1,162,397         |
| Governor's Office                 | -8,664,862          | -984,793           | -618,213           | -6,601,906         | -459,951           |
| Health Care Policy and Financing  | -4,599,254          | -1,862,146         | -333,538           | 0                  | -2,403,570         |
| Higher Education                  | -1,117,824          | -368,521           | -592,224           | 0                  | -157,080           |
| Human Services                    | -20,179,304         | -12,936,750        | -1,010,781         | -2,627,749         | -3,604,024         |
| Judicial                          | -27,823,361         | -26,217,094        | -1,566,142         | -40,124            | 0                  |
| Labor and Employment              | -7,829,286          | -675,589           | -3,917,932         | -48,307            | -3,187,459         |
| Law                               | -4,517,096          | -1,098,027         | -630,322           | -2,679,929         | -108,818           |
| Legislature                       | -2,473,862          | -2,473,862         | 0                  | 0                  | 0                  |
| Local affairs                     | -1,057,792          | -507,492           | -181,526           | -187,397           | -181,378           |
| Military and Veterans Affairs     | -794,037            | -321,768           | -15,301            | 0                  | -456,968           |
| Natural Resources                 | -9,456,587          | -1,291,392         | -7,681,302         | -309,420           | -174,474           |
| Personnel                         | -2,081,654          | -950,837           | -61,326            | -1,069,492         | 0                  |
| Public Health and Environment     | -11,089,216         | -2,132,234         | -3,826,556         | -986,940           | -4,143,485         |
| Public Safety                     | -11,971,535         | -4,237,325         | -6,502,219         | -1,090,966         | -141,025           |
| Regulatory Agencies               | -3,121,746          | -74,517            | -2,721,909         | -258,483           | -66,837            |
| Revenue                           | -7,066,413          | -3,229,169         | -3,808,335         | -28,909            | 0                  |
| State                             | -845,989            | 0                  | -845,989           | 0                  | 0                  |
| Transportation                    | -856,942            | 0                  | -856,942           | 0                  | 0                  |
| Treasury                          | -285,918            | -187,045           | -98,873            | 0                  | 0                  |
| <b>Total</b>                      | <b>-155,695,505</b> | <b>-85,185,195</b> | <b>-37,345,102</b> | <b>-16,435,763</b> | <b>-16,729,444</b> |

As staff mentioned in the briefing document, the expectation for these types of across-the-board reductions is that departments would be able to absorb the reductions through vacancy savings, which staff assumes to be between 1.0 and 3.0 percent of total base salary in any given year. Staff believes that a 1.0 percent or 2.0 percent reduction would be feasible for departments to absorb with no impact on personnel or operations. Reductions of greater magnitude would likely impact programming and cause some staff to be laid-off.

Staff has included a 5.0 percent salary base reduction table to show the Committee what staff believes would be an extremely difficult reduction for departments to absorb without negative consequences. For context, this is the same reduction that the Committee chose to approve in 2020 in the days following the COVID shutdowns. In that situation, the expected revenue decline was much greater than the current budget shortfall that the General Assembly faces.

That was also a true recessionary environment where it was expected that not all positions would be kept.

The other issue for the Committee to consider is the possibility of reopening negotiations on the COWINS Partnership Agreement.

Staff is under the impression that any reduction of this sort would be considered a violation of the partnership agreement by COWINS. If that is the case, then negotiations would likely be reopened as a result of approval of any percentage decrease. If there were some statutory guidelines around what is considered a violation of the agreement and what isn't, it would perhaps be easier for the Committee and for staff to determine if certain actions would or would not necessitate renegotiations.

The Committee may choose any percentage decrease they would like, but each percentage decrease would result in approximately \$31.1 million in total savings and \$17.0 million in General Fund savings.

If the Committee decides to pursue one of the above options, staff recommends that the Committee include a clarifying motion on the method for calculating a base reduction to include the use of employee benefit line items as the basis for calculation of the base reduction. It would be assumed that departments would use vacancy savings to backfill those line items so that no employee benefits are reduced in practice.

## Decision Items - Salary Survey Adjustments

### → SALARY RANGE ADJUSTMENT

#### Request

The request includes targeted, occupational classification salary range adjustments for FY 2025-26 based on a completed system maintenance study conducted within CDLE, as well as salary increases for movement to range minimum totaling \$1.6 million, including \$128,146 General Fund.

#### Analysis

In the 2025-26 Annual Compensation Report, there is an addendum that recommends adjusting job classifications within the Rehabilitation Services job series in the Division of Vocational Rehabilitation in the Department of Labor and Employment. This recommendation is the result of a completed system maintenance study that found that this series' base salaries lag the market by as much as 19.1 percent and the pay ranges lag by 13.1 percent.

The Division of Vocational Rehabilitation reports that it has retention and recruitment challenges as a result of the current series structure. In FY 2023-24, they report that six out of 19 recruitments failed. The department also reports that limited advancement opportunity coupled with noncompetitive salaries make it difficult to retain existing employees.

The goal of the funding is to restructure the job classes into the following titles and concepts:

| New Class Title      | Class Concept                |
|----------------------|------------------------------|
| Rehab Technician I   | Entry technician             |
| Rehab Technician II  | Fully operational technician |
| Rehab Technician III | Lead technician              |
| Rehab Counselor I    | Entry counselor              |
| Rehab Counselor II   | Intermediate counselor       |
| Rehab Counselor III  | Fully operational counselor  |
| Rehab Counselor IV   | Work lead                    |
| Rehab Counselor V    | Unit supervisor              |
| Rehab Counselor VI   | Unit Supervisor or Manager   |
| Rehab Counselor VII  | Sr Manager                   |

Approval of this funding, which is \$281,466 total funds, including \$59,953 General Fund, would increase salaries for 69 of the 148 current employees by an average of 7.0 percent.

## Recommendation

**Staff recommends that the Committee approve the targeted occupational classification salary range adjustments included in the request.**

The following table outlines System Maintenance Study and Movement to Minimum adjustments generated by the requested salary range adjustments.

| Statewide Salary Increases tied to Salary Range Adjustments - Request and Recommendation |                 |                 |               |                 |               |
|--|-----------------|-----------------|---------------|-----------------|---------------|
| Item   | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2025-26 Estimated Salary Base   | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation   |                 |                 |               |                 |               |
| System Maintenance Studies   | \$3,201,429     | \$3,197,865     | \$0           | \$3,564         | \$0           |
| Movement to Minimum  | 3,539,838       | 179,490         | 3,183,053     | 156,203         | 21,092        |
| Subtotal - Statewide Salary Increases  | \$6,741,267     | \$3,377,355     | \$3,183,053   | \$159,767       | \$21,092      |
| FY 2025-26 Request and Recommendation  |                 |                 |               |                 |               |
| System Maintenance Studies   | \$281,466       | \$59,953        | \$0           | \$0             | \$221,513     |
| Movement to Minimum  | 1,327,400       | 68,193          | 1,197,456     | 60,990          | 761           |
| Subtotal - Statewide Salary Increases  | \$1,608,866     | \$128,146       | \$1,197,456   | \$60,990        | \$222,274     |
| Increase/-Decrease   | -\$5,132,401    | -\$3,249,209    | -\$1,985,597  | -\$98,777       | \$201,182     |
| Percent Change   | -76.1%          | -96.2%          | -62.4%        | -61.8%          | 953.8%        |

Statewide Salary Increases tied to Salary Range Adjustments - Request and Recommendation

| Item                                     | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds |
|--|-------------|--------------|------------|-----------------|---------------|
| Statewide Salary Increase on Salary Base | 0.05%       | 0.01%        | 0.16%      | 0.02%           | 0.07%         |

➔ ACROSS-THE-BOARD (ATB) SALARY INCREASE

Request

The request includes a 2.5 percent across-the-board salary increase for all state employees, including State Trooper classes, including base building up to the range maximum, as included in the revised partnership agreement with funding totaling \$69.5 million, including \$37.7 million General Fund.

For reference, the State has provided the following ATB increases since FY 2013-14:

- FY 2013-14 – 2.0 percent across-the-board; 1.5 percent merit pay;
- FY 2014-15 – 2.5 percent across-the-board; 1.0 percent merit pay;
- FY 2015-16 – 1.0 percent across-the-board; 1.0 percent merit pay;
- FY 2016-17 – no across-the-board; no merit pay;
- FY 2017-18 – 2.0 percent across-the-board; 0.75 percent merit pay;
- FY 2018-19 – 3.0 percent across-the-board; no merit pay;
- FY 2019-20 – 3.0 percent across-the-board; no merit pay;
- FY 2020-21 – no across-the-board; no merit pay;
- FY 2021-22 – 3.0 percent across-the-board; no merit pay;
- FY 2022-23 – 3.0 percent across-the-board; no merit pay;
- FY 2023-24 – 5.0 percent across-the-board; no merit pay;
- FY 2024-25 – 3.0 percent across-the-board.

Recommendation

Staff recommends that the Committee approve the request as detailed in the table below.

Across-the-board (ATB) Salary Increase - Request and Recommendation

| Item                              | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
|-----------------------------------|-----------------|-----------------|---------------|-----------------|---------------|
| FY 2025-26 Estimated Salary Base  | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation          |                 |                 |               |                 |               |
| ATB Salary Increase               | \$75,842,062    | \$41,317,187    | \$17,689,157  | \$8,357,536     | \$8,478,182   |
| FY 2025-26 Request                |                 |                 |               |                 |               |
| ATB - base-building increases     | \$69,450,726    | \$37,719,027    | \$16,539,382  | \$7,796,540     | \$7,395,777   |
| ATB - non-base-building increases | 61,193          | 29,297          | 8,742         | 9,899           | 13,255        |
| Subtotal - ATB Salary Increase    | \$69,511,919    | \$37,748,324    | \$16,548,124  | \$7,806,439     | \$7,409,032   |
| FY 2025-26 Recommendation         |                 |                 |               |                 |               |
| ATB - base-building increases     | \$69,393,291    | \$37,661,592    | \$16,539,382  | \$7,796,540     | \$7,395,777   |

Across-the-board (ATB) Salary Increase - Request and Recommendation

| Item                                     | Total Funds  | General Fund | Cash Funds   | Reapprop. Funds | Federal Funds |
|--|--------------|--------------|--------------|-----------------|---------------|
| ATB - non-base-building increases        | 61,193       | 29,297       | 8,742        | 9,899           | 13,255        |
| Subtotal - ATB Salary Increase           | \$69,454,484 | \$37,690,889 | \$16,548,124 | \$7,806,439     | \$7,409,032   |
| Increase/(Decrease)                      | -\$6,387,578 | -\$3,626,298 | -\$1,141,033 | -\$551,097      | -\$1,069,150  |
| Percent Change                           | -8.4%        | -8.8%        | -6.5%        | -6.6%           | -12.6%        |
| Statewide Salary Increase on Salary Base | 2.23%        | 2.21%        | 2.22%        | 2.37%           | 2.21%         |
| Statewide Base Building Increase         | 2.23%        | 2.21%        | 2.21%        | 2.37%           | 2.21%         |
| Difference from Request                  | -\$57,435    | -\$57,435    | \$0          | \$0             | \$0           |

➔ MINIMUM WAGE ADJUSTMENT

Request

The request includes a minimum wage increase from \$16.22 to \$16.55 to align with the minimum pay range for all non-classified employees. This represents a 2.0% increase of \$0.33 per hour, requiring an estimated \$76,712 total funds, including \$62,357 General Fund.

Recommendation

Staff recommends that the Committee approve the request.

Minimum Wage Adjustment - Request and Recommendation

| Item                                     | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
|--|-----------------|-----------------|---------------|-----------------|---------------|
| FY 2025-26 Estimated Salary Base         | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation                 |                 |                 |               |                 |               |
| Minimum Wage                             | \$114,578       | \$15,317        | \$89,605      | \$4,144         | \$5,512       |
| FY 2025-26 Request and Recommendation    |                 |                 |               |                 |               |
| Minimum Wage                             | \$76,712        | \$62,357        | \$6,535       | \$3,207         | \$4,613       |
| Increase/-Decrease                       | -\$37,866       | \$47,040        | -\$83,070     | -\$937          | -\$899        |
| Percent Change                           | -33.0%          | 307.1%          | -92.7%        | -22.6%          | -16.3%        |
| Statewide Salary Increase on Salary Base | 0.00%           | 0.00%           | -0.01%        | 0.00%           | 0.00%         |

➔ STEP PAY PLAN COST IMPACTS

Request

The request includes targeted occupational classification salary range increases as required in the new partnership agreement. Additionally, the request includes increases for employees who are not covered under the revised partnership agreement. These ‘step-like’ increases have been requested at a rate of 0.6 percent of the revised base salary to reflect the average of step

increases for all classified employees. The total cost of implementing the step pay plan is estimated to be \$16.5 million, including \$9.9 million General Fund.

## Recommendation

**Staff recommends that the Committee approve the entirety of the step pay plan presented here – step pay plan increases, 2.5 across-the-board increases, step-like increases, movement to range minimums, and minimum wage adjustments.**

## Analysis

### The JBC and GA role in the Collective Bargaining Process

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

The Act provides guidance regarding the General Assembly's authority to appropriate funding pursuant to the partnership agreement and the procedural consequences if the request is not funded (emphasis added):

*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 partnership agreement process in statute establishes the Governor as the negotiating representative for the State; and establishes the General Assembly as having authority over funding components of negotiated agreements. Therefore, while the General Assembly retains authority over appropriations, it is necessarily cumbersome for the General Assembly to recommend minor technical or incremental adjustments to the negotiated agreement that could entail additional negotiations.

While the General Assembly is not authorized to provide oversight in a direct role within the negotiating process, the General Assembly may express its concerns and preferences through the legislative process; particularly by codifying significant systems and mechanisms that should apply to all employees of the State, and not simply covered employees or employees within the executive branch. Significant refers to large system changes typically accompanied by greater fiscal impacts.

On that basis, staff approaches its analysis and recommendation responsibility with the sense that negotiated components should broadly enhance the sustainability of the statewide compensation system and deliver benefits to the State in its position as an employer. And only in cases where negotiated components might not appear transparent or sustainable as



presented in the budget request process, that the unsustainability should be identified and communicated to prevent large scale fiscal mismanagement.

To say it more simply, staff should necessarily only recommend denial of negotiated components if fiscal harm is readily apparent, given the consequences of delays and costs associated with the negotiation process. And, for components where fiscal impacts may not appear to be transparent, that the General Assembly should avail itself of the bill and fiscal note process to better quantify and understand the fiscal mechanisms involved. Future fiscal impacts should not come as a surprise.

## COWINS Partnership Agreement Estimated Costs

The executive branch identifies the following components and estimated fiscal impacts related to the new partnership agreement.

| Costs Associated with the COWINS Partnership Agreement FY 2025-26 |                     |                     |                     |                    |                    |
|---|---------------------|---------------------|---------------------|--------------------|--------------------|
| Item  | Total Funds         | General Fund        | Cash Funds          | Reapprop. Funds    | Federal Funds      |
| <b>FY 2025-26 Request</b>   |                     |                     |                     |                    |                    |
| ATB Increase  | \$69,454,484        | \$37,690,889        | \$16,548,124        | \$7,806,439        | \$7,409,032        |
| Step Increases  | 10,913,219          | 6,509,694           | 2,459,713           | 698,977            | 1,244,835          |
| Step-like Increases (0.6%)  | 3,618,250           | 2,245,928           | 283,618             | 875,226            | 213,478            |
| Step P&M  | 1,919,339           | 1,157,302           | 367,420             | 204,523            | 190,094            |
| Critical Staffing Incentives                                      | 12,000,000          | 12,000,000          | 0                   | 0                  | 0                  |
| Movement to Range Minimum   | 1,327,400           | 68,193              | 1,197,456           | 60,990             | 761                |
| Minimum Wage Adjustment   | 76,712              | 62,357              | 6,535               | 3,207              | 4,613              |
| <b>Total</b>  | <b>\$99,309,404</b> | <b>\$59,734,363</b> | <b>\$20,862,866</b> | <b>\$9,649,362</b> | <b>\$9,062,813</b> |

The above table outlines the total costs of the new COWINS Partnership Agreement as recommended. These amounts are ‘revised base’ amounts, which means that some costs are excluded, including shift differential, ULAED, STD, HLD, and FAMLII.

While the above table includes all the costs associated with the partnership agreement, this document will only cover the Across-the-Board increase, the Step and Step-like increases, Movement to Range Minimum, and Minimum Wage Adjustment. The Critical Staffing Incentive Pay item will be described in the respective departments by the analysts responsible for those departments.

### 2.5 percent Across-the-board Increase

The first aspect of the compensation request is a 2.5 percent across-the-board (ATB) increase. This piece of the request related to the partnership agreement is expected to cost \$69.5 million total funds, including \$37.7 million General Fund.

Across-the-board increases are generally used to keep the entire compensation system broadly aligned with the market and often address cost-of-living or inflationary concerns. In recent history, this component has been the only increase component or mechanism regularly requested by the executive branch and funded, often at 3.0 percent. Typically, the request is

the result of an equivalent or approximate 3.0 percent average in the anticipated increase in market salaries identified in the annual compensation survey each year.

The following list outlines ATB (and merit pay) increases since FY 2015-16:

- **FY 2025-26 – 2.5 percent across-the-board (request);**
- FY 2024-25 – 3.0 percent across-the-board; no merit pay;
- FY 2023-24 – 5.0 percent across-the-board; no merit pay;
- FY 2022-23 – 3.0 percent across-the-board; no merit pay;
- FY 2021-22 – 3.0 percent across-the-board; no merit pay;
- FY 2020-21 – no across-the-board; no merit pay;
- FY 2019-20 – 3.0 percent across-the-board; no merit pay;
- FY 2018-19 – 3.0 percent across-the-board; no merit pay;
- FY 2017-18 – 2.0 percent across-the-board; 0.75 percent merit pay;
- FY 2016-17 – no across-the-board; no merit pay;
- FY 2015-16 – 1.0 percent across-the-board; 1.0 percent merit pay;

Staff believes that with the implementation of a step pay plan, there should theoretically be far fewer across-the-board increases. In the new partnership agreement, across-the-board increases are now called cost of living increases (COLA), but they are not true COLAs. A true COLA bases increases on prior year inflation. The COLAs that are referenced in the partnership agreement are prescriptive, so are still the same as and should be referred to as across-the-board increases. Staff would be supportive of a true COLA being implemented because it is a way to counteract the effects of inflation. Prescriptive across-the-board increases as they have been negotiated, however, attempt to force the state's hand in providing salary increases. Staff believes this is generally inappropriate. While staff is not recommending against the 2.5 percent across the board increase for FY 2025-26, staff believes that future across-the-board increases should be more similar to true COLAs where the state is catching up to inflation instead of prescriptively trying to outpace it.

The other issue that staff sees with the FY 2025-26 compensation request is the existence of both a 2.0 percent structural step plan increase and a 2.5 percent across-the-board increase. While the structural increase will eventually raise salaries for all employees on the step plan, it would do nothing for those employees who are not covered. These include, generally, executives, managerial employees, confidential employees, administrative law judges and hearing officers, state troopers, temporary employees, and employees of the legislative branch. It is staff's assumption that the ATB increase is for those employees who would not benefit from the structural adjustment. These employees are also generally paid more than those employees covered under the partnership agreement. Staff believes there are better ways than an ATB to ensure that compensation for those employees is competitive. For example, there may be cases when one or more specific job class is out of alignment with the market, and in those cases, staff would expect that larger, targeted adjustments would be requested to deal with those specific classifications.

However, an across-the-board increase only serves to bring classes which are below market up to the minimum while pushing classes which are above market even higher. An across-the-

board increase is generally only good for keeping salaries broadly aligned with inflationary, cost-of-living adjustments. It is not a good tool for maintaining a compensation system that functionally responds to market adjustments by occupational classification.

**With regard to the current 2.5 percent across-the-board increase request, staff recommends approval.** This is not because staff believes there is a compelling reason for it, but because – in line with the theory of how staff is analyzing the total compensation request described previously in this document – there is not apparent financial harm caused by the request.

### Step Pay Plan Cost

Following the large cost of the implementation of the step pay plan, the estimated cost for FY 2025-26 has significantly decreased, as expected. For FY 2025-26, staff has calculated the amount of this implementation at \$16.5 million total funds, including \$9.9 million General Fund.

For FY 2025-26, a new step range structure is in place. It is largely consistent with prior years, except that there is a 2.0 percent structural increase, which means that all steps have increased by 2.0 percent. Functionally, this means that if an employee is at the bottom of the range for a particular step, they will receive a 2.0 percent increase before any other increases. Similarly, if the 2.0 percent increase would cause an employee to be paid below their step minimum, their salary would increase by an amount necessary to bring them to the new minimum after the 2.0 percent increase.

The across-the-board increase and the step pay increases are built on top of this structural adjustment, which is periodically necessary, so that the step ranges can maintain pace with inflation. While staff is not totally convinced that this structural adjustment is necessary after a single year of implementation, the percent change is less than inflation, so it does not seem totally unreasonable. In general, staff would expect to see these structural adjustments every few years, however the current partnership agreement calls for 2.0 percent structural increases in each of the next three fiscal years. Staff is concerned about potential compression issues, but believes that it will require more data to fully understand the impact of annual structural adjustments.

The structure for FY 2025-26 is as follows:

- Five percent increases at years 3, 5, and 8;
- An increase to midpoint at year 10, ranging from 3.6 percent to 12.3 percent; and
- Two percent increases at years 12, 15, 20, and 25.

The following table outlines the estimated cost of the step plan for FY 2025-26:

| FY 2025-26 Requested Step Pay Costs |              |              |             |                 |               |
|-------------------------------------|--------------|--------------|-------------|-----------------|---------------|
| Item                                | Total Funds  | General Fund | Cash Funds  | Reapprop. Funds | Federal Funds |
| FY 2025-26 Request                  |              |              |             |                 |               |
| Step Increases                      | \$10,913,219 | \$6,509,694  | \$2,459,713 | \$698,977       | \$1,244,835   |
| Step-like Increases (0.6%)          | 6,113,814    | 4,741,492    | 283,618     | 875,226         | 213,478       |
| Step P&M                            | 2,245,259    | 1,483,223    | 367,420     | 204,523         | 190,094       |
| Subtotal                            | \$19,272,293 | \$12,734,409 | \$3,110,751 | \$1,778,726     | \$1,648,407   |

| FY 2025-26 Requested Step Pay Costs |              |              |             |                 |               |
|-------------------------------------|--------------|--------------|-------------|-----------------|---------------|
| Item                                | Total Funds  | General Fund | Cash Funds  | Reapprop. Funds | Federal Funds |
| FY 2025-26 Recommendation           |              |              |             |                 |               |
| Step Increases                      | \$10,913,219 | \$6,509,694  | \$2,459,713 | \$698,977       | \$1,244,835   |
| Step-like Increases (0.6%)          | 3,618,250    | 2,245,928    | 283,618     | 875,226         | 213,478       |
| Step P&M                            | 1,919,339    | 1,157,302    | 367,420     | 204,523         | 190,094       |
| Subtotal                            | \$16,450,807 | \$9,912,924  | \$3,110,751 | \$1,778,726     | \$1,648,407   |
| Difference from Request             | -\$2,821,485 | -\$2,821,485 | \$0         | \$0             | \$0           |

### Step-like Increases

The third aspect of the costs associated with the partnership agreement is what the executive branch has dubbed ‘step-like’ increases. These increases are for employees who are not covered under the partnership agreement.

To get a single percentage increase for step-like increases, the executive branch took the average of all the step increases across the state and applied that average to those employees who did not receive step increases. The executive branch calculated this average at 0.6 percent for FY 2025-26. This results in an increase of \$3.6 million total funds, including \$2.2 million General Fund.

Staff recommends approval of the step-like increase request.

### Movement to Range Minimum

The Movement to Range Minimum requested increase for FY 2025-26 comes entirely from the Department of Public Safety, and is \$1.3 million total funds, including \$68,193 General Fund for movement of Trooper I and Trooper II classifications into the next classification, based on the FY 2023-24 DPS R-06 Trooper Pay Increase and Graduated Pay System decision item methodology.

### Minimum Wage Adjustment

The minimum wage increase included in the new partnership agreement increases the minimum wage from \$16.22 per hour to \$16.55 per hour for FY 2025-26. This minimum wage increase adjustment is equal to the 2.0 percent structural step plan increase.

The executive branch estimates the fiscal impact tied to the minimum wage adjustment at \$76,712 total funds, including \$62,357 General Fund for FY 2025-26. There are very few positions statewide that are impacted by this adjustment. Based on the scale of this change, staff recommends approval of the minimum wage adjustment request.

The following table outlines all components included in the Salary Survey appropriation and recommendation:

| Salary Survey - Request and Recommendation    |                 |                 |               |                 |               |
|---|-----------------|-----------------|---------------|-----------------|---------------|
| Item  | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2025-26 Estimated Salary Base              | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation                      |                 |                 |               |                 |               |
| Across-the-board Salary Increase              | \$75,842,062    | \$41,317,187    | \$17,689,157  | \$8,357,536     | \$8,478,182   |
| Salary Increases for Salary Range Adjustments | 6,741,267       | 3,377,355       | 3,183,053     | 159,767         | 21,092        |
| Step Pay Plan Increases                       | 96,695,746      | 55,860,387      | 18,797,022    | 12,617,882      | 9,420,456     |
| Salary Survey PERA and Medicare               | 24,152,130      | 14,107,693      | 5,155,122     | 2,468,116       | 2,421,199     |
| Subtotal - Salary Survey                      | \$203,431,206   | \$114,662,622   | \$44,824,354  | \$23,603,301    | \$20,340,929  |
| FY 2025-26 Request                            |                 |                 |               |                 |               |
| Across-the-board Salary Increase              | \$69,511,919    | \$37,748,324    | \$16,548,124  | \$7,806,439     | \$7,409,032   |
| Salary Increases for Salary Range Adjustments | 1,608,866       | 128,146         | 1,197,456     | 60,990          | 222,274       |
| Step Pay Plan Increases                       | 19,272,293      | 12,734,409      | 3,110,751     | 1,778,726       | 1,648,407     |
| Salary Survey PERA and Medicare               | 9,553,090       | 5,185,275       | 2,328,107     | 1,036,667       | 1,003,041     |
| Subtotal - Salary Survey                      | \$99,946,167    | \$55,796,153    | \$23,184,438  | \$10,682,822    | \$10,282,754  |
| Increase/(Decrease)                           | -\$103,485,039  | -\$58,866,469   | -\$21,639,916 | -\$12,920,479   | -\$10,058,175 |
| Percent Change                                | -50.87%         | -51.34%         | -48.28%       | -54.74%         | -49.45%       |
| Salary Survey on Salary Base                  | 3.21%           | 3.27%           | 3.10%         | 3.25%           | 3.07%         |
| FY 2025-26 Recommendation                     |                 |                 |               |                 |               |
| Across-the-board Salary Increase              | \$69,454,484    | \$37,690,889    | \$16,548,124  | \$7,806,439     | \$7,409,032   |
| Salary Increases for Salary Range Adjustments | 1,608,866       | 128,146         | 1,197,456     | 60,990          | 222,274       |
| Step Pay Plan Increases                       | 16,450,807      | 9,912,924       | 3,110,751     | 1,778,726       | 1,648,407     |
| Salary Survey PERA and Medicare               | 9,545,589       | 5,177,774       | 2,328,107     | 1,036,667       | 1,003,041     |
| Subtotal - Statewide Salary Increases         | \$97,059,746    | \$52,909,733    | \$23,184,438  | \$10,682,822    | \$10,282,754  |
| Increase/(Decrease)                           | -\$106,371,460  | -\$61,752,890   | -\$21,639,916 | -\$12,920,479   | -\$10,058,175 |
| Percent Change                                | -52.29%         | -53.86%         | -48.28%       | -54.74%         | -49.45%       |
| Statewide Salary Increase on Salary Base      | 3.12%           | 3.11%           | 3.10%         | 3.25%           | 3.07%         |
| Recommendation difference from Request        | -\$2,886,420    | -\$2,886,420    | \$0           | \$0             | \$0           |

## Other Statewide Salary Components

### Decision Items – Shift Differential

#### → SHIFT DIFFERENTIAL

Shift differential is adjustments for employees who work outside of normal Monday through Friday day-time hours (excluding State Troopers). Departments only pay shift differential when it is the prevailing market practice for a job classification. The majority of shift differential payments occur in the Department of Corrections and the Department of Human Services, primarily for employees providing direct supervision or care in institutional settings.

## Request

The FY 2025-26 request is at 100 percent of prior year actual expenditures (FY 2023-24). The Shift Differential request totals \$37.9 million, including \$28.6 million General Fund.

## Recommendation

**Staff recommends that the Committee approve the request at 100 percent of prior year actual expenditures and appropriations as outlined in the following table.**

| Shift Differential - Request and Recommendation |                 |                 |               |                 |               |
|---|-----------------|-----------------|---------------|-----------------|---------------|
| Item  | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2025-26 Estimated Salary Base                | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation                        |                 |                 |               |                 |               |
| Shift Differential                              | \$33,231,000    | \$27,981,403    | \$1,932,384   | \$2,262,289     | \$1,054,924   |
| FY 2025-26 Request and Recommendation           |                 |                 |               |                 |               |
| Shift Differential                              | \$37,948,879    | \$28,616,615    | \$2,297,917   | \$2,647,416     | \$4,386,931   |
| Percent of Salary Base                          | 1.2%            | 1.7%            | 0.3%          | 0.8%            | 1.3%          |
| Increase/-Decrease                              | \$4,717,879     | \$635,212       | \$365,533     | \$385,127       | \$3,332,007   |
| Percent Change                                  | 14.2%           | 2.3%            | 18.9%         | 17.0%           | 315.9%        |
| Shift Diff. Increase on Salary Base             | 0.15%           | 0.04%           | 0.05%         | 0.12%           | 1.00%         |

## (2) Benefits

The benefits components include Health, Life, and Dental, Short-term Disability, and Paid Family and Medical Leave Insurance line items.

Health, life, and dental pays for the state contribution to health insurance, life insurance, and dental insurance. The state contribution for health insurance and dental insurance has four tiers based on employee, employee + spouse, employee + children, and family. Employees may choose from four different health benefit packages and two different dental benefit packages. The health plans range from high deductible plans to co-pay plans from Cigna and Kaiser. The state paid life insurance provides a benefit equal to the employee's annual salary up to a maximum of \$150,000.

The following table outlines the proposed FY 2025-26 monthly state contributions for Health, Life, and Dental components as included in the January budget amendment request. For the upcoming fiscal year, premiums are projected to increase by:

- 4.8 percent for the fully insured medical plan (Kaiser);
- 8.7 percent for the self-funded medical plan (Cigna);
- 3.0 percent for the dental plans (Delta); and
- 3.0 percent for life insurance (Minnesota Life).

| FY 2025-26 Health, Life, and Dental Monthly State Contribution by Plan and Tier |          |         |        |                 |              |                |
|---|----------|---------|--------|-----------------|--------------|----------------|
| Tier  | Health   | Dental  | Life   | FY25-26 Request | FY24-25 Rate | Percent Change |
| Cigna - High Deductible   |          |         |        |                 |              |                |
| Tier 1 - Employee   | \$910.08 | \$33.96 | \$9.56 | \$953.60        | \$895.68     | 6.5%           |
| Tier 2 - Employee + Spouse  | 1,644.00 | 55.44   | 9.56   | 1,709.00        | 1,594.32     | 7.2%           |
| Tier 3 - Employee + Children  | 1,596.82 | 60.12   | 9.56   | 1,666.50        | 1,561.62     | 6.7%           |
| Tier 4 - Family   | 2,266.02 | 80.64   | 9.56   | 2,356.22        | 2,194.74     | 7.4%           |
| Cigna - Co-pay Basic  |          |         |        |                 |              |                |
| Tier 1 - Employee   | \$905.72 | \$33.96 | \$9.56 | \$949.24        | \$875.36     | 8.4%           |
| Tier 2 - Employee + Spouse  | 1,685.50 | 55.44   | 9.56   | 1,750.50        | 1,603.62     | 9.2%           |
| Tier 3 - Employee + Children  | 1,651.14 | 60.12   | 9.56   | 1,720.82        | 1,586.54     | 8.5%           |
| Tier 4 - Family   | 2,380.86 | 80.64   | 9.56   | 2,471.06        | 2,263.96     | 9.1%           |
| Cigna - Co-pay Plus   |          |         |        |                 |              |                |
| Tier 1 - Employee   | \$888.26 | \$33.96 | \$9.56 | \$931.78        | \$855.28     | 8.9%           |
| Tier 2 - Employee + Spouse  | 1,659.56 | 55.44   | 9.56   | 1,724.56        | 1,572.42     | 9.7%           |
| Tier 3 - Employee + Children  | 1,627.98 | 60.12   | 9.56   | 1,697.66        | 1,558.56     | 8.9%           |
| Tier 4 - Family   | 2,311.86 | 80.64   | 9.56   | 2,402.06        | 2,187.52     | 9.8%           |
| Kaiser - High Deductible  |          |         |        |                 |              |                |
| Tier 1 - Employee   | \$732.92 | \$33.96 | \$9.56 | \$776.44        | \$746.28     | 4.0%           |
| Tier 2 - Employee + Spouse  | 1,335.72 | 55.44   | 9.56   | 1,400.72        | 1,339.72     | 4.6%           |
| Tier 3 - Employee + Children  | 1,315.94 | 60.12   | 9.56   | 1,385.62        | 1,330.26     | 4.2%           |
| Tier 4 - Family   | 1,902.28 | 80.64   | 9.56   | 1,992.48        | 1,906.32     | 4.5%           |
| Kaiser - Co-pay Basic   |          |         |        |                 |              |                |
| Tier 1 - Employee   | \$765.56 | \$33.96 | \$9.56 | \$809.08        | \$774.28     | 4.5%           |
| Tier 2 - Employee + Spouse  | 1,471.70 | 55.44   | 9.56   | 1,536.70        | 1,466.08     | 4.8%           |
| Tier 3 - Employee + Children  | 1,432.76 | 60.12   | 9.56   | 1,502.44        | 1,438.40     | 4.5%           |
| Tier 4 - Family   | 2,051.86 | 80.64   | 9.56   | 2,142.06        | 2,042.16     | 4.9%           |

| FY 2025-26 Health, Life, and Dental Monthly State Contribution by Plan and Tier |          |         |        |                 |              |                |
|---|----------|---------|--------|-----------------|--------------|----------------|
| Tier  | Health   | Dental  | Life   | FY25-26 Request | FY24-25 Rate | Percent Change |
| Kaiser - Co-pay Plus  |          |         |        |                 |              |                |
| Tier 1 - Employee   | \$788.44 | \$33.96 | \$9.56 | \$831.96        | \$795.24     | 4.6%           |
| Tier 2 - Employee + Spouse  | 1,485.46 | 55.44   | 9.56   | 1,550.46        | 1,475.80     | 5.1%           |
| Tier 3 - Employee + Children  | 1,461.48 | 60.12   | 9.56   | 1,531.16        | 1,463.48     | 4.6%           |
| Tier 4 - Family   | 2,071.50 | 80.64   | 9.56   | 2,161.70        | 2,056.02     | 5.1%           |

For FY 2025-26, the request adjusts premiums for the employer only. The rates incorporate plan and premium adjustments, and meets the updated partnership agreement requirement for the State to absorb 100.0 percent of premium increases. The estimated health, vision, and dental premium growth in FY 2025-26 is estimated at \$51.4 million.

## Decision Items – Benefits

### ➔ HEALTH, LIFE, AND DENTAL

#### Request

The FY 2025-26 request for Health, Life, and Dental is for \$500.0 million total funds including \$276.9 million General Fund. The request includes an increase for the State to absorb 100.0 percent of any HLD increases pursuant to the updated partnership agreement and a decrease for ending coverage of GLP-1 prescription drugs used for anti-obesity treatment.

#### Analysis

##### Partnership Agreement 100.0 Percent Premium Increase Absorbed by State

Pursuant to Article 28.1 of the updated Partnership Agreement, “In the event the medical, dental and/or vision insurance rates increase in any fiscal year through June 30, 2028, the State agrees to absorb 100 percent of the costs of any rate increase.” The tables that follow outline the State and employee shares of health, life, and dental insurance premiums in the current fiscal year (FY 2024-25) and the requested State and employee shares as a result of the updated partnership agreement for FY 2025-26.

In the current fiscal year, the State covers on average 90.0 percent of HLD premiums while employees cover on average 10.0 percent. If the request is approved, the State would cover 90.6 percent of the cost of premiums while employees would cover 9.4 percent. The State’s share of insurance premium cost would increase by 0.6 percent on average. This equates to a total increase of \$3,535,002 total funds, including \$1,790,350 General Fund.

| FY 2024-25 State and Employee Share of Premiums |                |                   |                |             |                |
|---|----------------|-------------------|----------------|-------------|----------------|
| Plan  | State Premiums | Employee Premiums | Total Premiums | State Share | Employee Share |
| Cigna - High Deductible                         |                |                   |                |             |                |
| Tier 1 - Employee                               | \$852.44       | \$31.10           | \$883.54       | 96.5%       | 3.5%           |
| Tier 2 - Employee + Spouse                      | 1,529.66       | 168.38            | 1,698.04       | 90.1%       | 9.9%           |
| Tier 3 - Employee + Children                    | 1,492.28       | 66.66             | 1,558.94       | 95.7%       | 4.3%           |
| Tier 4 - Family                                 | 2,104.92       | 266.88            | 2,371.80       | 88.7%       | 11.3%          |



Staff Working Document – Does Not Represent Committee Decision

| FY 2024-25 State and Employee Share of Premiums     |                |                   |                |              |                |  |
|---|----------------|-------------------|----------------|--------------|----------------|--|
| Plan  | State Premiums | Employee Premiums | Total Premiums | State Share  | Employee Share |  |
| Cigna - Co-pay Basic                                |                |                   |                |              |                |  |
| Tier 1 - Employee                                   | \$832.12       | \$43.44           | 875.56         | 95.0%        | 5.0%           |  |
| Tier 2 - Employee + Spouse                          | 1,538.96       | 204.04            | 1,743.00       | 88.3%        | 11.7%          |  |
| Tier 3 - Employee + Children                        | 1,517.20       | 77.60             | 1,594.80       | 95.1%        | 4.9%           |  |
| Tier 4 - Family                                     | 2,174.14       | 286.34            | 2,460.48       | 88.4%        | 11.6%          |  |
| Cigna - Co-pay Plus                                 |                |                   |                |              |                |  |
| Tier 1 - Employee                                   | \$812.04       | \$99.30           | 911.34         | 89.1%        | 10.9%          |  |
| Tier 2 - Employee + Spouse                          | 1,507.76       | 307.44            | 1,815.20       | 83.1%        | 16.9%          |  |
| Tier 3 - Employee + Children                        | 1,489.22       | 171.52            | 1,660.74       | 89.7%        | 10.3%          |  |
| Tier 4 - Family                                     | 2,097.70       | 465.06            | 2,562.76       | 81.9%        | 18.1%          |  |
| Kaiser - High Deductible                            |                |                   |                |              |                |  |
| Tier 1 - Employee                                   | \$703.04       | \$32.32           | 735.36         | 95.6%        | 4.4%           |  |
| Tier 2 - Employee + Spouse                          | 1,275.06       | 177.40            | 1,452.46       | 87.8%        | 12.2%          |  |
| Tier 3 - Employee + Children                        | 1,260.92       | 62.48             | 1,323.40       | 95.3%        | 4.7%           |  |
| Tier 4 - Family                                     | 1,816.50       | 224.04            | 2,040.54       | 89.0%        | 11.0%          |  |
| Kaiser - Co-pay Basic                               |                |                   |                |              |                |  |
| Tier 1 - Employee                                   | \$731.04       | \$42.82           | 773.86         | 94.5%        | 5.5%           |  |
| Tier 2 - Employee + Spouse                          | 1,401.42       | 196.06            | 1,597.48       | 87.7%        | 12.3%          |  |
| Tier 3 - Employee + Children                        | 1,369.06       | 79.12             | 1,448.18       | 94.5%        | 5.5%           |  |
| Tier 4 - Family                                     | 1,952.34       | 320.92            | 2,273.26       | 85.9%        | 14.1%          |  |
| Kaiser - Co-pay Plus                                |                |                   |                |              |                |  |
| Tier 1 - Employee                                   | \$752.00       | \$64.40           | 816.40         | 92.1%        | 7.9%           |  |
| Tier 2 - Employee + Spouse                          | 1,411.14       | 275.56            | 1,686.70       | 83.7%        | 16.3%          |  |
| Tier 3 - Employee + Children                        | 1,394.14       | 134.76            | 1,528.90       | 91.2%        | 8.8%           |  |
| Tier 4 - Family                                     | 1,966.20       | 437.52            | 2,403.72       | 81.8%        | 18.2%          |  |
| <b>FY 2024-25 Average State and Employee Shares</b> |                |                   |                | <b>90.0%</b> | <b>10.0%</b>   |  |

| FY 2025-26 COWINS Full HLD State Coverage of Increases |                |                   |                |             |                |                       |
|--|----------------|-------------------|----------------|-------------|----------------|-----------------------|
| Plan   | State Premiums | Employee Premiums | Total Premiums | State Share | Employee Share | Change in State Share |
| Cigna - High Deductible                                |                |                   |                |             |                |                       |
| Tier 1 - Employee                                      | \$910.08       | \$31.10           | \$941.18       | 96.7%       | 3.3%           | 0.2%                  |
| Tier 2 - Employee + Spouse                             | 1,644.00       | 168.38            | 1,812.38       | 90.7%       | 9.3%           | 0.6%                  |
| Tier 3 - Employee + Children                           | 1,596.82       | 66.66             | 1,663.48       | 96.0%       | 4.0%           | 0.3%                  |
| Tier 4 - Family  | 2,266.02       | 266.88            | 2,532.90       | 89.5%       | 10.5%          | 0.7%                  |
| Cigna - Co-pay Basic                                   |                |                   |                |             |                |                       |
| Tier 1 - Employee                                      | \$905.72       | \$43.44           | \$949.16       | 95.4%       | 4.6%           | 0.4%                  |
| Tier 2 - Employee + Spouse                             | 1,685.50       | 204.04            | 1,889.54       | 89.2%       | 10.8%          | 0.9%                  |
| Tier 3 - Employee + Children                           | 1,651.14       | 77.60             | 1,728.74       | 95.5%       | 4.5%           | 0.4%                  |
| Tier 4 - Family  | 2,380.86       | 286.34            | 2,667.20       | 89.3%       | 10.7%          | 0.9%                  |
| Cigna - Co-pay Plus                                    |                |                   |                |             |                |                       |
| Tier 1 - Employee                                      | \$888.26       | \$99.30           | \$987.56       | 89.9%       | 10.1%          | 0.8%                  |
| Tier 2 - Employee + Spouse                             | 1,659.56       | 307.44            | 1,967.00       | 84.4%       | 15.6%          | 1.3%                  |
| Tier 3 - Employee + Children                           | 1,627.98       | 171.52            | 1,799.50       | 90.5%       | 9.5%           | 0.8%                  |
| Tier 4 - Family  | 2,311.86       | 465.06            | 2,776.92       | 83.3%       | 16.7%          | 1.4%                  |
| Kaiser - High Deductible                               |                |                   |                |             |                |                       |
| Tier 1 - Employee                                      | \$732.92       | \$32.32           | \$765.24       | 95.8%       | 4.2%           | 0.2%                  |
| Tier 2 - Employee + Spouse                             | 1,335.72       | 177.40            | 1,513.12       | 88.3%       | 11.7%          | 0.5%                  |

| FY 2025-26 COWINS Full HLD State Coverage of Increases |                |                   |                |              |                |                       |
|--|----------------|-------------------|----------------|--------------|----------------|-----------------------|
| Plan   | State Premiums | Employee Premiums | Total Premiums | State Share  | Employee Share | Change in State Share |
| Tier 3 - Employee + Children                           | 1,315.94       | 62.48             | 1,378.42       | 95.5%        | 4.5%           | 0.2%                  |
| Tier 4 - Family  | 1,902.28       | 224.04            | 2,126.32       | 89.5%        | 10.5%          | 0.4%                  |
| Kaiser - Co-pay Basic                                  |                |                   |                |              |                |                       |
| Tier 1 - Employee                                      | \$765.56       | \$42.82           | \$808.38       | 94.7%        | 5.3%           | 0.2%                  |
| Tier 2 - Employee + Spouse                             | 1,471.70       | 196.06            | 1,667.76       | 88.2%        | 11.8%          | 0.5%                  |
| Tier 3 - Employee + Children                           | 1,432.76       | 79.12             | 1,511.88       | 94.8%        | 5.2%           | 0.2%                  |
| Tier 4 - Family  | 2,051.86       | 320.92            | 2,372.78       | 86.5%        | 13.5%          | 0.6%                  |
| Kaiser - Co-pay Plus                                   |                |                   |                |              |                |                       |
| Tier 1 - Employee                                      | \$788.44       | \$64.40           | \$852.84       | 92.4%        | 7.6%           | 0.3%                  |
| Tier 2 - Employee + Spouse                             | 1,485.46       | 275.56            | 1,761.02       | 84.4%        | 15.6%          | 0.7%                  |
| Tier 3 - Employee + Children                           | 1,461.48       | 134.76            | 1,596.24       | 91.6%        | 8.4%           | 0.4%                  |
| Tier 4 - Family  | 2,071.50       | 437.52            | 2,509.02       | 82.6%        | 17.4%          | 0.8%                  |
| <b>FY 2025-26 Average State and Employee Shares</b>    |                |                   |                | <b>90.6%</b> | <b>9.4%</b>    | <b>0.6%</b>           |

The following table was provided by the Department of Personnel during their budget hearing on Monday, December 2, 2024. The table shows how much the State is estimated to be responsible for paying if the General Assembly approves the 100.0 percent HLD increase absorption in each of the next three fiscal years as outlined in the new Partnership Agreement.

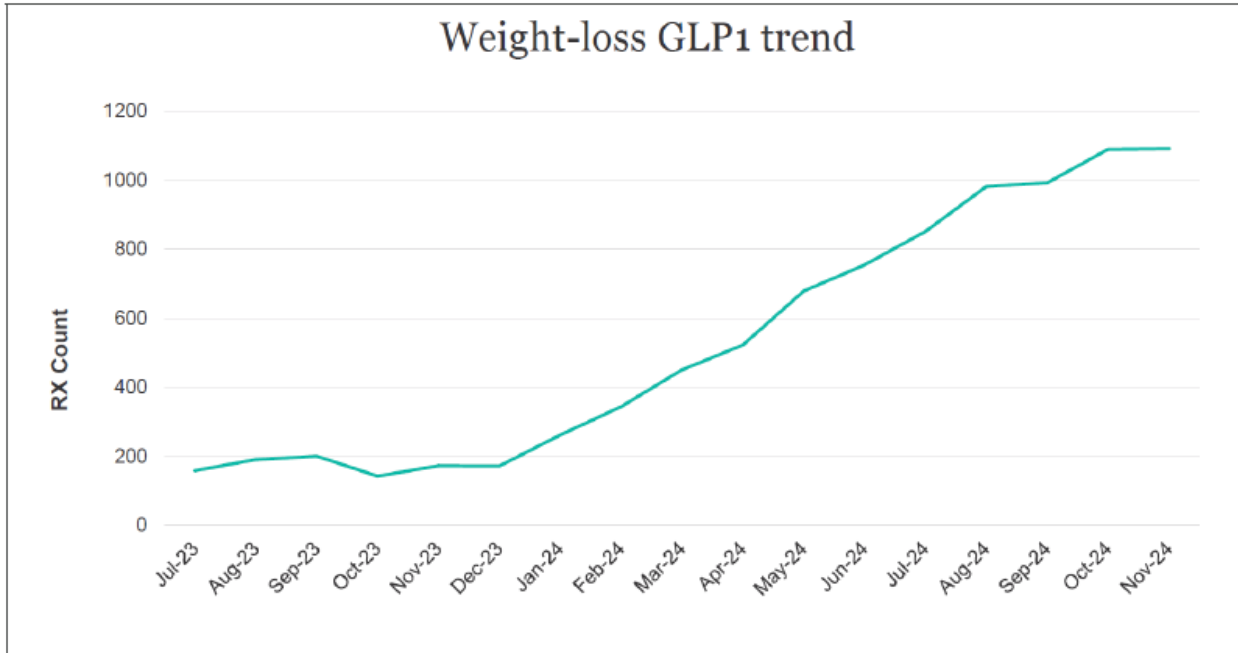
**Impact of 100% HLD Cost Increase Absorbed by the State (Comparison of 100% coverage vs first \$20M, then split)**

|                        | New PA Total Funds   | Former PA Total Funds | Difference in Total Funds | General Fund       | Cash Funds         | Reappropriated Funds | Federal Funds      |
|------------------------|----------------------|-----------------------|---------------------------|--------------------|--------------------|----------------------|--------------------|
| FY 2025-26 Incremental | \$49,957,645         | \$46,422,643          | \$3,535,002               | \$1,790,350        | \$939,534          | \$437,046            | \$368,072          |
| FY 2026-27 Incremental | \$53,704,468         | \$49,727,341          | \$3,977,127               | \$2,014,270        | \$1,057,042        | \$491,708            | \$414,107          |
| FY 2027-28 Incremental | \$57,732,303         | \$53,279,891          | \$4,452,412               | \$2,254,984        | \$1,183,363        | \$550,469            | \$463,595          |
| <b>Total</b>           | <b>\$161,394,416</b> | <b>\$149,429,875</b>  | <b>\$11,964,541</b>       | <b>\$6,059,603</b> | <b>\$3,179,939</b> | <b>\$1,479,223</b>   | <b>\$1,245,775</b> |

### Ending Coverage of GLP-1 Anti-obesity Prescription Drugs

The second aspect that is included in the HLD request for FY 2025-26 is ending coverage of GLP-1 prescription drugs for anti-obesity treatment. It is important to note at the outset that this request is only proposing to remove coverage for GLP-1 prescription drugs for anti-obesity treatment – the medication would be covered for other uses, such as the treatment for diabetes.

In their request document, the department states that the “removal of weight loss drug coverage for obesity results in a \$16,841,576 cost avoidance in FY 2025-26”. The department also reports that usage of these anti-obesity medications (AOMs) is doubling roughly every six months, and that the cost to the state is greater than the savings that results from the health benefits. The following graph, provided by the department, summarizes this trend.



This graph shows that from July 2023 through November 2024, the number of prescriptions for weight-loss treatment has increased from just under 200 per month to approximately 1,100 per month.

The department also cites examples from North Carolina and Wisconsin. In North Carolina, “the cost of these medications was projected to exceed \$170 million in 2024, jumping to more than \$1 billion over the next six years.”

Wisconsin requested an actuarial study on the projected cost increases as a result of covering GLP-1 prescription drugs used as AOMs and found that over the period from 2025 to 2030, Wisconsin would incur a net loss of approximately \$24.1 million per year, with the cost to the state of AOMs increasing from \$24.8 million in 2025 to \$60.1 million in 2030.

While staff recognizes that continued coverage of these AOMs would undoubtedly be costly, staff is unsure that North Carolina and Wisconsin are appropriate analogies. According to the Center for Disease Control, 24.9 percent of Colorado’s population is obese, while 34.0 percent of North Carolina’s population is obese and 35.9 percent of Wisconsin’s population is obese.<sup>1</sup> (For reference, the lowest is 23.5 percent and the highest is 41.2 percent.)

Staff assumes that the amount of anticipated cost avoidance comes from the number of monthly users, and how much it costs the state to cover those prescriptions. Currently, there are approximately 1,100 employees that use this coverage, and the state pays approximately \$1,280 per month per employee.

The department also used projections from Segal, the state’s actuary, to estimate the cost avoidance for FY 2025-26. Estimating costs from data collected from July 2024 through

<sup>1</sup> <https://www.cdc.gov/obesity/data-and-statistics/adult-obesity-prevalence-maps.html>

November 2024, the state is anticipated to incur a 1.2 percent loss, which equates to \$5,350,599 by the end of the current plan year. There are currently enough funds in the Group Benefits Reserve Fund to cover this projected shortfall, but a shortfall in and of itself is neither typical nor sustainable. If that projection holds, and the estimate for FY 2025-26 is correct, the Reserve Fund will be insolvent in three years absent any General Fund support.

GLP-1 prescription drugs are relatively new, and there is not much data to support the cost/benefit calculation for insurance coverage, but what staff was able to find seems to indicate that potential savings from improved health outcomes from taking these medications either does not exist or takes a long time to percolate through the system. According to a Reuters article from October 24, 2024, Prime Therapeutics studied the effect on the healthcare system over a two-year period, and concluded that either there is no savings benefit as a result of improved health or that it will take longer than two years for any benefits to be realized.<sup>2</sup>

Staff feels that without conclusive evidence of savings from improved health outcomes, and considering the budgetary outlook for Colorado, it would be prudent to discontinue coverage of GLP-1 prescription drugs for weight loss. If in the future it is shown that the health benefits outweigh the cost to the state, then coverage can be reinstated. Until then, however, it would be very costly to continue coverage of a medication that is unproven as far as cost/benefit is concerned.

## Recommendation

**Staff recommends that the Committee approve the Health, Life, and Dental appropriation request as outlined in the following table, including the State absorbing 100.0 percent of premium increases and removing coverage of GLP-1 prescription drugs from insurance plans.**

| Health, Life, and Dental - Request and Recommendation |                 |                 |               |                 |               |
|---|-----------------|-----------------|---------------|-----------------|---------------|
| Item  | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2025-26 Estimated Salary Base                      | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation                              |                 |                 |               |                 |               |
| Health, Life, Dental                                  | \$443,809,807   | \$246,229,436   | \$105,569,620 | \$42,499,255    | \$49,511,496  |
| FY 2025-26 Request and Recommendation                 |                 |                 |               |                 |               |
| Health, Life, Dental                                  | \$500,005,721   | \$276,940,134   | \$119,698,839 | \$48,676,037    | \$54,690,711  |
| Percent of Salary Base                                | 16.1%           | 16.3%           | 16.0%         | 14.8%           | 16.3%         |
| Increase/-Decrease                                    | \$56,195,914    | \$30,710,698    | \$14,129,219  | \$6,176,782     | \$5,179,215   |
| Percent Change  | 12.7%           | 12.5%           | 13.4%         | 14.5%           | 10.5%         |
| HLD Increase on Salary Base                           | 1.8%            | 1.8%            | 1.9%          | 1.9%            | 1.5%          |

<sup>2</sup> <https://www.reuters.com/business/healthcare-pharmaceuticals/weight-loss-drugs-didnt-curb-health-costs-within-two-years-data-show-2024-10-24/>

➔ SHORT TERM DISABILITY

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

Request

The FY 2025-26 request is for short-term disability funding at a rate of 0.07 percent of revised base salaries. This is lower than previous years, where STD was requested at 0.15 percent. The reason for the decrease for FY 2025-26 is because the State’s insurance provider, Unum, did an actuarial review of claims data following the implementation of the paid PFML program and offered a 53.0% rate reduction beginning in FY 2025-26, representing a decrease of \$2,280,506 total funds compared to the November 1 request. The request for FY 2025-26 is for \$2.0 million total funds, including \$1.1 million General Fund.

Recommendation

**Staff recommends that the Committee approve short-term disability funding at a rate of 0.07 percent of revised base salary and appropriations as estimated in the following table.**

| Short Term Disability - Request and Recommendation |                 |                 |               |                 |               |
|--|-----------------|-----------------|---------------|-----------------|---------------|
| Item   | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2025-26 Estimated Salary Base                   | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation                           |                 |                 |               |                 |               |
| Short-term Disability                              | \$4,058,811     | \$2,234,415     | \$940,724     | \$431,527       | \$452,145     |
| FY 2025-26 Request                                 |                 |                 |               |                 |               |
| Short-term Disability                              | \$2,016,735     | \$1,111,884     | \$477,046     | \$211,677       | \$216,128     |
| Percent of Salary Base                             | 0.1%            | 0.1%            | 0.1%          | 0.1%            | 0.1%          |
| Increase/-Decrease                                 | -\$2,042,077    | -\$1,122,532    | -\$463,678    | -\$219,850      | -\$236,017    |
| Percent Change                                     | -50.3%          | -50.2%          | -49.3%        | -50.9%          | -52.2%        |
| FY 2025-26 Recommendation                          |                 |                 |               |                 |               |
| Short-term Disability                              | \$2,014,948     | \$1,110,097     | \$477,046     | \$211,677       | \$216,128     |
| Percent of Salary Base                             | 0.1%            | 0.1%            | 0.1%          | 0.1%            | 0.1%          |
| Increase/-Decrease                                 | -\$2,043,864    | -\$1,124,319    | -\$463,678    | -\$219,850      | -\$236,017    |
| Percent Change                                     | -50.36%         | -50.32%         | -49.29%       | -50.95%         | -52.20%       |
| Recommendation difference from Request             | -\$1,787        | -\$1,787        | \$0           | \$0             | \$0           |

➔ PAID FAMILY AND MEDICAL LEAVE INSURANCE

Colorado Proposition 118, Paid Family Medical Leave Initiative, was approved by voters in November 2020 and created a paid family and medical leave insurance program for all Colorado employees administered by the Colorado Department of Labor and Employment. This 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. It began financing up to 12 weeks of paid family and medical leave to eligible employees beginning January 1, 2024.

## Request

The FY 2025-26 request is for paid family and medical leave insurance funding at a rate of 0.45 percent of revised base salaries. The request is for \$13.0 million total funds, including \$7.1 million General Fund.

## Recommendation

**Staff recommends that the Committee approve paid family and medical leave insurance funding at a rate of 0.45 percent of revised base salary and appropriations as estimated in the following table.**

| Paid Family Medical Leave Insurance - Request and Recommendation |                 |                 |               |                 |               |
|--|-----------------|-----------------|---------------|-----------------|---------------|
| Item   | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2025-26 Estimated Salary Base                                 | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation   |                 |                 |               |                 |               |
| Paid Family Medical Leave Insurance                              | \$12,176,430    | \$6,703,242     | \$2,822,174   | \$1,294,577     | \$1,356,437   |
| FY 2025-26 Request   |                 |                 |               |                 |               |
| Paid Family Medical Leave Insurance                              | \$12,950,873    | \$7,134,793     | \$3,066,713   | \$1,359,968     | \$1,389,400   |
| PFML Percent of Salary Base                                      | 0.4%            | 0.4%            | 0.4%          | 0.4%            | 0.4%          |
| Increase/-Decrease   | \$774,443       | \$431,550       | \$244,539     | \$65,391        | \$32,963      |
| Percent Change   | 6.4%            | 6.4%            | 8.7%          | 5.1%            | 2.4%          |
| FY 2025-26 Recommendation  |                 |                 |               |                 |               |
| Paid Family Medical Leave Insurance                              | \$12,939,384    | \$7,123,304     | \$3,066,713   | \$1,359,968     | \$1,389,400   |
| PFML Approp. Percent of Salary Base                              | 0.4%            | 0.4%            | 0.4%          | 0.4%            | 0.4%          |
| Increase/-Decrease   | \$762,954       | \$420,062       | \$244,539     | \$65,391        | \$32,963      |
| Percent Change   | 6.27%           | 6.27%           | 8.66%         | 5.05%           | 2.43%         |
| Recommendation difference from Request                           | -\$11,488       | -\$11,488       | \$0           | \$0             | \$0           |

## (3) Other Non-salary/Non-benefit Components

Other non-salary/non-benefit components include budget items which are tied or associated with compensation, salary, or payroll, but that are not employee compensation or benefits.

Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED) – which were combined into a single line item in the FY 2024-25 Long Bill called Unfunded Liability Amortization Equalization Disbursement (ULAED) – are calculated on revised base salary, which includes base salary, salary survey, step pay, and shift differential. They are commonly considered part of the total compensation package because payment amounts are calculated on total salary. However, these payments are amortization payments for PERA's unfunded liabilities and do not represent current employee compensation. Nevertheless, as created in statute and by federal pension fund rules, SAED contributions are structured as employee compensation and represent salary increases foregone by employees; i.e., SAED reflects an amount that would otherwise be reflected and located in base salary.

## Decision Items – PERA Amortization Payments

### → UNFUNDED LIABILITY AMORTIZATION EQUALIZATION DISBURSEMENT (ULAED)

The following descriptions define the two components of ULAED – AED and SAED – that were combined into a single line item in the FY 2024-25 Long Bill.

#### Amortization Equalization Disbursement (AED)

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

#### Supplemental Amortization Equalization Disbursement (SAED)

Similar to the AED line item, the Supplemental Amortization Equalization Disbursement (SAED) line item increases contributions to PERA to amortize the unfunded liability. By statute, the SAED rate increased 0.5 percent each calendar year until it reached the maximum contribution rate of 5.0 percent for CY 2017, except for judges where the state contribution remained constant at 1.5 percent until H.B. 17-1265 (*PERA Judicial Division Total Employer Contribution*) enacted increases to 3.4, 3.8, 4.2, 4.6, and 5.0 percent in each succeeding year beginning in calendar year 2019. Although the SAED payment is made by the State, statute specifies that funding is to come from money that would have otherwise gone to state employees as part of

salary increases, pursuant to Section 24-51-411 (10), C.R.S., and if paid as salary increases would appear in the salary base.

## Request

The FY 2025-26 request is based on the statutory rate of 5.0 percent for state employees and judges applied to the revised base salary for each component, bringing the total to 10.0 percent. The request is for \$287.8 million total funds, including \$158.6 million General Fund.

## Recommendation

**Staff recommends that the Committee approve the recommended amounts calculated using the statutory rate and appropriations estimated in the consolidated line item table below.**

### → 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 allocation is not created in statute as a calculation on payroll but is structured exclusively as a non-statutory budget process so that allocation to agency and fund source should match AED/SAED proportions.

The executive branch submits this as an operating common policy. Operating common policies are services provided to state agencies by a centralized service provider. There is no service provided for the PERA Direct Distribution common policy payment. Therefore, JBC staff reflects this item as a compensation common policy for PERA amortization payments for the unfunded liability, primarily due to its similarity and connection to AED and SAED policy.

House Bill 22-1029 (Compensatory Direct Distribution to PERA) required an immediate \$380.0 million payment from the PERA Payment Cash Fund to PERA and included a mechanism to reduce the scheduled direct distribution payments in FY 2023-24 and FY 2024-25 depending on the rate of return of the amount in the cash fund. The payment for FY 2023-24 was reduced by \$190.0 million, resulting in a direct distribution payment of \$35.0 million. In FY 2024-25, the full \$225.0 million payment was made because the rate of return from CY 2023 was less than zero.

The request for the FY 2025-26 payment is \$225.0 million and the common policy allocation amount is outlined in the following table.

| PERA Direct Distribution Calculation |  |
|--------------------------------------|--|
|                                      | 2023 Covered payroll<br>from PERA CAFR |
| State Division                       | \$3,576,200,794                        |
| School Division                      | 6,176,712,495                          |
| Local Government Division            | 843,453,258                            |
| Judicial Division                    | 60,606,139                             |
| DPS Division                         | 894,245,013                            |
| Total                                | \$11,551,217,699                       |



| PERA Direct Distribution Calculation                          |  |
|---|--|
|   | 2023 Covered payroll<br>from PERA CAFR |
| Total Excluding Local Government Division                     | 10,707,764,441                         |
| Total Gross Payroll FY 2023-24                                | \$2,872,184,012                        |
| Percent of Gross Payroll to Allocate Across State Departments | 26.82%                                 |
| Total Direct Distribution (less H.B. 22-1029)                 | \$225,000,000                          |
| <b>Total to Allocate Across State Departments</b>             | <b>\$60,352,598</b>                    |

## Request

The FY 2025-26 request is for \$60.4 million total funds, including \$33.2 million General Fund, \$16.4 million cash funds, \$8.3 million reappropriated funds, and \$2.4 million federal funds.

## Recommendation

Staff recommends approval of the amounts outlined in the following table.

| PERA Direct Distribution - Recommended State Agency Appropriations |                     |                     |                     |                    |                    |
|--|---------------------|---------------------|---------------------|--------------------|--------------------|
| Item   | Total Funds         | General Fund        | Cash Funds          | Reapprop. Funds    | Federal Funds      |
| Agriculture  | \$515,620           | \$169,252           | \$346,368           | \$0                | \$0                |
| Corrections  | 9,667,386           | 9,546,192           | 121,194             | 0                  | 0                  |
| Early Childhood  | 434,604             | 188,394             | 84,847              | 45,471             | 115,892            |
| Education  | 1,293,178           | 964,050             | 191,592             | 137,536            | 0                  |
| Governor's Office  | 2,961,558           | 481,831             | 205,679             | 2,274,049          | 0                  |
| Health Care Policy and Financing                                   | 1,638,429           | 663,316             | 118,817             | 0                  | 856,295            |
| Higher Education - Admin & Hist.CO                                 | 543,716             | 215,554             | 238,450             | 0                  | 89,712             |
| Human Services   | 7,379,119           | 4,980,905           | 0                   | 2,398,214          | 0                  |
| Judicial   | 9,040,127           | 8,398,624           | 641,503             | 0                  | 0                  |
| Labor and Employment   | 2,553,224           | 221,087             | 1,270,816           | 15,644             | 1,045,677          |
| Law  | 1,521,259           | 405,753             | 210,956             | 904,549            | 0                  |
| Legislature  | 826,446             | 826,446             | 0                   | 0                  | 0                  |
| Local affairs  | 494,910             | 237,310             | 84,921              | 87,591             | 85,088             |
| Military and Veterans Affairs                                      | 285,382             | 115,717             | 5,497               | 0                  | 164,169            |
| Natural Resources  | 3,250,765           | 443,709             | 2,641,391           | 106,099            | 59,567             |
| Personnel  | 749,086             | 340,842             | 21,956              | 386,288            | 0                  |
| Public Health and Environment                                      | 3,727,321           | 2,272,176           | 0                   | 1,455,145          | 0                  |
| Public Safety  | 4,279,995           | 1,562,075           | 2,328,954           | 388,966            | 0                  |
| Regulatory Agencies  | 1,114,382           | 26,585              | 971,626             | 92,188             | 23,983             |
| Revenue  | 2,358,908           | 1,132,328           | 1,226,580           | 0                  | 0                  |
| State  | 279,279             | 0                   | 279,279             | 0                  | 0                  |
| Transportation   | 5,350,128           | 0                   | 5,350,128           | 0                  | 0                  |
| Treasury   | 87,776              | 57,606              | 30,170              | 0                  | 0                  |
| <b>TOTAL</b>   | <b>\$60,352,598</b> | <b>\$33,249,752</b> | <b>\$16,370,724</b> | <b>\$8,291,739</b> | <b>\$2,440,382</b> |

The following table outlines the request and recommendation for all PERA Amortization Payments.

Staff Working Document – Does Not Represent Committee Decision

| PERA Amortization Payments - Request and Recommendation |                 |                 |               |                 |               |
|---|-----------------|-----------------|---------------|-----------------|---------------|
| Item  | Total Funds     | General Fund    | Cash Funds    | Reapprop. Funds | Federal Funds |
| FY 2025-26 Estimated Salary Base                        | \$3,113,910,091 | \$1,703,703,908 | \$746,902,034 | \$328,715,267   | \$334,588,882 |
| FY 2024-25 Appropriation                                |                 |                 |               |                 |               |
| ULAED   | \$270,587,333   | \$148,960,943   | \$62,714,970  | \$28,768,380    | \$30,143,040  |
| PERA Direct Distribution                                | 59,628,853      | 33,133,011      | 17,070,283    | 7,215,859       | 2,209,700     |
| Subtotal - PERA Amortization Payments                   | \$330,216,186   | \$182,093,954   | \$79,785,253  | \$35,984,239    | \$32,352,740  |
| FY 2025-26 Request                                      |                 |                 |               |                 |               |
| ULAED   | \$287,797,131   | \$158,550,898   | \$68,149,182  | \$30,221,507    | \$30,875,544  |
| PERA Direct Distribution                                | 60,352,598      | 33,249,752      | 16,370,724    | 8,291,739       | 2,440,382     |
| Subtotal - PERA Amortization Payments                   | \$348,149,729   | \$191,800,650   | \$84,519,906  | \$38,513,246    | \$33,315,926  |
| Percent of Salary Base                                  | 11.2%           | 11.3%           | 11.3%         | 11.7%           | 10.0%         |
| Increase/-Decrease                                      | \$17,933,543    | \$9,706,696     | \$4,734,653   | \$2,529,007     | \$963,186     |
| Percent Change  | 5.4%            | 5.3%            | 5.9%          | 7.0%            | 3.0%          |
| PERA Amort. Payments Increase on Salary Base            | 0.6%            | 0.6%            | 0.6%          | 0.8%            | 0.3%          |
| FY 2025-26 Recommendation                               |                 |                 |               |                 |               |
| ULAED   | \$287,541,831   | \$158,295,598   | \$68,149,182  | \$30,221,507    | \$30,875,544  |
| PERA Direct Distribution                                | 60,352,598      | 33,249,752      | 16,370,724    | 8,291,739       | 2,440,382     |
| Subtotal - PERA Amortization Payments                   | \$347,894,429   | \$191,545,350   | \$84,519,906  | \$38,513,246    | \$33,315,926  |
| PERA Amort. Approp. Percent of Salary Base              | 11.2%           | 11.2%           | 11.3%         | 11.7%           | 10.0%         |
| Increase/-Decrease                                      | \$17,678,243    | \$9,451,396     | \$4,734,653   | \$2,529,007     | \$963,186     |
| Percent Change  | 5.4%            | 5.2%            | 5.9%          | 7.0%            | 3.0%          |
| PERA Amort. Payments Increase on Salary Base            | 0.6%            | 0.6%            | 0.6%          | 0.8%            | 0.3%          |
| Recommendation difference from Request                  | -\$255,300      | -\$255,300      | \$0           | \$0             | \$0           |

## (4) Summary of Compensation Components

| Summary of All Statewide Compensation and PERA Amortization Components |                        |                      |                      |                      |                      |
|--|------------------------|----------------------|----------------------|----------------------|----------------------|
| Item   | Total Funds            | General Fund         | Cash Funds           | Reapprop. Funds      | Federal Funds        |
| <b>FY 2024-25 Appropriation</b>  |                        |                      |                      |                      |                      |
| Shift Differential   | 33,231,000             | 27,981,403           | 1,932,384            | 2,262,289            | 1,054,924            |
| Salary Survey  | 96,331,563             | 53,157,503           | 25,187,017           | 7,599,800            | 10,387,242           |
| Step Pay   | 88,290,480             | 52,467,429           | 17,822,558           | 9,158,014            | 8,842,479            |
| Health, Life, Dental   | 443,809,807            | 246,229,436          | 105,569,620          | 42,499,255           | 49,511,496           |
| Short-term Disability  | 4,058,811              | 2,234,415            | 940,724              | 431,527              | 452,145              |
| Paid Family Medical Leave Insurance                                    | 12,176,430             | 6,703,242            | 2,822,174            | 1,294,577            | 1,356,437            |
| ULAED  | 270,587,333            | 148,960,943          | 62,714,970           | 28,768,380           | 30,143,040           |
| PERA Direct Distribution   | 59,628,853             | 33,133,011           | 17,070,283           | 7,215,859            | 2,209,700            |
| <b>TOTAL</b>   | <b>\$1,008,114,278</b> | <b>\$570,867,384</b> | <b>\$234,059,730</b> | <b>\$99,229,700</b>  | <b>\$103,957,464</b> |
| <b>FY 2025-26 Request</b>  |                        |                      |                      |                      |                      |
| Shift Differential   | 37,948,879             | 28,616,615           | 2,297,917            | 2,647,416            | 4,386,931            |
| Salary Survey  | 80,750,586             | 43,124,101           | 20,080,222           | 8,907,303            | 8,638,960            |
| Step Pay   | 10,913,219             | 6,509,694            | 2,459,713            | 698,977              | 1,244,835            |
| Health, Life, Dental   | 500,005,721            | 276,940,134          | 119,698,839          | 48,676,037           | 54,690,711           |
| Short-term Disability  | 2,016,735              | 1,111,884            | 477,046              | 211,677              | 216,128              |
| Paid Family Medical Leave Insurance                                    | 12,950,873             | 7,134,793            | 3,066,713            | 1,359,968            | 1,389,400            |
| ULAED  | 287,797,131            | 158,550,898          | 68,149,182           | 30,221,507           | 30,875,544           |
| PERA Direct Distribution   | 60,352,598             | 33,249,752           | 16,370,724           | 8,291,739            | 2,440,382            |
| <b>TOTAL</b>   | <b>\$992,735,741</b>   | <b>\$555,237,871</b> | <b>\$232,600,356</b> | <b>\$101,014,623</b> | <b>\$103,882,891</b> |
| Increase/-Decrease   | -\$15,378,536          | -\$15,629,513        | -\$1,459,374         | \$1,784,923          | -\$74,572            |
| Percent Change   | -1.53%                 | -2.74%               | -0.62%               | 1.80%                | -0.07%               |
| <b>FY 2025-26 Recommendation</b>                                       |                        |                      |                      |                      |                      |
| Shift Differential   | 37,948,879             | 28,616,615           | 2,297,917            | 2,647,416            | 4,386,931            |
| Salary Survey  | 80,685,651             | 43,059,166           | 20,080,222           | 8,907,303            | 8,638,960            |
| Step Pay   | 10,913,219             | 6,509,694            | 2,459,713            | 698,977              | 1,244,835            |
| Health, Life, Dental   | 500,005,721            | 276,940,134          | 119,698,839          | 48,676,037           | 54,690,711           |
| Short-term Disability  | 2,014,948              | 1,110,097            | 477,046              | 211,677              | 216,128              |
| Paid Family Medical Leave Insurance                                    | 12,939,384             | 7,123,304            | 3,066,713            | 1,359,968            | 1,389,400            |
| ULAED  | 287,541,831            | 158,295,598          | 68,149,182           | 30,221,507           | 30,875,544           |
| PERA Direct Distribution   | 60,352,598             | 33,249,752           | 16,370,724           | 8,291,739            | 2,440,382            |
| <b>TOTAL</b>   | <b>\$992,402,230</b>   | <b>\$554,904,360</b> | <b>\$232,600,356</b> | <b>\$101,014,623</b> | <b>\$103,882,891</b> |
| Increase/-Decrease   | -\$15,712,047          | -\$15,963,024        | -\$1,459,374         | \$1,784,923          | -\$74,572            |
| Percent Change   | -1.56%                 | -2.80%               | -0.62%               | 1.80%                | -0.07%               |

## (5) Compensation Assumptions for New FTE

When estimating funding required for new FTE, JBC staff and Legislative Council (LCS) Fiscal Notes Staff generally use the same assumptions. The key components of the assumptions for compensation for new FTE include:

- Salaries at the minimum of the current year range for the job class unless sufficient evidence is provided to deviate from this policy. The evidence should include vacancy rates, time-to-fill data, and turnover rates.
- Salaries paid on a bi-weekly lag pay cycle.
- First-year impacts are prorated to reflect the effective date of the bill and reflect the payday shift for General Fund employees.
- FTE assumptions are based on a work year of 2,080 hours.
- Certain benefits and operating expenses are estimated, but excluded from the total cost identified in fiscal notes, including compensation POTS and some operating costs as follow:
  - Health, life, and dental;
  - Short-term disability;
  - AED and SAED; and
  - Leased space and indirect costs.
  - An exception to the exclusion is provided for increases of at least 20.0 new FTE in staff.

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

In the second year of operations, all excluded benefits and operating expenses are built into a department's budget through the normal budget processes. Costs for health, life, and dental insurance are re-estimated every year based on current enrollment. Similarly, the base salary assumptions that drive expenditures for short-term disability and ULAED are recalculated each year.

## Decision Items – Funding Assumptions for New FTE

### ➔ FUNDING ASSUMPTIONS FOR NEW FTE

#### Request

State agency request items generally estimate salaries for new FTE at the minimum of the current year range for the job class, with occasional exceptions with accompanying explanations and justifications, consistent with the JBC and LCS Fiscal Note assumptions.

However, Executive Branch requests generally include benefits, non-compensation components, and operating expenses that are excluded from the JBC and LCS Fiscal Note assumptions. In addition, some departments submit requests for funding based on bi-monthly payroll.

For FY 2025-26, state agency requests for positions funded through General Fund are being requested using a bi-weekly lag pay methodology as opposed to pay date shifted monthly current methodology.

## Recommendation

**Staff recommends following the above compensation assumption guidelines for funding requests for new FTE.**

## (6) Request and Recommendation Compensation Components by Department

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

| Health, Life, and Dental (HLD) - Requested and Recommended State Agency Appropriations |                      |                      |                      |                     |                     |
|--|----------------------|----------------------|----------------------|---------------------|---------------------|
| FY 2025-26 HLD   | Total Funds          | General Fund         | Cash Funds           | Reapprop. Funds     | Federal Funds       |
| Agriculture  | \$5,449,241          | \$1,625,728          | \$3,388,931          | \$0                 | \$434,582           |
| Corrections  | 88,501,125           | 87,278,317           | 1,222,808            | 0                   | 0                   |
| Early Childhood  | 4,726,587            | 1,959,632            | 1,002,418            | 416,916             | 1,347,621           |
| Education  | 10,427,646           | 4,358,510            | 1,664,203            | 1,026,050           | 3,378,883           |
| Governor's Office  | 22,885,091           | 2,537,917            | 1,870,308            | 17,301,921          | 1,174,945           |
| Health Care Policy and Financing   | 13,992,692           | 5,666,901            | 1,044,633            | 0                   | 7,281,158           |
| Higher Education   | 3,650,931            | 1,196,726            | 1,921,555            | 0                   | 532,650             |
| Human Services   | 70,547,784           | 42,248,345           | 3,935,212            | 11,045,853          | 13,318,373          |
| Judicial   | 84,159,856           | 78,582,460           | 5,489,752            | 87,644              | 0                   |
| Labor and Employment   | 27,598,476           | 2,367,972            | 13,645,769           | 134,202             | 11,450,533          |
| Law  | 10,384,644           | 2,471,602            | 1,705,319            | 5,941,757           | 265,967             |
| Legislature  | 6,053,114            | 6,053,114            | 0                    | 0                   | 0                   |
| Local affairs  | 3,718,656            | 1,702,954            | 743,349              | 543,918             | 728,435             |
| Military and Veterans Affairs  | 2,409,005            | 944,964              | 44,242               | 0                   | 1,419,799           |
| Natural Resources  | 29,302,418           | 4,285,970            | 23,632,974           | 916,431             | 467,044             |
| Personnel  | 6,727,820            | 2,633,371            | 187,443              | 3,907,005           | 0                   |
| Public Health and Environment  | 32,571,144           | 6,131,556            | 11,070,532           | 3,079,851           | 12,289,204          |
| Public Safety  | 36,542,147           | 12,670,102           | 20,034,075           | 3,410,116           | 427,854             |
| Regulatory Agencies  | 9,263,123            | 266,542              | 8,061,413            | 761,505             | 173,663             |
| Revenue  | 25,462,512           | 11,452,521           | 13,907,122           | 102,868             | 0                   |
| State  | 2,424,758            | 0                    | 2,424,758            | 0                   | 0                   |
| Transportation   | 2,372,359            | 0                    | 2,372,359            | 0                   | 0                   |
| Treasury   | 834,593              | 504,928              | 329,664              | 0                   | 0                   |
| <b>TOTAL</b>   | <b>\$500,005,721</b> | <b>\$276,940,134</b> | <b>\$119,698,839</b> | <b>\$48,676,037</b> | <b>\$54,690,711</b> |

| Short Term Disability - Recommended State Agency Appropriations |             |              |            |                 |               |
|---|-------------|--------------|------------|-----------------|---------------|
| FY 2025-26 STD  | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds |
| Agriculture   | \$21,242    | \$6,973      | \$12,700   | \$0             | \$1,569       |
| Corrections   | 315,394     | 311,440      | 3,954      | 0               | 0             |
| Early Childhood   | 17,153      | 7,435        | 3,349      | 1,795           | 4,574         |
| Education   | 43,790      | 17,808       | 6,488      | 4,657           | 14,837        |
| Governor's Office   | 110,751     | 12,578       | 7,894      | 84,406          | 5,873         |
| Health Care Policy and Financing                                | 58,469      | 23,671       | 4,240      | 0               | 30,558        |
| Higher Education  | 14,281      | 4,712        | 7,563      | 0               | 2,006         |
| Human Services  | 267,439     | 170,821      | 13,229     | 34,885          | 48,504        |
| Judicial  | 356,247     | 335,603      | 20,005     | 639             | 0             |
| Labor and Employment  | 100,435     | 8,697        | 49,990     | 615             | 41,133        |

Short Term Disability - Recommended State Agency Appropriations

| FY 2025-26 STD                | Total Funds        | General Fund       | Cash Funds       | Reapprop. Funds  | Federal Funds    |
|-------------------------------|--------------------|--------------------|------------------|------------------|------------------|
| Law                           | 58,188             | 14,127             | 8,069            | 34,599           | 1,393            |
| Legislature                   | 31,548             | 31,548             | 0                | 0                | 0                |
| Local affairs                 | 13,492             | 6,469              | 2,315            | 2,388            | 2,320            |
| Military and Veterans Affairs | 10,157             | 4,118              | 196              | 0                | 5,843            |
| Natural Resources             | 120,575            | 16,458             | 97,973           | 3,935            | 2,209            |
| Personnel                     | 26,588             | 12,098             | 779              | 13,711           | 0                |
| Public Health and Environment | 141,074            | 27,156             | 48,669           | 12,568           | 52,681           |
| Public Safety                 | 152,645            | 53,849             | 83,204           | 13,820           | 1,772            |
| Regulatory Agencies           | 39,778             | 949                | 34,682           | 3,291            | 856              |
| Revenue                       | 90,347             | 41,189             | 48,790           | 368              | 0                |
| State                         | 10,768             | 0                  | 10,768           | 0                | 0                |
| Transportation                | 10,933             | 0                  | 10,933           | 0                | 0                |
| Treasury                      | 3,654              | 2,398              | 1,256            | 0                | 0                |
| <b>TOTAL</b>                  | <b>\$2,014,948</b> | <b>\$1,110,097</b> | <b>\$477,046</b> | <b>\$211,677</b> | <b>\$216,128</b> |

ULAED - Recommended State Agency Appropriations

| FY 2025-26 ULAED                 | Total Funds          | General Fund         | Cash Funds          | Reapprop. Funds     | Federal Funds       |
|----------------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| Agriculture                      | \$3,034,538          | \$996,085            | \$1,814,296         | \$13                | \$224,144           |
| Corrections                      | 45,056,296           | 44,491,465           | 564,831             | 0                   | 0                   |
| Early Childhood                  | 2,450,376            | 1,062,199            | 478,385             | 256,374             | 653,418             |
| Education                        | 6,255,839            | 2,544,065            | 926,839             | 665,340             | 2,119,595           |
| Governor's Office                | 15,821,587           | 1,796,841            | 1,127,699           | 12,058,006          | 839,041             |
| Health Care Policy and Financing | 8,352,740            | 3,381,599            | 605,733             | 0                   | 4,365,408           |
| Higher Education                 | 2,040,033            | 673,063              | 1,080,452           | 0                   | 286,518             |
| Human Services                   | 38,205,536           | 24,402,945           | 1,889,831           | 4,983,570           | 6,929,190           |
| Judicial                         | 50,584,672           | 47,653,619           | 2,857,858           | 73,195              | 0                   |
| Labor and Employment             | 14,347,869           | 1,242,399            | 7,141,364           | 87,912              | 5,876,194           |
| Law                              | 8,312,502            | 2,018,121            | 1,152,712           | 4,942,662           | 199,007             |
| Legislature                      | 4,506,894            | 4,506,894            | 0                   | 0                   | 0                   |
| Local affairs                    | 1,927,383            | 924,183              | 330,717             | 341,115             | 331,368             |
| Military and Veterans Affairs    | 1,450,964            | 588,336              | 27,946              | 0                   | 834,682             |
| Natural Resources                | 17,225,061           | 2,351,112            | 13,996,127          | 562,192             | 315,630             |
| Personnel                        | 3,798,303            | 1,728,267            | 111,331             | 1,958,705           | 0                   |
| Public Health and Environment    | 20,153,419           | 3,879,380            | 6,952,757           | 1,795,412           | 7,525,870           |
| Public Safety                    | 21,806,493           | 7,692,732            | 11,886,261          | 1,974,317           | 253,183             |
| Regulatory Agencies              | 5,682,473            | 135,565              | 4,954,528           | 470,084             | 122,296             |
| Revenue                          | 12,906,803           | 5,884,150            | 6,970,043           | 52,610              | 0                   |
| State                            | 1,538,256            | 0                    | 1,538,256           | 0                   | 0                   |
| Transportation                   | 1,561,799            | 0                    | 1,561,799           | 0                   | 0                   |
| Treasury                         | 521,995              | 342,578              | 179,417             | 0                   | 0                   |
| <b>TOTAL</b>                     | <b>\$287,541,831</b> | <b>\$158,295,598</b> | <b>\$68,149,182</b> | <b>\$30,221,507</b> | <b>\$30,875,544</b> |

| Salary Survey - Recommended State Agency Appropriations |                     |                     |                     |                    |                    |
|---|---------------------|---------------------|---------------------|--------------------|--------------------|
| FY 2025-26 Salary Survey                                | Total Funds         | General Fund        | Cash Funds          | Reapprop. Funds    | Federal Funds      |
| Agriculture   | \$848,437           | \$278,540           | \$507,578           | \$0                | \$62,319           |
| Corrections   | 12,064,271          | 11,906,137          | 158,134             | 0                  | 0                  |
| Early Childhood   | 685,167             | 297,581             | 132,862             | 71,303             | 183,421            |
| Education   | 1,702,775           | 666,020             | 258,052             | 187,022            | 591,681            |
| Governor's Office                                       | 4,456,041           | 507,053             | 317,940             | 3,394,466          | 236,582            |
| Health Care Policy and Financing                        | 2,317,119           | 937,812             | 168,031             | 0                  | 1,211,276          |
| Higher Education  | 585,171             | 199,864             | 304,241             | 0                  | 81,066             |
| Human Services  | 10,356,525          | 6,662,777           | 523,447             | 1,343,387          | 1,826,914          |
| Judicial  | 14,424,704          | 13,571,279          | 832,785             | 20,641             | 0                  |
| Labor and Employment                                    | 4,403,475           | 421,986             | 2,009,817           | 24,565             | 1,947,107          |
| Law   | 3,208,134           | 768,170             | 383,268             | 1,986,077          | 70,619             |
| Legislature   | 1,271,184           | 1,271,184           | 0                   | 0                  | 0                  |
| Local affairs   | 541,170             | 258,971             | 92,820              | 95,431             | 93,948             |
| Military and Veterans Affairs                           | 414,819             | 167,460             | 7,923               | 0                  | 239,436            |
| Natural Resources                                       | 4,829,458           | 665,201             | 3,919,123           | 157,895            | 87,239             |
| Personnel   | 1,062,607           | 480,921             | 30,839              | 550,847            | 0                  |
| Public Health and Environment                           | 5,606,593           | 1,083,863           | 1,932,556           | 501,242            | 2,088,932          |
| Public Safety   | 7,584,279           | 2,282,836           | 4,595,817           | 631,158            | 74,468             |
| Regulatory Agencies                                     | 1,589,798           | 38,017              | 1,384,663           | 133,072            | 34,046             |
| Revenue   | 3,638,100           | 1,652,794           | 1,970,586           | 14,720             | 0                  |
| State   | 428,626             | 0                   | 428,626             | 0                  | 0                  |
| Transportation  | 438,914             | 0                   | 438,914             | 0                  | 0                  |
| Treasury  | 147,622             | 98,002              | 49,620              | 0                  | 0                  |
| <b>TOTAL</b>  | <b>\$82,604,990</b> | <b>\$44,216,468</b> | <b>\$20,447,642</b> | <b>\$9,111,826</b> | <b>\$8,829,054</b> |

| Step Increases - Recommended State Agency Appropriations |             |              |            |                 |               |
|--|-------------|--------------|------------|-----------------|---------------|
| FY 2025-26 Step Increases                                | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds |
| Agriculture  | \$142,728   | \$42,557     | \$94,591   | \$0             | \$5,580       |
| Corrections  | 2,965,421   | \$2,940,413  | \$25,008   | \$0             | \$0           |
| Early Childhood  | 103,887     | \$51,307     | \$10,378   | \$6,661         | \$35,541      |
| Education  | 377,595     | \$144,466    | \$56,999   | \$37,338        | \$138,792     |
| Governor's Office  | 1,070,034   | \$126,832    | \$76,396   | \$809,592       | \$57,214      |
| Health Care Policy and Financing                         | 151,359     | \$58,370     | \$10,885   | \$0             | \$82,104      |
| Higher Education   | 131,675     | \$43,932     | \$68,502   | \$0             | \$19,241      |
| Human Services   | 2,272,768   | \$1,651,181  | \$155,850  | \$250,808       | \$214,929     |
| Judicial   | 3,525,178   | \$3,347,315  | \$172,872  | \$4,992         | \$0           |
| Labor and Employment                                     | 1,388,159   | \$127,523    | \$420,371  | \$3,658         | \$836,607     |
| Law  | 487,416     | \$101,123    | \$57,793   | \$324,257       | \$4,243       |
| Legislature  | 233,498     | \$233,498    | \$0        | \$0             | \$0           |
| Local affairs  | 106,256     | \$45,232     | \$17,807   | \$15,020        | \$28,197      |
| Military and Veterans Affairs                            | 123,286     | \$55,488     | \$2,289    | \$0             | \$65,509      |
| Natural Resources  | 830,983     | \$168,947    | \$634,426  | \$27,610        | \$0           |
| Personnel  | 188,525     | \$47,621     | \$1,540    | \$139,364       | \$0           |
| Public Health and Environment                            | 524,200     | \$148,876    | \$163,045  | \$66,576        | \$145,703     |
| Public Safety  | 534,990     | \$206,051    | \$253,056  | \$72,831        | \$3,052       |
| Regulatory Agencies                                      | 250,219     | \$5,255      | \$215,413  | \$17,856        | \$11,695      |



Step Increases - Recommended State Agency Appropriations

| FY 2025-26 Step Increases | Total Funds         | General Fund       | Cash Funds         | Reapprop. Funds    | Federal Funds      |
|---------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue                   | 863,127             | \$328,160          | \$532,804          | \$2,163            | \$0                |
| State                     | 48,752              | \$0                | \$48,752           | \$0                | \$0                |
| Transportation            | 90,387              | \$0                | \$90,387           | \$0                | \$0                |
| Treasury                  | 40,364              | \$38,777           | \$1,587            | \$0                | \$0                |
| <b>TOTAL</b>              | <b>\$16,450,807</b> | <b>\$9,912,924</b> | <b>\$3,110,751</b> | <b>\$1,778,726</b> | <b>\$1,648,407</b> |

Shift Differential - Requested and Recommended State Agency Appropriations

| FY 2025-26 Shift Differential    | Total Funds         | General Fund        | Cash Funds         | Reapprop. Funds    | Federal Funds      |
|----------------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| Agriculture                      | \$56,448            | \$860               | \$55,402           | \$146              | \$40               |
| Corrections                      | 22,273,865          | 22,243,777          | 30,088             | 0                  | 0                  |
| Early Childhood                  | 81                  | 69                  | 12                 | 0                  | 0                  |
| Education                        | 75,298              | 75,298              | 0                  | 0                  | 0                  |
| Governor's Office                | 179,163             | 0                   | 0                  | 179,163            | 0                  |
| Health Care Policy and Financing | 0                   | 0                   | 0                  | 0                  | 0                  |
| Higher Education                 | 6,497               | 0                   | 6,497              | 0                  | 0                  |
| Human Services                   | 13,236,261          | 5,994,152           | 528,511            | 2,326,707          | 4,386,891          |
| Judicial                         | 608                 | 608                 | 0                  | 0                  | 0                  |
| Labor and Employment             | 0                   | 0                   | 0                  | 0                  | 0                  |
| Law                              | 0                   | 0                   | 0                  | 0                  | 0                  |
| Legislature                      | 0                   | 0                   | 0                  | 0                  | 0                  |
| Local affairs                    | 0                   | 0                   | 0                  | 0                  | 0                  |
| Military and Veterans Affairs    | 0                   | 0                   | 0                  | 0                  | 0                  |
| Natural Resources                | 507,624             | 0                   | 507,624            | 0                  | 0                  |
| Personnel                        | 81,173              | 0                   | 0                  | 81,173             | 0                  |
| Public Health and Environment    | 0                   | 0                   | 0                  | 0                  | 0                  |
| Public Safety                    | 1,337,423           | 301,851             | 975,345            | 60,227             | 0                  |
| Regulatory Agencies              | 0                   | 0                   | 0                  | 0                  | 0                  |
| Revenue                          | 194,438             | 0                   | 194,438            | 0                  | 0                  |
| State                            | 0                   | 0                   | 0                  | 0                  | 0                  |
| Transportation                   | 0                   | 0                   | 0                  | 0                  | 0                  |
| Treasury                         | 0                   | 0                   | 0                  | 0                  | 0                  |
| <b>TOTAL</b>                     | <b>\$37,948,879</b> | <b>\$28,616,615</b> | <b>\$2,297,917</b> | <b>\$2,647,416</b> | <b>\$4,386,931</b> |

Paid Family Medical Leave Insurance - Requested and Recommended State Agency Appropriations

| FY 2025-26 Paid Family Leave     | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds |
|----------------------------------|-------------|--------------|------------|-----------------|---------------|
| Agriculture                      | \$136,554   | \$44,824     | \$81,643   | \$1             | \$10,086      |
| Corrections                      | 2,027,533   | 2,002,116    | 25,417     | 0               | 0             |
| Early Childhood                  | 110,267     | 47,799       | 21,527     | 11,537          | 29,404        |
| Education                        | 281,513     | 114,483      | 41,708     | 29,940          | 95,382        |
| Governor's Office                | 711,971     | 80,858       | 50,746     | 542,610         | 37,757        |
| Health Care Policy and Financing | 375,873     | 152,172      | 27,258     | 0               | 196,443       |
| Higher Education                 | 91,801      | 30,288       | 48,620     | 0               | 12,893        |
| Human Services                   | 1,719,249   | 1,098,133    | 85,042     | 224,261         | 311,814       |

| Paid Family Medical Leave Insurance - Requested and Recommended State Agency Appropriations |                     |                    |                    |                    |                    |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|
| FY 2025-26 Paid Family Leave  | Total Funds         | General Fund       | Cash Funds         | Reapprop. Funds    | Federal Funds      |
| Judicial  | 2,276,310           | 2,144,413          | 128,604            | 3,294              | 0                  |
| Labor and Employment  | 645,654             | 55,908             | 321,361            | 3,956              | 264,429            |
| Law   | 374,063             | 90,815             | 51,872             | 222,420            | 8,955              |
| Legislature   | 202,810             | 202,810            | 0                  | 0                  | 0                  |
| Local affairs   | 86,732              | 41,588             | 14,882             | 15,350             | 14,912             |
| Military and Veterans Affairs   | 65,293              | 26,475             | 1,258              | 0                  | 37,561             |
| Natural Resources   | 775,128             | 105,800            | 629,826            | 25,299             | 14,203             |
| Personnel   | 170,924             | 77,772             | 5,010              | 88,142             | 0                  |
| Public Health and Environment   | 906,904             | 174,572            | 312,874            | 80,794             | 338,664            |
| Public Safety   | 981,294             | 346,175            | 534,882            | 88,844             | 11,393             |
| Regulatory Agencies   | 255,711             | 6,100              | 222,954            | 21,154             | 5,503              |
| Revenue   | 580,806             | 264,787            | 313,652            | 2,367              | 0                  |
| State   | 69,222              | 0                  | 69,222             | 0                  | 0                  |
| Transportation  | 70,281              | 0                  | 70,281             | 0                  | 0                  |
| Treasury  | 23,490              | 15,416             | 8,074              | 0                  | 0                  |
| <b>TOTAL</b>  | <b>\$12,939,384</b> | <b>\$7,123,304</b> | <b>\$3,066,713</b> | <b>\$1,359,968</b> | <b>\$1,389,400</b> |

| PERA Direct Distribution - Recommended State Agency Appropriations |                     |                     |                     |                    |                    |
|--|---------------------|---------------------|---------------------|--------------------|--------------------|
| Item   | Total Funds         | General Fund        | Cash Funds          | Reapprop. Funds    | Federal Funds      |
| Agriculture  | \$515,620           | \$169,252           | \$346,368           | \$0                | \$0                |
| Corrections  | 9,667,386           | 9,546,192           | 121,194             | 0                  | 0                  |
| Early Childhood  | 434,604             | 188,394             | 84,847              | 45,471             | 115,892            |
| Education  | 1,293,178           | 964,050             | 191,592             | 137,536            | 0                  |
| Governor's Office  | 2,961,558           | 481,831             | 205,679             | 2,274,049          | 0                  |
| Health Care Policy and Financing                                   | 1,638,429           | 663,316             | 118,817             | 0                  | 856,295            |
| Higher Education   | 543,716             | 215,554             | 238,450             | 0                  | 89,712             |
| Human Services   | 7,379,119           | 4,980,905           | 0                   | 2,398,214          | 0                  |
| Judicial   | 9,040,127           | 8,398,624           | 641,503             | 0                  | 0                  |
| Labor and Employment   | 2,553,224           | 221,087             | 1,270,816           | 15,644             | 1,045,677          |
| Law  | 1,521,259           | 405,753             | 210,956             | 904,549            | 0                  |
| Legislature  | 826,446             | 826,446             | 0                   | 0                  | 0                  |
| Local affairs  | 494,910             | 237,310             | 84,921              | 87,591             | 85,088             |
| Military and Veterans Affairs                                      | 285,382             | 115,717             | 5,497               | 0                  | 164,169            |
| Natural Resources  | 3,250,765           | 443,709             | 2,641,391           | 106,099            | 59,567             |
| Personnel  | 749,086             | 340,842             | 21,956              | 386,288            | 0                  |
| Public Health and Environment                                      | 3,727,321           | 2,272,176           | 0                   | 1,455,145          | 0                  |
| Public Safety  | 4,279,995           | 1,562,075           | 2,328,954           | 388,966            | 0                  |
| Regulatory Agencies  | 1,114,382           | 26,585              | 971,626             | 92,188             | 23,983             |
| Revenue  | 2,358,908           | 1,132,328           | 1,226,580           | 0                  | 0                  |
| State  | 279,279             | 0                   | 279,279             | 0                  | 0                  |
| Transportation   | 5,350,128           | 0                   | 5,350,128           | 0                  | 0                  |
| Treasury   | 87,776              | 57,606              | 30,170              | 0                  | 0                  |
| <b>TOTAL</b>   | <b>\$60,352,598</b> | <b>\$33,249,752</b> | <b>\$16,370,724</b> | <b>\$8,291,739</b> | <b>\$2,440,382</b> |

# Long Bill Footnotes

## Long Bill Footnotes

There are no recommended statewide compensation policy Long Bill footnotes for FY 2025-26.

## Requests for Information

Staff recommends **continuing** the following request for information.

N 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?