



**Joint Budget Committee**

# **Staff Budget Briefing FY 2026-27**

## **Statewide Compensation and PERA**

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# Contents

Overview of Statewide Compensation .....	2
Defining Compensation-related Components .....	2
Prevailing Compensation .....	4
Compensation Report .....	4
The State Personnel System Act and Division of Authority .....	4
State Personnel System (classified system) .....	5
Graphic Overview .....	6
General Factors Driving the Budget .....	8
Number of State Employees .....	8
Salary Base .....	8
Compensation Common Policies and PERA .....	8
Cost of Health Insurance .....	9
PERA Payments for the Unfunded Liability .....	10
Total Compensation General Fund .....	11
Summary of Request .....	12
FY 2025-26 Total Compensation Request .....	12
Reduce ULAED Contribution Rate .....	16
Summary .....	16
Discussion .....	16
Budget Reduction Options .....	18
Summary .....	18
Recommendation .....	18
Discussion .....	18
COWINS Partnership Agreement Update .....	22
Summary .....	22
Discussion .....	22
PERA Update .....	25
Summary .....	25
Discussion .....	25
FY 2025-26 Executive Order Budget Adjustments .....	29
Budget Reductions .....	29
Footnotes and Requests for Information .....	30
Update on Long Bill Footnotes .....	30
Update on Requests for Information .....	30

## Additional Resources

To find the online version of the briefing document search the General Assembly’s website for [budget documents](https://leg.colorado.gov/content/budget/budget-documents) (leg.colorado.gov/content/budget/budget-documents).

# Overview of Statewide Compensation

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

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

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

## Defining Compensation-related Components

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

- Salary Survey;
- Step Pay;
- Shift Differential;
- Short-term Disability (STD);
- Health, Life, and Dental (HLD);
- Unfunded Liability Amortization Equalization Disbursement (ULAED);
- Paid Family and Medical Leave Insurance; and
- PERA Direct Distribution.

## Defining POTS

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

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

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

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

POTS line items include the following:

- Salary Survey;
- Step Pay;
- Shift Differential;
- Short-term Disability (STD);
- Health, Life, and Dental (HLD); and
- Unfunded Liability Amortization Equalization Disbursement (ULAED).

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

## **Defining Employee Benefits**

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

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

## **Defining PERA Payments for the Unfunded Liability**

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

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

The PERA Direct Distribution does not pay for an employee benefit, and is not calculated on current payroll, but is an annuity allocated to state agencies as charges to General Fund, cash funds, reappropriated funds, and

federal funds in the same proportion as the AED and SAED components. In a similar manner, the PERA Direct Distribution does not "purchase a service" from the Department of Personnel through their "operating common policies". Therefore, the PERA Direct Distribution is neither a compensation common policy nor an operating common policy, but is simply an annual debt payment located in compensation-related common policies due to its nexus with AED and SAED.

## Prevailing Compensation

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

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

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

## Compensation Report

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

## The State Personnel System Act and Division of Authority

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

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

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

While this provides a reasonable and functional split of responsibility and authority, this bifurcation has the effect of creating some ambiguity regarding responsibility over statewide, classified system, and department-specific recruitment and retention policies and practices. This briefing specifically addresses the statewide compensation-related request. Individual state agency requests will be addressed during JBC staff presentations for state departments.

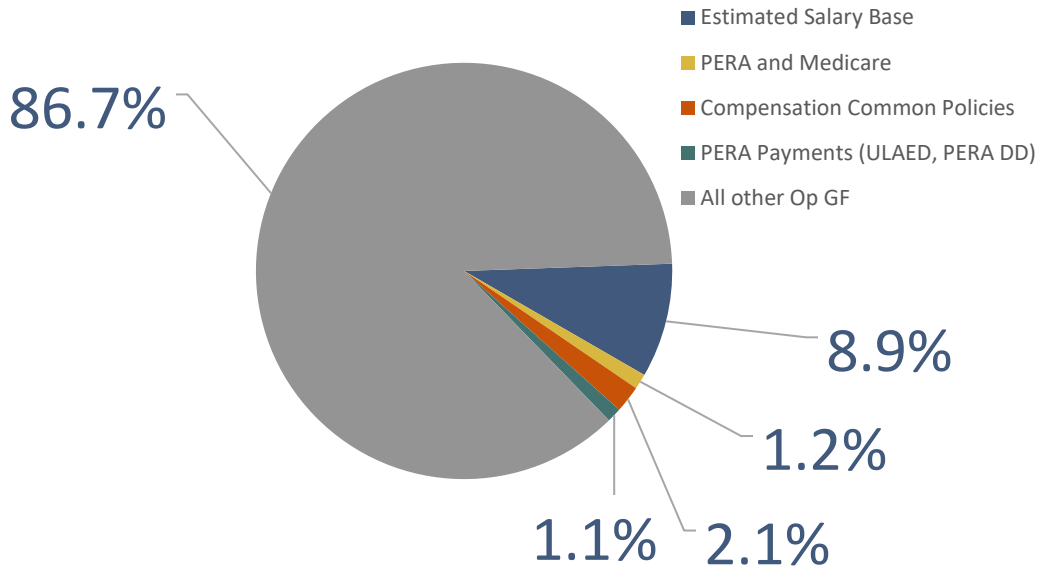
## **State Personnel System (classified system)**

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

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

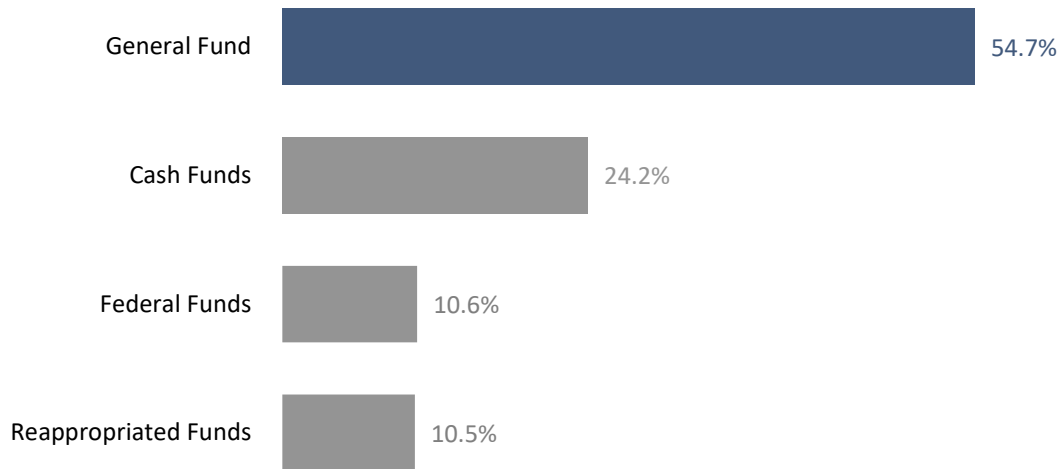
# Graphic Overview

## Department's Share of Statewide General Fund



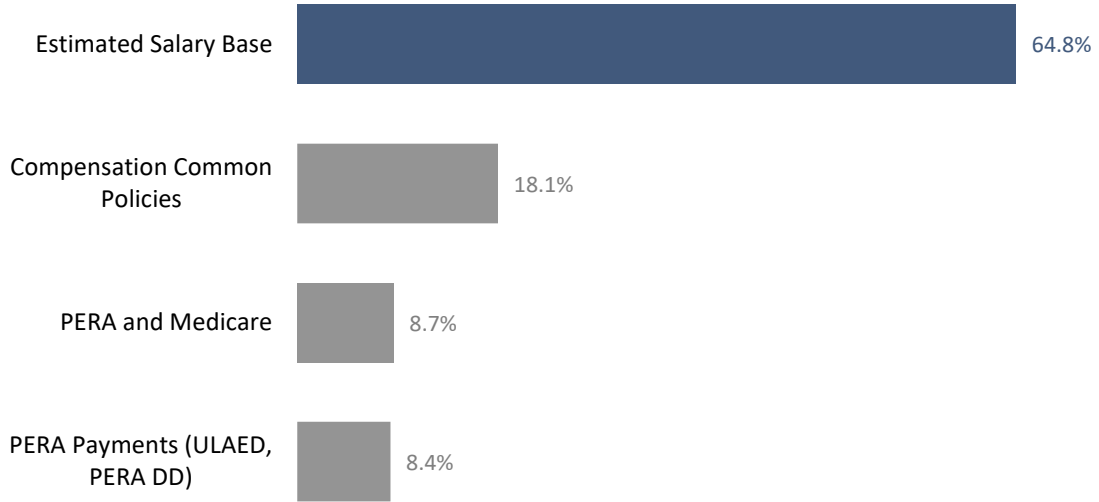
Based on the FY 2025-26 appropriation.

## Department Funding Sources



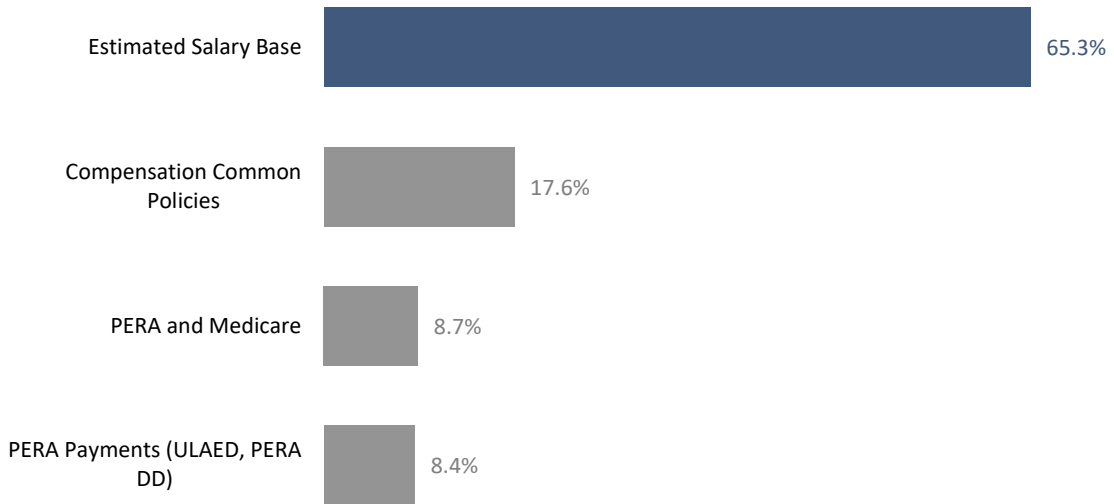
Based on the FY 2025-26 appropriation.

### Distribution of General Fund by Category



Based on the FY 2025-26 appropriation.

### Distribution of Total Funds by Category



Based on the FY 2025-26 appropriation.

# General Factors Driving the Budget

## Number of State Employees

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

**State Employees [1]  
FTE Reflected in Appropriations**

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY 24-25	FY 25-26
Total FTE	32,174.8	32,412.7	32,819.4	34,650.4	35,047.3	35,467.7	37,262.0	38,732.6	39,398.7	39,762.1
Percent Change	0.9%	0.7%	1.3%	5.6%	1.1%	1.2%	5.1%	3.9%	1.7%	0.9%
10-year FTE compound average annual growth rate										2.14%
10-year Colorado Population compound average annual growth rate - 2015-2024 [2]										0.90%

[1] Source: FY 2025-26 Appropriations Report excluding Department of Higher Education

[2] From population estimates, State Demography Office:

[https://docs.google.com/spreadsheets/d/17AMEavtc8baGIXMjn\\_tsG81E9Y8j5nrE/export?format=xlsx](https://docs.google.com/spreadsheets/d/17AMEavtc8baGIXMjn_tsG81E9Y8j5nrE/export?format=xlsx)

## Salary Base

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

**Statewide Salary Base 10-year Estimated Appropriations (in millions)  
Total Funds**

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
Salary Base	\$1,836.3	\$1,864.1	\$1,964.2	\$2,052.2	\$2,212.6	\$2,246.6	\$2,383.3	\$2,528.5	\$2,736.9	\$2,746.7
Change	79.1	27.8	100.1	88.0	160.4	34.0	136.7	145.2	208.4	9.8
Percent Change	4.5%	1.5%	5.4%	4.5%	7.8%	1.5%	6.1%	6.1%	8.2%	0.4%
10-year Statewide Salary Base compound average annual growth rate										4.1%

## Compensation Common Policies and PERA

In addition to the base salary, total compensation includes state employee compensation benefits, including health, life, and dental insurance, paid family and medical leave insurance, short-term disability, and state payments to PERA and Medicare. Paid Family and Medical Leave Insurance is the newest employee benefit – created in FY 2022-23.

## Benefits

	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2025-26 Appropriation</b>					
PERA and Medicare	\$367,208,663	\$201,068,109	\$89,057,465	\$38,282,309	\$38,800,780
Health, Life, Dental	471,211,267	260,824,490	114,630,744	45,277,357	50,478,676
Short-term Disability	2,014,948	1,103,847	483,296	211,677	216,128
Paid Family Leave and Medical Insurance	12,939,384	7,083,123	3,106,894	1,359,968	1,389,400
<b>SUBTOTAL - Benefits</b>	<b>\$853,374,261</b>	<b>\$470,079,568</b>	<b>\$207,278,399</b>	<b>\$85,131,311</b>	<b>\$90,884,984</b>
<b>FY 2026-27 Request</b>					
PERA and Medicare	\$387,380,868	\$207,546,508	\$96,633,501	\$42,093,157	\$41,107,702
Health, Life, Dental	\$557,286,165	300,683,732	139,751,120	56,762,049	60,089,264
Short-term Disability	\$2,122,204	1,136,346	526,055	232,432	227,371
Paid Family Leave and Medical Insurance	\$13,642,745	7,305,090	3,381,790	1,494,205	1,461,660
<b>SUBTOTAL - Benefits</b>	<b>\$960,431,982</b>	<b>\$516,671,676</b>	<b>\$240,292,466</b>	<b>\$100,581,843</b>	<b>\$102,885,997</b>
<b>Increase/(Decrease)</b>	107,057,721	46,592,108	33,014,067	15,450,532	12,001,013
Percent Change	12.5%	9.9%	15.9%	18.1%	13.2%

## Cost of Health Insurance

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

### Health, Life, and Dental 10-year Appropriations History (in millions)

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21*	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26
HLD Total Appropriations	\$217.6	\$237.8	\$261.3	\$287.2	\$309.8	\$323.2	\$347.9	\$407.6	\$458.2	\$471.2
Change	0.3	20.2	23.5	25.9	22.6	13.4	24.7	59.7	50.6	13.0
Percentage Change	0.1%	9.3%	9.9%	9.9%	7.9%	4.3%	7.6%	17.2%	12.4%	2.8%
10-year HLD Appropriations compound average annual growth rate										8.0%

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

The FY 2026-27 request amount for HLD totals \$557.3 million – an \$86.1 million or 18.3 percent increase over the full appropriation amount identified for FY 2025-26. This amount includes \$300.7 million General Fund – a \$39.9 million or 15.3 percent increase over FY 2025-26.

This increase is larger than normal – standard increases are typically closer to 7.0-10.0 percent – for a couple of different reasons.

For context, the Department uses a placeholder increase for the November 1 request every year because the rate setting process completes in November. The actual rates are then accounted for in the HLD budget amendment in January. In FY 2024-25 and FY 2025-26, the Department used 9.9 percent and 7.2 percent as the placeholders, respectively. For FY 2026-27, the Department used a 10.0 percent placeholder increase as a result of the Group Benefits Fund solvency issue that was presented in the September interim supplemental request.

The other reasons for the larger than normal increase are as follows:

- The 1.5 percent salary base reduction approved by the Committee for FY 2025-26
  - The 1.5 percent reduction was a one-time action applied to HLD lines across the state. Due to the way that HLD is calculated, this decrease was always going to be reflected as an increase in the FY 2026-27 request.
- The grandfather policy for those who had GLP-1 prescriptions prior to July 1, 2025
  - There was no appropriation provided for that policy. The Committee instead instructed the Department to absorb the cost of the grandfathering – approximately \$9.0 million – from the Group Benefits Fund, which at the time did not predict the solvency issue that arose over the interim.
- The 100% state absorption of HLD premium increases
  - Similar to the FY 2025-26 November 1 request, the Department has again requested funding for 100.0 percent state absorption of HLD premium increases – in line with the COWINS agreement. For the current fiscal year, the Committee approved an employee cost share of 12.0 percent, which saved approximately \$3.5 million General Fund.

## PERA Payments for the Unfunded Liability

As part of the total compensation package received by employees and in lieu of contributions to Social Security, the state makes contributions to the Public Employees Retirement Association (PERA). The FY 2025-26 contribution rate is 11.6 percent. Appropriations for the base salary contribution to PERA are made in Personal Services or program line items in which funding to support a department’s FTE are found. Actuarial analyses of PERA resulted in the passage of bills in 2004 and 2006 which increased contributions to the pension plan above the base employer and employee contribution rates. These additional state payments, defined in Section 24-51-411, C.R.S., and called Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED), are each calculated at 5.0 percent of the base salary for most state employees and had been appropriated in separate line items in each department’s section of the Long Bill. AED and SAED rates for judges remained constant at 2.2 percent and 1.5 percent, respectively, until H.B. 17-1265 (PERA Judicial Division Total Employer Contribution) enacted increases for both line items to 3.4, 3.8, 4.2, 4.6, and 5.0 percent in each succeeding year beginning in calendar year 2019. In the 2024 legislative session, the Committee approved a change to how these payments appear in the Long Bill. They now appear under a single line item titled Unfunded Liability Amortization Equalization Disbursement Payments (ULAED).

Pursuant to S.B. 18-200 (PERA Unfunded Liability), automatic increase adjustments are triggered for employee contribution rates. For most employees, the rate increased from 8.0 to 8.75 percent in FY 2019-20; increased to 10.0 percent in FY 2020-21; increased to 10.5 percent in FY 2021-22; and increased to 11.0 percent in FY 2022-23. Job classes in the Safety Officers category have consistently and historically paid 2.0 percent higher than other state employees, resulting in a current fiscal year (2024-25) contribution rate of 13.0 percent.

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

## PERA Unfunded Liability (UL) Payments (ULAED/PERA DD) 10-year Appropriations History (in millions)

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21*	FY21-22	FY22-23	FY 23-24	FY 24-25	FY 25-26
ULAED Total Approp.	\$155.3	\$169.2	\$179.4	\$193.4	\$196.8	\$206.6	\$217.8	\$236.8	\$270.6	\$287.5
PERA Direct	0.0	0.0	0.0	56.5	0.0	57.6	58.1	8.9	59.1	60.4
PERA UL Payments	\$155.3	\$169.2	\$179.4	\$249.9	\$196.8	\$264.2	\$275.9	\$245.7	\$329.7	\$347.9
Change	155.3	13.9	10.2	70.5	(53.1)	67.4	11.7	(30.2)	84.0	18.2
Percentage Change		9.0%	6.0%	39.3%	(21.2%)	34.2%	4.4%	(10.9%)	34.2%	5.5%
										PERA Amortization Payments compound average annual growth rate 8.4%

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

## Total Compensation General Fund

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

### Compensation Components share of State Operating General Fund

	FY 2024-25	FY 2025-26	FY 2026-27
Operating General Fund	\$16,051,369,812	\$16,801,270,196	\$17,651,791,443
Estimated Salary Base	1,358,470,277	1,492,845,733	1,536,186,936
percent change		9.9%	2.9%
PERA and Medicare	182,502,265	201,068,109	207,546,508
percent change		10.2%	3.2%
Compensation Common Policies	392,181,704	350,293,476	408,092,055
percent change		(10.7%)	16.5%
Total State Employee Compensation	1,933,154,246	2,044,269,675	2,151,394,237
percent change		5.7%	5.2%
PERA UL Payments	165,527,449	190,484,662	195,348,114
percent change		15.1%	2.6%
<b>Percentage of Operating General Fund</b>			
Estimated Salary Base	8.5%	8.9%	8.7%
PERA and Medicare	1.1%	1.2%	1.2%
Compensation Common Policies	2.4%	2.1%	2.3%
State Employee Compensation	12.0%	12.2%	12.2%
PERA UL Payments	1.0%	1.1%	1.1%

# Summary of Request

## Salary Base, Compensation Common Policies, and PERA Payroll Components

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2025-26 Appropriation</b>					
Base Salary Estimate	\$2,746,701,428	\$1,492,845,733	\$667,634,635	\$290,432,958	\$295,788,102
PERA	327,381,434	179,421,799	79,376,756	34,071,031	34,511,848
Medicare (FICA)	39,827,229	21,646,310	9,680,709	4,211,278	4,288,932
Shift Differential	37,948,879	28,616,615	2,297,917	2,647,416	4,386,931
Salary Survey	97,136,458	52,665,402	23,498,212	10,685,676	10,287,169
Health, Life, Dental	471,211,267	260,824,490	114,630,744	45,277,357	50,478,676
Short-term Disability	2,014,948	1,103,847	483,296	211,677	216,128
Paid Family and Medical Leave					
Insurance	12,939,384	7,083,123	3,106,894	1,359,968	1,389,400
ULAED	287,541,831	157,402,685	69,042,095	30,221,507	30,875,544
PERA Direct Distribution	60,352,598	33,081,977	16,538,499	8,291,739	2,440,382
<b>TOTAL</b>	<b>\$4,083,055,456</b>	<b>\$2,234,691,980</b>	<b>\$986,289,756</b>	<b>\$427,410,607</b>	<b>\$434,663,112</b>
<b>FY 2026-27 Request</b>					
Base Salary Estimate	\$2,890,090,209	\$1,536,186,936	\$722,419,871	\$318,680,211	\$312,803,191
PERA	345,474,561	185,271,798	86,158,411	37,472,296	36,572,056
Medicare (FICA)	41,906,307	22,274,710	10,475,090	4,620,861	4,535,646
Shift Differential	38,245,626	32,109,294	1,792,947	2,560,622	1,782,763
Salary Survey	122,515,621	66,857,593	31,288,592	12,565,482	11,803,954
Health, Life, Dental	557,286,165	300,683,732	139,751,120	56,762,049	60,089,264
Short-term Disability	2,122,204	1,136,346	526,055	232,432	227,371
Paid Family and Medical Leave					
Insurance	13,642,745	7,305,090	3,381,790	1,494,205	1,461,660
ULAED	303,172,090	162,335,287	75,150,912	33,204,522	32,481,369
PERA Direct Distribution	61,307,605	33,012,827	18,455,893	7,442,975	2,395,910
<b>TOTAL</b>	<b>\$4,375,763,133</b>	<b>\$2,347,173,613</b>	<b>\$1,089,400,681</b>	<b>\$475,035,655</b>	<b>\$464,153,184</b>
<b>Increase/(Decrease)</b>	<b>\$292,707,677</b>	<b>\$112,481,633</b>	<b>\$103,110,925</b>	<b>\$47,625,048</b>	<b>\$29,490,072</b>
Percent Change	7.2%	5.0%	10.5%	11.1%	6.8%

## FY 2025-26 Total Compensation Request

The FY 2026-27 total compensation request is estimated to be \$4.38 billion total funds, including \$2.35 billion General Fund. This represents an increase of \$292.7 million total funds and \$112.5 million General Fund over the prior year appropriation – a 7.2 percent increase in total compensation-related appropriations.

### Salary Base

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2025-26 Appropriation</b>					
Base Salary Estimate	\$2,746,701,428	\$1,492,845,733	\$667,634,635	\$290,432,958	\$295,788,102
PERA	327,381,434	179,421,799	79,376,756	34,071,031	34,511,848
Medicare (FICA)	39,827,229	21,646,310	9,680,709	4,211,278	4,288,932
<b>TOTAL</b>	<b>\$3,113,910,091</b>	<b>\$1,693,913,842</b>	<b>\$756,692,100</b>	<b>\$328,715,267</b>	<b>\$334,588,882</b>

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2026-27 Request</b>					
Base Salary Estimate	\$2,890,090,209	\$1,536,186,936	\$722,419,871	\$318,680,211	\$312,803,191
PERA	345,474,561	185,271,798	86,158,411	37,472,296	36,572,056
Medicare (FICA)	41,906,307	22,274,710	10,475,090	4,620,861	4,535,646
<b>TOTAL</b>	<b>\$3,277,471,077</b>	<b>\$1,743,733,444</b>	<b>\$819,053,372</b>	<b>\$360,773,368</b>	<b>\$353,910,893</b>
<b>Increase/(Decrease)</b>	163,560,986	49,819,602	62,361,272	32,058,101	19,322,011
Percent Change	5.3%	2.9%	8.2%	9.8%	5.8%

**Base Salary Estimate:** This is an estimate of the cost to maintain current year salaries for all existing state employees and appropriated FTE.

The request includes a base salary estimate of \$2.9 billion total funds, including \$1.5 billion General Fund, for FY 2026-27 employee salaries.

**PERA:** This is the employer contribution to the Public Employees' Retirement Association, which is set at 11.63 percent of base salary.

The request includes an estimate of \$345.5 million total funds, including \$185.3 million General Fund, for employer payroll-related contributions to PERA.

**Medicare (FICA):** This is the employer contribution to Medicare, which is set at 1.45 percent of base salary.

The request includes an estimate of \$41.9 million total funds, including \$22.3 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
<b>FY 2025-26</b>					
<b>Appropriation</b>					
Shift Differential	37,948,879	28,616,615	2,297,917	2,647,416	4,386,931
Salary Survey	97,136,458	52,665,402	23,498,212	10,685,676	10,287,169
<b>TOTAL</b>	<b>\$135,085,337</b>	<b>\$81,282,017</b>	<b>\$25,796,129</b>	<b>\$13,333,092</b>	<b>\$14,674,100</b>
<b>FY 2026-27 Request</b>					
Shift Differential	38,245,626	32,109,294	1,792,947	2,560,622	1,782,763
Salary Survey	122,515,621	66,857,593	31,288,592	12,565,482	11,803,954
<b>TOTAL</b>	<b>\$160,761,247</b>	<b>\$98,966,887</b>	<b>\$33,081,539</b>	<b>\$15,126,104</b>	<b>\$13,586,717</b>
<b>Increase/(Decrease)</b>	25,675,910	17,684,870	7,285,410	1,793,012	(1,087,383)
Percent Change	19.0%	21.8%	28.2%	13.4%	(7.4%)

**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 \$38.2 million total funds, including \$32.1 million General Fund.

**Salary Survey:** Salary Survey describes the total increase in employee salaries – including across-the-board increases, minimum wage increases, range minimum increases, and step pay increases.

The request includes \$122.5 million total funds, including \$66.9 million General Fund. The request includes a 3.1 percent across-the-board increase as agreed upon in the COWINS Partnership Agreement.

**Insurance Benefits**

Item	Total Funds	General Fund	Cash Funds	Reapprop Funds	Federal Funds
<b>FY 2025-26 Appropriation</b>					
Health, Life, Dental	\$471,211,267	\$260,824,490	\$114,630,744	\$45,277,357	\$50,478,676
Short-term Disability	2,014,948	1,103,847	483,296	211,677	216,128
Paid Family and Medical Leave Insurance	12,939,384	7,083,123	3,106,894	1,359,968	1,389,400
<b>SUBTOTAL - Benefits</b>	<b>\$486,165,599</b>	<b>\$269,011,460</b>	<b>\$118,220,934</b>	<b>\$46,849,002</b>	<b>\$52,084,204</b>
<b>FY 2026-27 Request</b>					
Health, Life, Dental	\$557,286,165	\$300,683,732	\$139,751,120	\$56,762,049	\$60,089,264
Short-term Disability	2,122,204	1,136,346	526,055	232,432	227,371
Paid Family and Medical Leave Insurance	13,642,745	7,305,090	3,381,790	1,494,205	1,461,660
<b>SUBTOTAL - Benefits</b>	<b>\$573,051,114</b>	<b>\$309,125,168</b>	<b>\$143,658,965</b>	<b>\$58,488,686</b>	<b>\$61,778,295</b>
<b>Increase/(Decrease)</b>	86,885,515	40,113,708	25,438,031	11,639,684	9,694,091
Percent Change	17.9%	14.9%	21.5%	24.8%	18.6%

**Health, Life, Dental:** Health, Life, Dental (HLD) lines across the state represent employer contributions to employee insurance elections.

The request includes \$557.3 million total funds, including \$300.7 million General Fund, for employee health, life, and dental benefits elected by employees as of July 2025.

The base adjustment request reflects an increase of \$86.1 million total funds, including \$39.9 million General Fund, in FY 2026-27. Additional adjustments for FY 2025-26 will be included in a supplemental request based on the interim supplemental that the Committee approved on September 22, 2025. There are typically further adjustments to the request submitted as a budget amendment based on new actuarial recommendations received in December.

**Short-term Disability:** Short-term disability (STD) lines across the state represent employer contributions to short-term disability insurance.

The request includes \$2.1 million total funds, including \$1.1 million General Fund. STD is requested at a rate of 0.07 percent of revised base salaries.

**Paid Family and Medical Leave Insurance:** Paid Family and Medical Leave Insurance (PFML) lines across the state represent employer contributions to the paid family and medical leave insurance program.

The request includes \$13.6 million total funds, including \$7.3 million General Fund. PFML is requested at a rate of 0.45 percent of revised base salaries.

**PERA Payments for Unfunded Liability (non-benefit components)**

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2025-26 Appropriation</b>					
ULAED	\$287,541,831	\$157,402,685	\$69,042,095	\$30,221,507	\$30,875,544
PERA Direct Distribution	60,352,598	33,081,977	16,538,499	8,291,739	2,440,382
<b>TOTAL</b>	<b>\$347,894,429</b>	<b>\$190,484,662</b>	<b>\$85,580,594</b>	<b>\$38,513,246</b>	<b>\$33,315,926</b>

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2026-27 Request</b>					
ULAED	\$303,172,090	\$162,335,287	\$75,150,912	\$33,204,522	\$32,481,369
PERA Direct Distribution	61,307,605	33,012,827	18,455,893	7,442,975	2,395,910
<b>TOTAL</b>	<b>\$364,479,695</b>	<b>\$195,348,114</b>	<b>\$93,606,805</b>	<b>\$40,647,497</b>	<b>\$34,877,279</b>
<b>Increase/(Decrease)</b>	16,585,266	4,863,452	8,026,211	2,134,251	1,561,353
Percent Change	4.8%	2.6%	9.4%	5.5%	4.7%

**ULAED:** Unfunded Liability Amortization Equalization Disbursement (ULAED) is a simplified combination of AED and SAED, which are both employer “contributions” to pay off PERA’s unfunded liability. Both are set at a statutory rate of 5.0 percent of the revised base salary. ULAED is therefore 10 percent of the revised base salary. The request includes \$303.2 million total funds, including \$162.3 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 request includes \$61.3 million total funds, including \$33.0 million General Fund.

The following table outlines all state payments to PERA.

#### All PERA Payments

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2025-26 Appropriation</b>					
PERA (standard employer contrib.)	\$327,381,434	\$179,421,799	\$79,376,756	\$34,071,031	\$34,511,848
ULAED	287,541,831	157,402,685	69,042,095	30,221,507	30,875,544
PERA Direct Distribution	60,352,598	33,081,977	16,538,499	8,291,739	2,440,382
<b>SUBTOTAL - Benefits</b>	<b>\$675,275,863</b>	<b>\$369,906,461</b>	<b>\$164,957,350</b>	<b>\$72,584,277</b>	<b>\$67,827,774</b>
<b>FY 2026-27 Request</b>					
PERA (standard employer contrib.)	\$345,474,561	\$185,271,798	\$86,158,411	\$37,472,296	\$36,572,056
ULAED	303,172,090	162,335,287	75,150,912	33,204,522	32,481,369
PERA Direct Distribution	61,307,605	33,012,827	18,455,893	7,442,975	2,395,910
<b>SUBTOTAL - Benefits</b>	<b>\$709,954,256</b>	<b>\$380,619,912</b>	<b>\$179,765,216</b>	<b>\$78,119,793</b>	<b>\$71,449,335</b>
<b>Increase/(Decrease)</b>	34,678,393	10,713,451	14,807,866	5,535,516	3,621,561
Percent Change	5.1%	2.9%	9.0%	7.6%	5.3%

# Reduce ULAED Contribution Rate

This issue brief describes the Governor's request to reduce the employer contribution rates of Amortization Equalization Disbursements and Supplemental Amortization Equalization Disbursements by 0.5 percent each for FY 2026-27.

## Summary

Amortization Equalization Disbursements and Supplemental Amortization Equalization Disbursements are employer contributions to PERA for the purpose of reducing the unfunded actuarial accrued liability.

Reducing each of these contributions by 0.5 percent in FY 2026-27 would achieve estimated savings of \$30.3 million total funds, including \$16.2 million General Fund.

## Discussion

### Amortization Equalization Disbursements

The Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED) are amounts above the base employer and employee contribution rates to PERA enacted through legislation in 2004 and 2006, respectively, intended to help pay down the unfunded actuarial accrued liability. Starting in 2006, AED was set at 0.5 percent of employers' total payroll. Starting in 2008, SAED was set at 0.5 percent of employers' payroll. Both of these rates ratcheted up through the years according to a statutory schedule, and they are now both at the statutory maximum of 5.0 percent.

Prior to the FY 2025-26 Long Bill, these two disbursements appeared in the Long Bill as separate lines. In the current Long Bill, the Committee approved a change where the two lines were combined into one line called Unfunded Liability Amortization Equalization Disbursement (ULAED). This line reflects 10.0 percent of employers' payroll.

### Reducing the Contribution

The Governor has requested to reduce the contribution from 10.0 percent to 9.0 percent for FY 2026-27 only. Approval of this request would reduce AED and SAED by 0.5 percent each and require legislation to enact.

According to the Office of State Planning and Budgeting (OSPB), the blended ratio of contribution rate to required contribution for 2026 is 102.58 percent. This means that for 2026, the divisions of PERA are on track to contribute more than is required to meet the 2048 statutory deadline for full funding.

There is a mechanism in statute called the Automatic Adjustment Provision (AAP) where if the blended ratio mentioned above dips below 98.0 percent, certain steps would be taken – like increased employee contributions and decreased benefits – to ensure that PERA remains on track to fully fund the pension by 2048.

Reducing ULAED by 1.0 percent for FY 2026-27 would reduce the blended ratio to 101.47 percent, which would not put the state in danger of triggering the AAP.

## Total Estimated Savings

If approved and legislation passed, this reduction would result in total savings of \$30.3 million, including \$16.2 million General Fund. The following table gives a department-level breakdown of where the savings would come from.

### 1.0 Percent ULAED Reduction Savings

Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	\$304,351	\$99,295	\$180,792	\$0	\$24,264
Corrections	4,581,458	4,525,266	56,192	0	0
Early Childhood	244,352	100,920	41,658	21,453	80,321
Education	715,415	300,899	104,957	80,567	228,992
Governor's Office	1,718,295	192,107	152,576	1,319,126	54,486
HCPF	928,151	361,955	76,622	0	489,574
Higher Education	229,704	75,027	129,328	0	25,349
Human Services	3,862,161	2,353,570	193,902	572,513	742,176
Judicial	5,385,219	4,999,557	365,590	20,072	0
Labor and Employment	1,591,709	130,431	762,918	4,238	694,122
Law	890,293	216,239	128,974	523,186	21,894
Legislature	483,298	483,298	0	0	0
Local Affairs	219,855	57,600	60,562	63,847	37,846
Military Affairs	158,798	60,229	2,046	0	96,523
Natural Resources	1,828,470	256,916	1,480,162	62,702	28,690
Personnel and Administration	399,616	182,430	14,061	203,125	0
Public Health	2,059,571	348,084	835,426	187,910	688,151
Public Safety	2,328,062	814,010	1,276,499	209,056	28,497
Regulatory Agencies	631,411	17,374	559,585	47,202	7,250
Revenue	1,372,463	621,745	745,263	5,455	0
State	160,600	0	160,600	0	0
Transportation	166,337	0	166,337	0	0
Treasury	57,616	36,575	21,041	0	0
<b>Total</b>	<b>\$30,317,205</b>	<b>\$16,233,527</b>	<b>\$7,515,091</b>	<b>\$3,320,452</b>	<b>\$3,248,135</b>

## Foregone Accrued Value

If this request is ultimately approved, \$30.3 million will not be contributed toward the unfunded liability in 2026. That amount would then not be able to accrue interest year over year, ultimately increasing the amount that the State would end up paying toward the liability. Using a 7.0 percent rate of return, \$30.3 million would grow to roughly \$143.7 million by 2048. This means that the State would need to replace that amount to fully fund the liability by 2048.

# Budget Reduction Options

The Executive Budget Request includes no General Fund reductions for Statewide Total Compensation. This issue brief reviews options identified by staff.

## Summary

Statewide Total Compensation represents 13.3 percent of total state General Fund appropriations in FY 2025-26. The Executive budget request includes no proposed reductions.

## Recommendation

Staff recommends that the Department discuss staff options in its budget hearing, focusing particularly on a 1.5 percent continuation salary reduction, a 2.5 percent continuation salary reduction, and a 5.0 percent continuation salary reduction.

## Discussion

### Funding History FY 2018-19 to FY 2025-26

Statewide total compensation represents 13.3 percent of total state General Fund appropriations in FY 2025-26. As reflected in the table below, General Fund in this section of the budget has increased by 25.2 percent since FY 2018-19 after adjusting for inflation. This is more than the statewide increase of 13.6 percent over the same period.<sup>1</sup>

**FY 2018-19 to FY 2025-26 Appropriations Comparison - Adjusted for Inflation**

Fund	FY 2018-19 Nominal	FY 2018-19 Adjusted	FY 2025-26	\$ Change from FY 2018-19 Adjusted	% Change from FY 2018-19 Adjusted
General Fund	\$1,372,035,188	\$1,785,523,455	\$2,234,691,980	\$449,168,526	25.2%
Total Funds	\$2,483,351,497	\$3,231,755,558	\$4,083,055,456	\$851,299,898	26.3%

## Budget Requests for General Fund Relief

The budget request included no proposals for General Fund relief.

## Additional Options for JBC Consideration

The table below summarizes options identified by the JBC staff that the Committee could consider in addition to or instead of the options presented in the budget request.

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<sup>1</sup> Fiscal year 2018-19 appropriations are adjusted for inflation, calculated based on the Legislative Council Staff September 2025 forecast, which reflects an increase in the Denver-Aurora-Lakewood consumer price index of 30.1 percent between FY 2018-19 and FY 2025-26.

A reduction of 1.5 percent to the salary base would require a General Fund reduction of \$26.2 million. A reduction of 2.5 percent to the salary base would require a General Fund reduction of \$43.6 million. A reduction of 5.0 percent to the salary base would require a General Fund reduction of \$87.2 million.

**Additional Options for General Fund Relief**

Option	General Fund	Other Funds	Bill? Y/N	Description
<b>Expenditure Reductions</b>				
1.5% salary base reduction	-\$26,156,002	-\$23,006,064	N	This option would reduce General Fund expenditures by \$26.2 million by decreasing the salary base by 1.5 percent.
2.5% salary base reduction	-\$43,593,336	-\$38,343,441	N	This option would reduce General Fund expenditures by \$43.6 million by decreasing the salary base by 2.5 percent.
5.0% salary base reduction	-\$87,186,672	-\$76,686,882	N	This option would reduce General Fund expenditures by \$87.2 million by decreasing the salary base by 5.0 percent.

**Expenditure Reductions**

**Continuation Salary Reductions**

*Description:* This option would reduce the continuation salary for each department by a certain percentage as decided by the Committee.

*Key Considerations:* Most departments have excess funds leftover at the end of the fiscal year as a result of turnover. It is assumed that in any given year, a department will have between 1.0 and 2.0 percent of its personal services appropriation available for other uses.

*Additional background:* The following tables show what savings could be achieved by implementing a one-time reduction of 1.5 percent, 2.5 percent, and 5.0 percent.

**1.5% Continuation Salary Reduction**

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	-\$497,114	-\$162,874	-\$294,401	\$0	-\$39,839
Corrections	-7,192,688	-7,100,550	-92,138	0	0
Early Childhood	-400,933	-165,668	-68,318	-35,218	-131,729
Education	-1,168,357	-488,724	-172,087	-132,176	-375,370
Governor's Office	-2,812,783	-314,801	-249,998	-2,158,710	-89,274
Health Care Policy and Financing	-1,525,957	-595,108	-125,937	0	-804,912
Higher Education	-376,290	-122,932	-211,824	0	-41,534
Human Services	-6,173,382	-3,750,947	-317,929	-907,487	-1,197,019
Judicial	-8,786,277	-8,154,088	-599,301	-32,888	0
Labor and Employment	-2,611,274	-214,048	-1,252,432	-6,972	-1,137,822
Law	-1,460,163	-354,849	-211,738	-857,612	-35,964
Legislature	-792,653	-792,653	0	0	0
Local Affairs	-360,287	-94,395	-99,299	-104,897	-61,696
Military and Veterans Affairs	-258,566	-98,740	-3,323	0	-156,503
Natural Resources	-3,000,300	-422,262	-2,427,783	-103,000	-47,255

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Personnel	-655,151	-299,125	-23,055	-332,971	0
Public Health and Environment	-3,384,681	-571,740	-1,373,131	-308,852	-1,130,957
Public Safety	-3,797,587	-1,349,169	-2,056,735	-344,821	-46,862
Regulatory Agencies	-1,036,350	-28,448	-918,890	-77,084	-11,928
Revenue	-2,239,322	-1,014,749	-1,215,661	-8,913	0
State	-264,046	0	-264,046	0	0
Transportation	-273,157	0	-273,157	0	0
Treasury	-94,748	-60,132	-34,616	0	0
<b>Total</b>	<b>-\$49,162,066</b>	<b>-\$26,156,002</b>	<b>-\$12,285,801</b>	<b>-\$5,411,601</b>	<b>-\$5,308,663</b>

A 1.5 percent continuation salary reduction would result in savings of \$49.2 million total funds and \$26.2 million General Fund.

### 2.5% Continuation Salary Reduction

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	-\$828,524	-\$271,457	-\$490,668	\$0	-\$66,398
Corrections	-11,987,813	-11,834,249	-153,564	0	0
Early Childhood	-668,221	-276,113	-113,864	-58,696	-219,549
Education	-1,947,261	-814,539	-286,812	-220,294	-625,616
Governor's Office	-4,687,972	-524,668	-416,664	-3,597,850	-148,789
Health Care Policy and Financing	-2,543,262	-991,847	-209,895	0	-1,341,520
Higher Education	-627,149	-204,886	-353,040	0	-69,223
Human Services	-10,288,970	-6,251,578	-529,882	-1,512,479	-1,995,031
Judicial	-14,643,796	-13,590,147	-998,836	-54,813	0
Labor and Employment	-4,352,124	-356,747	-2,087,386	-11,620	-1,896,370
Law	-2,433,605	-591,415	-352,897	-1,429,354	-59,940
Legislature	-1,321,088	-1,321,088	0	0	0
Local Affairs	-600,478	-157,325	-165,498	-174,829	-102,826
Military and Veterans Affairs	-430,944	-164,567	-5,538	0	-260,839
Natural Resources	-5,000,500	-703,770	-4,046,305	-171,667	-78,758
Personnel	-1,091,919	-498,542	-38,425	-554,951	0
Public Health and Environment	-5,641,136	-952,901	-2,288,552	-514,754	-1,884,929
Public Safety	-6,329,312	-2,248,615	-3,427,892	-574,701	-78,104
Regulatory Agencies	-1,727,249	-47,413	-1,531,483	-128,473	-19,881
Revenue	-3,732,204	-1,691,248	-2,026,102	-14,854	0
State	-440,077	0	-440,077	0	0
Transportation	-455,262	0	-455,262	0	0
Treasury	-157,914	-100,220	-57,694	0	0
<b>Total</b>	<b>-\$81,936,777</b>	<b>-\$43,593,336</b>	<b>-\$20,476,334</b>	<b>-\$9,019,334</b>	<b>-\$8,847,772</b>

A 2.5 percent continuation salary reduction would result in savings of \$81.9 million total funds and \$43.6 million General Fund.

### 5.0% Continuation Salary Reduction

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	-\$1,657,047	-\$542,915	-\$981,337	\$0	-\$132,796
Corrections	-23,975,627	-23,668,499	-307,128	0	0
Early Childhood	-1,336,443	-552,226	-227,728	-117,392	-439,097

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Education	-3,894,522	-1,629,079	-573,624	-440,587	-1,251,232
Governor's Office	-9,375,943	-1,049,337	-833,328	-7,195,699	-297,579
Health Care Policy and Financing	-5,086,525	-1,983,694	-419,791	0	-2,683,040
Higher Education	-1,254,298	-409,772	-706,080	0	-138,447
Human Services	-20,577,939	-12,503,156	-1,059,764	-3,024,957	-3,990,062
Judicial	-29,287,591	-27,180,294	-1,997,672	-109,626	0
Labor and Employment	-8,704,247	-713,494	-4,174,773	-23,241	-3,792,740
Law	-4,867,210	-1,182,829	-705,794	-2,858,707	-119,879
Legislature	-2,642,175	-2,642,175	0	0	0
Local Affairs	-1,200,956	-314,650	-330,996	-349,658	-205,652
Military and Veterans Affairs	-861,887	-329,134	-11,075	0	-521,678
Natural Resources	-10,001,000	-1,407,541	-8,092,609	-343,334	-157,516
Personnel	-2,183,837	-997,085	-76,850	-1,109,903	0
Public Health and Environment	-11,282,271	-1,905,801	-4,577,105	-1,029,507	-3,769,858
Public Safety	-12,658,623	-4,497,229	-6,855,784	-1,149,403	-156,207
Regulatory Agencies	-3,454,498	-94,826	-3,062,966	-256,946	-39,761
Revenue	-7,464,408	-3,382,497	-4,052,203	-29,708	0
State	-880,154	0	-880,154	0	0
Transportation	-910,523	0	-910,523	0	0
Treasury	-315,827	-200,440	-115,387	0	0
<b>Total</b>	<b>-\$163,873,554</b>	<b>-\$87,186,672</b>	<b>-\$40,952,669</b>	<b>-\$18,038,668</b>	<b>-\$17,695,545</b>

A 5.0 percent continuation salary reduction would result in savings of \$163.9 million total funds and \$87.2 million General Fund.

As was the case for this issue in the last cycle, a 5.0 percent continuation base salary adjustment would be very difficult for departments to absorb and would almost certainly result in job losses.

Staff believes that a 1.5 percent reduction is absorbable across the state, and 2.5 percent is likely absorbable in most departments.

The other aspect to consider is where to implement a reduction. In the current fiscal year, the reduction is applied to Health, Life, Dental (HLD) lines across the state to give departments flexibility in how to reduce their appropriation. Enacting the reduction in this way ensures that this would be a one-time reduction. Because HLD lines are recalculated annually based on the number of FTE in a department, the FY 2025-26 reductions are not built into the base. This means that the FY 2026-27 request includes all of the FY 2025-26 reductions as "increases".

If the Committee wanted to truly implement a base reduction, then some version of the above tables would need to be reduced from personal services lines in all departments and divisions. This is a much more complex task and it does not afford the same flexibility to departments, so the absorbable percentage would likely be smaller if it is the Committee's preference to avoid job loss.

# COWINS Partnership Agreement Update

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 current agreement was signed on September 23, 2024 and remains in effect until July 31, 2027.

## Summary

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

House Bill 24-1467 (Modifications to the State Personnel Total Compensation) put the Step Pay Plan into statute by requiring the Department of Personnel and Administration to develop an equitable pay structure that provides consistent and predictable salary increases.

## Discussion

### History and Updates

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

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

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

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

On September 23, 2024 the current Partnership Agreement (PA) was signed. There have been no major changes to the existing agreement since last session, but there are a few items that the Committee should be aware of when thinking about the Total Compensation request.

- If 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. In the first PA, the State agreed to pay the first \$20.0 million of any increase.
- A new series of across-the-board (ATB) increases are now in place. They are as follows:
  - On July 1, 2026 (FY 26-27) employees will receive a 3.1% ATB increase; and
  - On July 1, 2027 (FY 27-28) employees will receive an ATB increase to be determined by a “Steps 2.0” working group.
- The entire step structure will increase by 2.0 percent in each of the next three fiscal years.

## FY 2026-27 Costs of the Agreement

The primary cost driver for FY 2026-27 resulting from the PA is the 3.1 percent across-the-board increase. The table below outlines the different aspects of the agreement that are driving increased costs for FY 2026-27.

**Costs Associated with COWINS Partnership Agreement FY 2026-27**

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
<b>FY 2026-27 Request</b>					
3.1 percent ATB increase	\$100,420,712	\$53,132,714	\$25,220,896	\$11,127,386	\$10,939,716
Step Increases	\$14,702,593	11,702,073	1,901,534	449,025	649,962
STEP-like increases (0.4%)	\$2,323,176	1,097,156	308,152	755,428	162,440
Movement to Range Minimum	\$3,889,873	100,870	3,581,292	183,664	24,048
<b>TOTAL</b>	<b>\$121,336,354</b>	<b>\$66,032,813</b>	<b>\$31,011,873</b>	<b>\$12,515,502</b>	<b>\$11,776,166</b>

### 3.1 Percent Across-the-Board Increase

The request includes \$100.4 million total funds, including \$53.1 million General Fund to implement a 3.1 percent across-the-board (ATB) increase for all classified employees. This is the second of three ATB increases outlined in the current PA. For FY 2027-28, the ATB increase amount will be determined by the Steps 2.0 working group.

### Step Increases

The request includes \$14.7 million total funds, including \$11.7 million General Fund to continue the implementation of the Step Pay plan. The step increase is similar but slightly larger than it was for FY 2025-26. In

general, the annual cost of the Step Pay plan has been lower than what would be expected as a result of the ATB increases being applied to employee salaries before the step increases are applied. As long as the ATB increases continue around 3.0 percent, the step increases should hover between \$10-\$15 million per year.

### **Step-like Increases**

The request includes \$2.3 million total funds, including \$1.1 million General Fund to implement step-like increases for non-covered employees. For FY 2026-27, the Department has calculated the average step plan increase at 0.4 percent. Denial of this portion of the request would not trigger PA renegotiations.

### **Movement to Range Minimum**

The request includes \$3.9 million total funds, including \$100,870 General Fund for statutory salary increases for State Patrol Troopers.

Movement to new class minimum is applied to Troopers I & II as their series progression is slightly different from standard classified employees. After four years of service, a Trooper I will move up to Trooper II classification. If at that point their salary + ATB increase is below the Trooper II salary, they will get an increase for movement to the new class minimum. This scenario repeats itself as a Trooper II moves up to a Trooper III classification after eight years of service.

Movement to range minimum for all Trooper classes is applied when the annual assessment of pay ranges determines that an adjustment is needed. If after applying the ATB increase a Trooper is still below the new range minimum, they will receive an additional increase to bring them to the range minimum.

These classes are different from other classified employees because of the statutory requirement that the amount of their salary shall be at least 99.0 percent of the actual average salary provided to the top three law enforcement agencies within the State that have both more than 100 commissioned officers and highest actual average salary.

# PERA Update

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

## Summary

PERA experienced an investment return of 10.8 percent in 2024, compared with 13.4 percent in 2023. The net investment income of the plan in 2024 was \$7.6 billion. Member contributions totaled \$1.7 billion and employer contributions totaled \$2.7 billion.

The aggregate funded ratio declined to 69.2 percent – down from 69.6 percent a year earlier – and the aggregate unfunded liability increased from \$27.5 billion to \$28.9 billion – an increase of \$1.4 billion.

The state employee contribution rate of 11.0 percent for most state employees and 13.0 percent for Safety Officers FY 2024-25 is not scheduled to increase in 2026. This compares to the normal cost rate of 13.42 percent for the State Division as identified in the 2024 annual report. The normal cost reflects the percentage of salary required to fully fund a current employee's PERA benefits.

## Discussion

According to the PERA 2024 Comprehensive Annual Financial Report (CAFR), PERA experienced a positive investment year in 2024, resulting in a combined return of 10.8 percent net-of-fees. The investment performance is only one of several factors used to calculate a retirement plan's funded status, however. Factored into this determination are actuarial assumptions related to inflation, payroll and employment, retirement rates, and member longevity. As of December 31, 2024, the plan's unfunded liability is reported at \$28.9 billion giving it a funded status of 69.2 percent, as compared with 69.6 percent on December 31, 2023. For the State Division, the unfunded liability is reported at \$9.9 billion, with a funded status of 66.3 percent.

## Investment Return

For 2024, PERA experienced an investment return of 10.8 percent. PERA's annualized rate of return over extended periods include the following:

- 2.8 percent over three years;
- 8.2 percent over five years;
- 8.3 percent over 10 years; and
- 8.4 percent over 30 years.

## Funded Ratio

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

## Funded Ratio

Item	2017	2018	2019	2020	2021	2022	2023	2024
Year end	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
State	57.5%	56.1%	58.0%	59.1%	64.0%	66.5%	66.2%	66.3%
Judicial	72.4%	70.6%	74.0%	78.7%	85.9%	88.5%	89.2%	90.6%
School	59.4%	57.9%	59.9%	60.6%	65.3%	67.0%	66.7%	66.1%
DPS	79.7%	76.8%	80.0%	81.2%	86.9%	90.3%	89.6%	91.2%
Local Government	79.5%	77.7%	80.7%	82.4%	88.6%	91.0%	90.7%	89.2%
<b>PERA aggregate</b>	<b>61.3%</b>	<b>59.8%</b>	<b>61.9%</b>	<b>62.8%</b>	<b>67.8%</b>	<b>69.9%</b>	<b>69.6%</b>	<b>69.2%</b>

## Unfunded Actuarial Accrued Liability

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

### Unfunded Actuarial Accrued Liability (in millions)

Item	2017	2018	2019	2020	2021	2022	2023	2024
State	\$10,526	\$11,206	\$10,796	\$11,078	\$9,780	\$9,276	\$9,609	\$9,858
Judicial	118	132	120	102	69	59	57	51
School	16,266	17,504	17,013	17,951	16,084	15,933	16,766	17,860
DPS	831	987	853	850	609	465	521	450
Local Gov.	1,037	1,170	1,028	996	654	534	571	694
<b>PERA agg.</b>	<b>\$28,777</b>	<b>\$30,999</b>	<b>\$29,810</b>	<b>\$30,977</b>	<b>\$27,196</b>	<b>\$26,266</b>	<b>\$27,524</b>	<b>\$28,913</b>
Agg. Change	(3,465)	2,222	(1,190)	1,167	(3,781)	(930)	1,258	1,388

Pursuant to S.B. 18-200 (Modifications to PERA Public Employees' Retirement Association to Eliminate Unfunded Liability), PERA must reach full funding by the end of 2047. With the plan's positive investment year, PERA's asset to liabilities comparison indicates that the automatic adjustment provision, which automatically adjusts member and employer contributions, will not be necessary in 2026. As a result, the employee contribution will remain 11.0 percent for most State employees and 13.0 percent for employees in the Safety Officers category. The amortization funding valuation for the State Division changed from 18 years in 2023 to 17 years in 2024.

## PERA Direct Distribution Payments

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

- SB 18-200 (Modifications to PERA Public Employees' Retirement Association to Eliminate Unfunded Liability) established an annual direct distribution payment of \$225.0 million to be made from the General Fund or any other fund. Payments are scheduled to be made on July 1 of each year beginning July 1, 2018 and continue until there is no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution.
- HB 20-1379 (Suspend Direct Distribution to PERA Public Employees' Retirement Association for 2020-21 Fiscal Year) eliminated the July 1, 2020 scheduled direct distribution payment of \$225.0 million to PERA.

- SB 21-228 (PERA Public Employees' Retirement Association Payment Cash Fund) created the PERA Payment Cash Fund, appropriated \$380.0 million General Fund to the Cash Fund, authorized the State Treasurer to use the Cash Fund to pay any employer contribution or disbursements required by statute, and required that the PERA direct distribution payment scheduled to be paid on July 1, 2022, be made from the Cash Fund as opposed to the General Fund. The bill allows for the payment of some or all of a future payment to PERA to be made from the cash fund as well.
- SB 22-214 (General Fund Transfer to PERA Payment Cash Fund) requires the transfer of \$198.5 million General Fund to the PERA Payment Cash Fund in order to reimburse the Cash Fund for the portion of the July 1, 2022 direct distribution payment that was made from the Cash Fund pursuant to H.B. 22-1329 (FY 2022-23 Long Appropriations Bill).
- HB 22-1029 (Compensatory Direct Distribution to Public Employees' Retirement Association) required the State Treasurer to make a payment to PERA as soon as practicable in the amount of \$380.0 million cash funds from the PERA Payment Cash Fund, in order to recompense PERA for the eliminated July 1, 2020 direct distribution payment that was required by H.B. 20-1379. The payment is in addition to the regularly scheduled July 1, 2022 \$225.0 million payment (funded in the FY 2022-23 Long Bill). In addition, the bill reduced the scheduled July 1, 2023 direct distribution payment by \$190.0 million.
- SB 23-056 (Compensatory Direct Distribution to PERA) requires the State Treasurer to issue a warrant on July 1, 2023 to PERA in the amount of the balance of the PERA Payment Cash Fund, plus \$10.0 million General Fund for a total of \$14,455,499. The payment was intended to recompense PERA for interest earnings on the repealed July 1, 2020 direct distribution payment. The bill also repealed the PERA Payment Cash Fund on July 1, 2023
- SB 25-310 (Proposition 130 Implementation) requires an annual transfer, starting on July 1, 2027, of the greater of \$15 million or the adjusted investment amount up to \$35 million, to the Peace Officer Training and Support Fund. This amount will be offset by reductions in direct distribution warrants to PERA. The assumption in this legislation is that the amount of the transfer will equal the interest income generated from the \$500 million transferred to PERA as part of the General Fund reserve. However, if the investment income generated from that \$500 million is less than \$15 million in any given year, then the direct distribution to PERA will decrease by the difference – potentially impacting the unfunded liability.

It is very important to note that the payment plan established in S.B. 18-200 is an annuity and was created in order to ensure that a fixed sum of money is paid to PERA on an annual basis so that the unfunded liability is resolved in a timely fashion. Legislation making changes to the annuity has in effect birthed the concept that modifications to the PERA Direct Distribution payment is a means through which the State budget can be balanced. This is a dangerous paradigm in that PERA is a healthy investment and the unfunded liability is a debt. Staff recommends against reducing the Direct Distribution payments for any reason.

## **PERA Direct Distribution Payment Fund Sources**

Statute allows for regularly scheduled direct distribution payments to be made from the General Fund or other sources of funding. Only a portion of the payment is attributable to the State (typically approximately \$60 million), therefore “other sources of funding” refers to cash funds, reappropriated funds, or federal funds to which state departments have access and that can be used to cover pension plan costs. This language allows for Long Bill appropriations for each department’s portion of the direct distribution payment to be made up of various sources, thereby reducing the impact of the annual payment on the General Fund.

Regularly scheduled \$225.0 million payments are typically comprised of approximately 88.0 percent General Fund, 7.0 percent cash funds from various sources, 3.0 percent reappropriated funds, and 2.0 percent federal funds. The fund type splits for each department are determined through the use of the total compensation templates, however the statewide percentages reflected in the Long Bill change very little from year to year. It is important to note that these other sources of funding are only available for the portion of the payment attributable to the State Divisions. The portion of the liability associated with other PERA divisions are solely covered by General Fund. Under current law, the FY 2026-27 payment is \$225.0 million.

# FY 2025-26 Executive Order Budget Adjustments

## Budget Reductions

Executive Order D 2025 014, as amended, identifies the following plans for FY 2025-26 spending reductions in this department.

Title	General Fund	Description
Statewide Hiring Freeze	-\$3,000,000	This is the expected Health, Life, Dental savings from the statewide hiring freeze.
Total - Compensation	-\$3,000,000	

For the State as a whole, the Governor's Office anticipates \$3.0 million General Fund savings from a FY 2025-26 hiring freeze. The Governor's Office has not provided estimates at the department level at this time, but staff expects department-level savings data to be included in the January HLD supplemental for FY 2025-26.

# Footnotes and Requests for Information

## Update on Long Bill Footnotes

The General Assembly includes footnotes in the Long Bill to:

4. set forth purposes, conditions, or limitations;
5. explain assumptions; or
6. express legislative intent.

This section discusses a subset of the footnotes relevant to the divisions covered in the briefing. For a full list of footnotes, see the end of each departmental section of the [2026 Long Bill](https://leg.colorado.gov/bills/sb25-206) (<https://leg.colorado.gov/bills/sb25-206>).

There are no footnotes concerning Total Compensation or PERA for FY 2025-26.

## Update on Requests for Information

The Joint Budget Committee may submit requests for information (RFIs) to departments. The Joint Budget Committee must prioritize the requests per Section 2-3-203 (3), C.R.S.

This section discusses a subset of the RFIs relevant to the divisions covered in the briefing. For a full list of RFIs, see the [letters requesting information](https://leg.colorado.gov/sites/default/files/rfi_fy_2025-26.pdf) ([https://leg.colorado.gov/sites/default/files/rfi\\_fy\\_2025-26.pdf](https://leg.colorado.gov/sites/default/files/rfi_fy_2025-26.pdf)).

## Requests Affecting Multiple Departments

9. All Departments – The Departments are requested to provide by November 1 of each fiscal year responses to the following:
  - a. 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.
  - b. To what does the Department attribute this turnover/vacancy experience?
  - c. Do the statewide compensation policies or practices administered by the Department of Personnel help or hinder the department in addressing vacancy or turnover issues?

Staff has received responses to this RFI from all departments except for the Departments of Education, Local Affairs, and Regulatory Agencies.

There is a considerable amount a data included in the responses to this RFI, and staff has not had a chance to collate and organize the data at this time.