Memorandum

To: Executive Committee Members
From: Craig Harper, JBC Staff Director (303-866-3481)
Date: February 10, 2026
Subject: Employee Compensation Common Policy Discussion for FY 2026-27

Statewide Compensation Policies for State Employees

Each year in late January or early February, the Joint Budget Committee (JBC) Staff presents recommendations for compensation common policies related to state employee compensation for the next fiscal year. After the Committee's decision, JBC staff apply these common policies to all related appropriations for Executive and Judicial agencies. This allows the JBC to understand the full fiscal impact of these policies prior to finalizing its budget proposal. The JBC may choose to modify these policies for budget balancing purposes after receiving the March revenue forecasts (scheduled for presentation on March 19, 2026).

The Executive Committee has typically directed the legislative agencies to apply the JBC's compensation common policies when proposing their budgets to their oversight committees and ultimately to the Executive Committee. JBC Staff presented figure setting recommendations for compensation common policies on February 4, 2026, but the JBC has not yet made decisions on the largest items.

Nonetheless, this memo seeks to inform a similar common policy decision for the Executive Committee.

JBC Staff presented figure setting recommendations for compensation common policies on February 4, 2026. The JBC has not yet made decisions on the largest items. For context, the Executive Committee should note:

- As required by the Partnership Agreement with Colorado WINS, the Governor's FY 2026-27 budget request incorporates all of the components of the agreement. Relevant to compensation discussions for the Legislative Branch, that includes the salary increases prescribed in the agreement and the policies related to health, life, and dental insurance. Deviation from those components would allow the parties (the Executive Branch and WINS) to reopen the agreement, as happened for FY 2025-26.
- Particularly given the State's budget situation, JBC Staff sought to provide recommendations and options that could allow for budget savings and foster discussion for the JBC.

Compensation Common Policies for FY 2026-27

The following sections discuss the request and JBC Staff recommendations/options for the common policies most relevant to the Executive Committee's discussions for the legislative budget.

Salaries

Executive Request

The Governor's request for salary increases for classified employees aligns with the most recent version of the COWINS Partnership Agreement (signed in September 2024). The salary request includes three major components that could be relevant to the Executive Committee's discussion for legislative employees:

- 2.0 percent **structural adjustment** to all classified employee salary ranges. The requests would shift all salary ranges upward by 2.0 percent.
- 3.1 percent **across-the-board/COLA** increase for all employees, including those covered by the Partnership Agreement and those who are not. (Note: This component is comparable to a 2.5 percent across-the-board increase approved for FY 2025-26.)
- An increase to continue implementation of the **step plan** for employees covered by the Partnership Agreement. Because of the order of operations in the request (discussed below), the stand-alone cost of the step plan is not clear from the request itself.
- An increase of 0.4 percent for "**step-like**" increases for employees outside of the step system to maintain parity with the step plan. (Note: This component is comparable to a 0.6 percent increase approved for FY 2025-26.)

The combination of the across-the-board and the step-like increases results in a 3.5 percent increase in salary *funding* associated with non-covered employees. Similar to the step system, legislative staff assume that the allocation among employees would vary based on the amounts necessary to place employees appropriately within benchmarked salary ranges. However, unlike the step plan, the allocation would be discretionary rather than automatic. If a legislative agency has benchmarked salary ranges to the classified system, then the step-like increase in funding would help ensure that the legislative employees' salaries remain competitive with the Executive Branch.

The request estimates that the COLA and step-like increases would require $1,807,848 General Fund for the Legislative Department, including $1,638,154 for the across-the-board increases and $169,694 for the step-like increases.

JBC Staff Recommendation/Options

JBC Staff made a number of recommendations to change the order of operations for salary increases to improve transparency. The recommendation includes specific changes for each component of the salary increases as well as options to allow for savings. Relevant to the Executive Committee's discussion, JBC Staff recommended the following (**though the Committee took no action on any of these items**):

- Deny the 2.0 percent structural adjustment. JBC Staff suggests that salary range adjustments should be position-specific to ensure competitiveness with the market rather than across-the-board.

- Approve the step plan increase as a stand-alone component. JBC Staff estimates that the step plan alone would require an increase of approximately 1.2 percent. Note for Executive Committee: The Executive Branch step plan does not cover any legislative staff, including the Office of the State Auditor (OSA) which is the only legislative agency with classified staff. The OSA has implemented a step plan internally for its classified staff that aligns with the Executive Branch's step pay methodology. However, the OSA has aligned its budget requests with other Legislative Branch agencies since the step plan implementation in FY 2024-25 by not requesting a separate step increase. Therefore, a step plan increase would not need to be a stand-alone component for the OSA for the FY 2026-27 budget.
- Approve a 1.2 percent step-like increase to mirror the step plan. For the past two years the Executive Committee has applied the common policy step-like increase for legislative staff.
- Consider a COLA increase. If the General Assembly wishes to approve an additional COLA increase, JBC Staff proposed a 2.0 percent increase to approximate the total increase under the request in combination with the 1.2 percent for the step plan. Statewide, JBC Staff estimates that the 2.0 percent increase would require $66.5 million total funds and $34.9 million General Fund. If the State funds the step and step-like increases, then the COLA would be the variable to adjust to achieve savings by increasing or decreasing the COLA percentage.

Insurance and Benefits

Health, Life, and Dental Insurance

Executive Request

The current COWINS agreement says that the State will absorb all premium increases for Health, Life, and Dental insurance. The parties to the agreement negotiated a change for FY 2025-26 that allowed employee contributions to increase for one year with an 88/12 State/employee split in premiums. However, the agreement indicated that the FY 2026-27 request would reduce employee contributions back to FY 2024-25 levels. As a result, the current request includes increases both for the total change in premiums for FY 2026-27 and to allow for the reductions to employee contributions to return to FY 2024-25 levels. **The request assumes that this would require a total appropriation of $7.7 million for the Legislative Department, an increase of approximately $750,000 (10.9 percent) above the $7.0 million assumed for FY 2025-26 in the current year Legislative Appropriation Bill.**

Background: The state offers four options for both health and dental insurance (employee, employee + spouse, employee + children, and family). Employees may also 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.

Health insurance premiums are projected to increase from 11.4 percent to 23.5 percent for FY 2026-27, depending on the insurance carrier and specific plan. As noted above, the current version of the COWINS agreement would require the State to absorb the entire increase *and* reduce employee premiums back to FY

2024-25 rates. The most recent estimates from the Department of Personnel expect a 1.8 percent decrease in dental insurance premiums and 0.4 percent increase the State's life insurance premiums.[1]

JBC Staff Recommendation/Options

JBC Staff recommended maintaining the existing 88/12 split for premiums, with the State covering 88 percent of the total premium. That recommendation would deny the request to return employee premiums back to FY 2024-25 levels and instead require an increase in employee premiums from FY 2025-26 to FY 2026-27. JBC staff estimates that maintaining the 88/12 split would reduce the state cost for FY 2026-27 by about $52,000 below the amount assumed in the request. **The Committee took no action.**

Short-term Disability Insurance

Request and Recommendation

The request and recommendation would fund short-term disability insurance at a rate of 0.07 percent of base salaries, unchanged from the current year. The request assumes that this rate would require a total appropriation of $33,831 General Fund for the Legislative Department for FY 2026-27, an increase of $2,283 above an estimated $31,548 General Fund in FY 2025-26. **The Committee approved the staff recommendation.**

Paid Family and Medical Leave Insurance

Request and Recommendation

The request and recommendation would maintain payment for paid family and medical leave insurance at a rate of 0.45 percent of base salaries, unchanged from the current year. The request assumes that this would require an appropriation of $217,484 General Fund for the Legislative Department for FY 2026-27, and increase of $14,674 above the estimated $202,810 in the current year. **The Committee approved the staff recommendation.**

Public Employees Retirement Association (PERA)

Unfunded Liability (formerly AED and SAED)

Executive Request

The request proposes to reduce the current law requirement for appropriations to reduce the PERA unfunded liability. Current law requires appropriations equal to 10.0 percent of salaries for this purpose. The request proposes to reduce the requirement to 9.0 percent for FY 2026-27 as a budget balancing measure. The request assumes that the proposal would require an estimated $4,349,682 General Fund for the Legislative Department for FY 2026-27, a decrease from $4,615,012 appropriated in FY 2025-26. The Legislative Appropriation Bill carries a separate appropriation for the Department's entire unfunded liability payment.

[1] The *state-paid* life insurance provides a benefit equal to the employee's annual salary up to a maximum of $250,000, with options for the employee to purchase higher benefits.

JBC Staff Recommendation

JBC Staff recommended rejecting the proposal to reduce the unfunded liability payments and instead maintain the current law requirement for 10.0 percent of salaries. The recommendation estimates that doing so would require $4,832,980 for the Legislative Branch in FY 2026-27. **The Committee approved the recommendation.**

PERA Direct Distribution

Request and Recommendation

The request and recommendation would both maintain an annual $225.0 million direct distribution payment to PERA for FY 2026-27.[2] Each state agency pays a share of the payment for the state employee division of PERA. The Legislative Department's share of the FY 2026-27 payment is estimated to be $825,073 General Fund, down slightly from $826,446 in the current year. The Long Bill appropriates this amount through a single line item. Legislative agencies will not need to include any related amounts in their office budgets. **The Committee approved the staff recommendation.**

[2] The annual distribution is expected to decrease beginning in FY 2027-28 as a result of S.B. 25-310 (Proposition 130 Implementation).