

Joint Budget Committee Staff FY 2025-26 Budget Briefing Summary

Statewide Compensation and PERA

Statewide compensation refers to state employee salary and benefit costs. Compensation common policies are funded through a group of centrally appropriated line items generally found in each department’s Executive Director’s Office. The annual budget request for total compensation is driven by employee salaries, benefit elections, requested policy changes, and statutory contributions for PERA payments for the unfunded liability. The statewide FY 2024-25 appropriation for: the estimated salary base represents approximately 8.8 percent of statewide operating General Fund appropriations; standard PERA and Medicare represent approximately 1.2 percent of statewide operating General Fund appropriations; compensation common policies represents approximately 2.4 percent of statewide operating General Fund appropriations; and PERA payments for the unfunded liability (AED, SAED, and PERA Direct Distribution) represent approximately 1.1 percent of statewide operating General Fund appropriations.

Summary of Request

Salary Base, Compensation Common Policies, and PERA Payroll Components

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2024-25 Appropriation					
Base Salary Estimate	\$2,564,593,004	\$1,404,844,396	\$602,479,877	\$275,834,706	\$281,434,025
PERA	305,010,405	168,398,173	71,571,033	32,311,865	32,729,334
Medicare (FICA)	36,172,562	19,698,118	8,501,356	3,877,904	4,095,184
Shift Differential	33,231,000	27,981,403	1,932,384	2,262,289	1,054,924
Salary Survey	193,027,309	109,017,890	43,984,039	20,217,682	19,807,698
Minimum Wage	114,578	15,317	89,605	4,144	5,512
Health, Life, Dental	458,180,656	253,044,436	107,469,482	42,610,045	55,056,693
Short-term Disability	4,058,811	2,234,415	940,724	431,527	452,145
Paid Family Leave and Medical Insurance	12,399,070	6,794,353	2,843,136	1,294,506	1,467,074
AED	135,293,667	74,480,472	31,357,485	14,384,190	15,071,520
SAED	135,293,667	74,480,472	31,357,485	14,384,190	15,071,520
PERA Direct Distribution	57,054,571	32,011,581	17,337,557	3,429,374	4,276,059
TOTAL	\$3,934,429,301	\$2,173,001,026	\$919,864,163	\$411,042,422	\$430,521,689
FY 2025-26 Request/Recommendation					
Base Salary Estimate	\$2,736,914,019	\$1,493,386,391	\$659,488,485	\$290,432,958	\$293,606,185
PERA	326,245,117	179,484,570	78,430,989	34,071,031	34,258,527
Medicare (FICA)	39,685,319	21,654,157	9,562,590	4,211,278	4,257,294
Shift Differential	37,948,879	28,616,615	2,297,917	2,647,416	4,386,931

Salary Base, Compensation Common Policies, and PERA Payroll Components

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Salary Survey	95,604,504	51,919,480	23,216,914	10,712,424	9,755,686
Minimum Wage	0	0	0	0	0
Health, Life, Dental	498,569,233	275,730,720	119,761,940	48,775,121	54,301,452
Short-term Disability	4,296,407	2,360,852	1,023,043	453,359	459,153
Paid Family Leave and Medical Insurance	12,889,221	7,082,559	3,069,125	1,360,073	1,377,464
ULAED	286,427,134	157,390,191	68,202,790	30,223,839	30,610,314
PERA Direct Distribution	60,352,598	33,277,612	16,346,600	8,291,801	2,436,585
TOTAL	\$4,098,932,431	\$2,250,903,147	\$981,400,393	\$431,179,299	\$435,449,592
Increase/(Decrease)	\$164,503,130	\$77,902,120	\$61,536,230	\$20,136,877	\$4,927,903
Percent Change	4.2%	3.6%	6.7%	4.9%	1.1%

FY 2025-26 Total Compensation Request

The FY 2025-26 total compensation request is estimated to be \$4.10 billion total funds, including \$2.25 billion General Fund, an increase of \$164.5 million over the prior year appropriation, which represents a 4.2 percent increase in total compensation-related appropriations.

Salary Base

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2024-25 Appropriation					
Base Salary Estimate	\$2,564,593,004	\$1,404,844,396	\$602,479,877	\$275,834,706	\$281,434,025
PERA	305,010,405	168,398,173	71,571,033	32,311,865	32,729,334
Medicare (FICA)	36,172,562	19,698,118	8,501,356	3,877,904	4,095,184
TOTAL	\$2,905,775,971	\$1,592,940,687	\$682,552,266	\$312,024,475	\$318,258,543
FY 2025-26 Request/Recommendation					
Base Salary Estimate	\$2,736,914,019	\$1,493,386,391	\$659,488,485	\$290,432,958	\$293,606,185
PERA	326,245,117	179,484,570	78,430,989	34,071,031	34,258,527
Medicare (FICA)	39,685,319	21,654,157	9,562,590	4,211,278	4,257,294
TOTAL	\$3,102,844,455	\$1,694,525,118	\$747,482,064	\$328,715,267	\$332,122,006
Increase/(Decrease)	197,068,484	101,584,431	64,929,798	16,690,792	13,863,463
Percent Change	6.8%	6.4%	9.5%	5.3%	4.4%

Base salary estimate: The request includes a base salary estimate of \$2.7 billion total funds, including \$1.5 billion General Fund, for FY 2025-26 employee salaries.

PERA: The request includes an estimate of \$326.2 million total funds, including \$179.5 million General Fund, for employer payroll-related contributions to PERA.

Medicare (FICA): The request includes an estimate of \$39.7 million total funds, including \$21.7 million General Fund, for employer payroll-related contributions to Medicare.

Other Salary Related Adjustments

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2024-25 Appropriation					
Shift Differential	\$33,231,000	\$27,981,403	\$1,932,384	\$2,262,289	\$1,054,924
Salary Survey	193,027,309	109,017,890	43,984,039	20,217,682	19,807,698
Minimum Wage	3,539,838	179,490	3,183,053	156,203	21,092
TOTAL	\$229,798,147	\$137,178,783	\$49,099,476	\$22,636,174	\$20,883,714
FY 2025-26					
Shift Differential	\$37,948,879	\$28,616,615	\$2,297,917	\$2,647,416	\$4,386,931
Salary Survey	95,604,504	51,919,480	23,216,914	10,712,424	9,755,686
Minimum Wage	1,409,954	136,392	1,203,991	64,197	5,374
TOTAL	\$134,963,337	\$80,672,487	\$26,718,822	\$13,424,037	\$14,147,991
Increase/(Decrease)	-94,834,810	-56,506,296	-22,380,654	-9,212,137	-6,735,723
Percent Change	41.3%	41.2%	-45.6%	-40.7%	-32.3%

Shift Differential: Shift differential funds are used for adjustments to some employee wages for work that is performed outside of standard 8:00 a.m. to 5:00 p.m. business hours. Shift differential is requested at 100 percent of prior year actual expenditures. The request includes \$37.9 million total funds, including \$28.6 million General Fund.

Salary Survey: The request includes \$95.6 million total funds, including \$51.9 million General Fund. The request includes a 2.5 percent across-the-board increase as agreed upon in the COWINS Partnership Agreement.

Minimum wage: The request includes \$1.4 million total funds, including \$136,392 General Fund, for adjustments to wages for those employees who earned less than \$16.22 per hour. This is not a statutory minimum wage. Instead, it reflects a 2.0 percent increase from \$16.22 – the current minimum wage pursuant to the Colorado Overtime and Minimum Pay Standards Order (COMPS Order) #38 – in accordance with the newly signed Partnership Agreement.

Insurance Benefits

Item	Total Funds	General Fund	Cash Funds	Reapprop Funds	Federal Funds
FY 2024-25 Appropriation					
Health, Life, Dental	\$458,180,656	\$253,044,436	\$107,469,482	\$42,610,045	\$55,056,693
Short-term Disability	4,058,811	2,234,415	940,724	431,527	452,145
Paid Family Leave and Medical Insurance	12,399,070	6,794,353	2,843,136	1,294,506	1,467,074
SUBTOTAL - Benefits	\$474,638,538	\$262,073,205	\$111,253,342	\$44,336,079	\$56,975,912
FY 2025-26 Request/Recommendation					
Health, Life, Dental	\$498,569,233	\$275,730,720	\$119,761,940	\$48,775,121	\$54,301,452
Short-term Disability	4,296,407	2,360,852	1,023,043	453,359	459,153
Paid Family Leave and Medical Insurance	12,889,221	7,082,559	3,069,125	1,360,073	1,377,464
SUBTOTAL - Benefits	\$515,754,861	\$285,174,131	\$123,854,109	\$50,588,552	\$56,138,069
Increase/(Decrease)	41,116,323	23,100,926	12,600,766	6,252,473	-837,843
Percent Change	8.7%	8.8%	11.3%	14.1%	-1.5%

Health, life, dental: The request includes \$498.6 million total funds, including \$275.7 million General Fund, for employee health, life, and dental benefits elected by employees as of July 2024. Additional adjustments may be included in a budget amendment based on new actuarial recommendations received in December. The base adjustment request reflects an increase of \$40.4 million total funds, including \$22.7 million General Fund, in FY 2025-26.

Short-term Disability: Short term disability (STD) is requested at a rate of 0.15 percent of revised base salaries. STD is estimated at \$4.3 million total funds, including \$2.4 million General Fund.

Paid family and medical leave insurance: The request includes \$12.9 million total funds, including \$7.1 million General Fund for FY 2025-26. Pursuant to H.B. 22-1133 (Family and Medical Leave Insurance Fund), the State’s portion of the insurance premium was to be prepaid until the balance in the Family and Medical Leave Insurance (FAMLI) Fund reached zero. However, in the 2023 legislative session, the General Assembly passed S.B. 23-324, which transferred the remaining balance in the FAMLI Fund back to the Restoration Loss Cash Fund. The bill also ended the State prepayment of premiums at the end of FY 2023-24. As a result, starting July 1, 2024, departments and employees began paying the premiums for the FAMLI program. These premiums are 0.9 percent of wages per employee, split evenly between the state and employees.

PERA Payments for Unfunded Liability (non-benefit components)					
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2024-25 Appropriation					
AED	\$135,293,667	\$74,480,472	\$31,357,485	\$14,384,190	\$15,071,520
SAED	135,293,667	74,480,472	31,357,485	14,384,190	15,071,520
PERA Direct Distribution	57,054,571	32,011,581	17,337,557	3,429,374	4,276,059
TOTAL	\$327,641,904	\$180,972,525	\$80,052,527	\$32,197,754	\$34,419,099
FY 2025-26 Request/Recommendation					
ULAED	\$286,427,134	\$157,390,191	\$68,202,790	\$30,223,839	\$30,610,314
PERA Direct Distribution	60,352,598	33,277,612	16,346,600	8,291,801	2,436,585
TOTAL	\$346,779,732	\$190,667,803	\$84,549,390	\$38,515,640	\$33,046,899
Increase/(Decrease)	19,137,828	9,695,278	4,496,863	6,317,886	-1,372,200
Percent Change	5.8%	5.4%	5.6%	19.6%	-4.0%

ULAED: Unfunded Liability Amortization Equalization Disbursement is a simplified combination of AED and SAED, which are both set at a statutory rate of 5.0 percent of the revised base salary. ULAED is therefore 10 percent of the revised base salary and is estimated to be \$286.4 million total funds, including \$157.4 million General Fund.

PERA Direct Distribution: In FY 2019-20, a common policy allocation to state agencies was added for the state's \$225.0 million statutory PERA Direct Distribution payment. This allocation was added to common policies to charge cash and federal funds sources for what would otherwise be a General Fund payment. The PERA Direct Distribution totals \$60.4 million, including \$33.3 million General Fund in FY 2025-26.

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

All PERA Payments					
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
FY 2024-25 Appropriation					
PERA (standard employer contrib.)	\$305,010,405	\$168,398,173	\$71,571,033	\$32,311,865	\$32,729,334
AED	135,293,667	74,480,472	31,357,485	14,384,190	15,071,520
SAED	135,293,667	74,480,472	31,357,485	14,384,190	15,071,520
PERA Direct Distribution	57,054,571	32,011,581	17,337,557	3,429,374	4,276,059
SUBTOTAL - Benefits	\$632,652,309	\$349,370,698	\$151,623,560	\$64,509,619	\$67,148,433
FY 2025-26 Request/Recommendation					
PERA (standard employer contrib.)	\$326,245,117	\$179,484,570	\$78,430,989	\$34,071,031	\$34,258,527
ULAED	286,427,134	157,390,191	68,202,790	30,223,839	30,610,314
PERA Direct Distribution	60,352,598	33,277,612	16,346,600	8,291,801	2,436,585
SUBTOTAL - Benefits	\$673,024,849	\$370,152,373	\$162,980,379	\$72,586,671	\$67,305,426
Increase/(Decrease)	40,372,540	20,781,675	11,356,819	8,077,052	156,993
Percent Change	6.4%	5.9%	7.5%	12.5%	0.2%

Issues Presented

Budget Reduction Options:

- Salary Base Reductions would reduce the salary base for each department by a certain percentage.
- Eliminating the State Employee Reserve Fund would return \$12.9 million to the General Fund

COWINS Partnership Agreement: The Colorado Partnership for Quality Jobs and Services Act requires the State to enter into a partnership agreement with certified employee organizations, defines the duties of the parties, and sets standards and procedure related to disputes. The new agreement was signed on September 23, 2024 and remains in effect until July 31, 2027.

PERA Update: An informational PERA update based on PERA's 2023 Comprehensive Annual Financial Report and related documents. PERA experienced an investment return of 13.4 percent in 2023, compared with negative 13.4 percent in 2022. The net investment income of the plan in 2023 was \$8.3 billion. Member contributions totaled \$1.6 billion and employer contributions totaled \$2.5 billion.

Critical Staffing Incentive Funding: This issue brief provides an overview of critical staffing incentive request amounts and recommends that the Committee ask for request documents from the Departments of Corrections, Human Services, and Public Safety to justify the need for this incentive pay.

Statewide R-03 Eliminate State Employee Reserve Fund: This issue brief discusses the repeal of the State Employee Reserve Fund and the transfer of approximately \$12.9 million in the fund to the General Fund.

For More Information

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To read the entire briefing: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2024.