Joint Budget Committee Staff

Memorandum

To:	Members of the Joint Budget Committee
From:	Mitch Burmeister, JBC Staff (303-866-3147)
Date:	Thursday, March 20, 2025
Subject:	Statewide Compensation Comeback

In staff's second statewide compensation common policy presentation on Wednesday, March 12th, the Committee tabled one item to better understand department-by-department breakouts for the Health, Life, and Dental request.

An additional item that staff is bringing back to the Committee is a concern that staff has about the distribution of the 1.5% salary reduction option that the Committee approved in that presentation.

Finally, there is also a technical adjustment to the total compensation request for Judicial. All three of these items are described in more detail below.

→ Health, Life, and Dental Revised Request/Recommendation

In staff's memo to the Committee dated Tuesday, March 11th, 2025, staff presented the following table that outlines the impacts of the agreement that the Governor's Office and COWINS came to in response to the Committee's concerns about the costs of the original compensation request.

Savings by Compensation Component		
Component	TF	GF
1.5% Base Salary Reduction	-$29,513,618	-$15,971,061
HLD at 88/12 Split	-$6,167,295	-$3,254,658
Critical Staff incentives	-$12,008,087	-$12,008,087
Total	-$47,689,000	-$31,233,806

The "HLD at 88/12 Split" item shows the statewide difference between the original request, which included the cost of the State absorbing 100.0 percent of Health, Life, and Dental (HLD) premium increases, and the revised request, which splits the impact of the premium increase to the 88/12 status quo.

Not included in that number is the impact of the revised request for GLP-1 prescription drug coverage. Staff understands that the revised agreement on GLP-1 coverage includes "grandfathering in" all state employees who receive coverage through June 30, 2025, but ending coverage after that date. Additionally, the co-pay for the prescription will increase from $25 to $120.

In staff's figure setting presentation, the Committee approved the 88/12 split of premium increases based on the numbers in the table above, but delayed action on the GLP-1 impact to wait for the actual numbers.

The tables below outline the impact of each of these revisions and a breakout by department.

Total Impact of GLP-1 Revised Coverage					
Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	$106,034	$29,740	$68,046	$0	$8,248
Corrections	1,551,419	1,533,332	18,087	0	0
Early Childhood	88,769	36,353	18,195	8,315	25,906
Education	183,383	76,283	31,383	16,814	58,903
Governor's Office	421,775	49,421	37,575	312,885	21,894
HCPF	251,608	101,926	18,839	0	130,843
Higher Education	44,280	11,430	27,942	0	4,908
Human Services	1,179,738	685,626	67,496	183,309	243,307
Judicial	1,588,391	1,483,070	103,292	2,029	0
Labor and Employment	509,061	45,433	253,168	2,393	208,067
Law	196,460	45,961	31,296	114,158	5,045
Legislature	109,700	109,700	0	0	0
Local Affairs	66,761	30,242	12,946	10,493	13,080
Military Affairs	41,523	17,209	989	0	23,325
Natural Resources	598,100	87,970	484,398	16,740	8,992
Personnel	119,682	49,103	3,917	66,662	0
Public Health	599,934	116,832	201,071	54,984	227,047
Public Safety	709,729	248,067	390,581	62,422	8,659
Regulatory Agencies	161,595	4,233	141,829	12,955	2,578
Revenue	441,898	193,810	246,265	1,823	0
State	44,666	0	44,666	0	0
Transportation	40,821	0	40,821	0	0
Treasury	17,379	10,943	6,436	0	0
Total	$9,072,706	$4,966,684	$2,249,238	$865,982	$990,802

Total Impact of 88/12 Premium Increase Split					
Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	-$48,651	-$14,491	-$30,407	$0	-$3,753
Corrections	-768,698	-758,232	-10,466	0	0
Early Childhood	-44,289	-18,296	-9,223	-4,002	-12,768
Education	-90,088	-37,388	-14,955	-8,613	-29,132
Governor's Office	-204,448	-22,494	-17,214	-155,543	-9,197

Total Impact of 88/12 Premium Increase Split					
Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
HCPF	-118,653	-47,755	-9,188	0	-61,710
Higher Education	-21,229	-5,263	-13,618	0	-2,348
Human Services	-586,087	-342,768	-33,147	-93,550	-116,622
Judicial	-718,526	-670,679	-46,907	-940	0
Labor and Employment	-237,555	-21,181	-118,446	-1,092	-96,836
Law	-91,660	-21,070	-15,186	-53,192	-2,212
Legislature	-53,533	-53,533	0	0	0
Local Affairs	-30,425	-14,264	-6,120	-4,251	-5,790
Military Affairs	-19,525	-7,672	-369	0	-11,484
Natural Resources	-258,008	-36,624	-209,632	-8,324	-3,428
Personnel	-56,733	-23,005	-1,860	-31,868	0
Public Health	-271,732	-52,797	-89,162	-28,671	-101,102
Public Safety	-349,699	-119,825	-193,520	-32,407	-3,947
Regulatory Agencies	-78,218	-2,024	-68,448	-6,557	-1,189
Revenue	-216,521	-92,925	-122,592	-1,004	0
State	-22,325	0	-22,325	0	0
Transportation	-19,443	0	-19,443	0	0
Treasury	-8,117	-5,035	-3,082	0	0
Total	-$4,314,163	-$2,367,321	-$1,055,310	-$430,014	-$461,518

Total Impact of GLP-1 coverage and 88/12 Premium Increase Split					
Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	$57,383	$15,250	$37,638	$0	$4,495
Corrections	782,721	775,100	7,621	0	0
Early Childhood	44,480	18,057	8,972	4,313	13,138
Education	93,296	38,895	16,428	8,201	29,772
Governor's Office	217,328	26,927	20,361	157,342	12,698
HCPF	132,955	54,171	9,651	0	69,133
Higher Education	23,052	6,168	14,324	0	2,560
Human Services	593,652	342,857	34,350	89,760	126,685
Judicial	869,866	812,392	56,385	1,089	0
Labor and Employment	271,506	24,252	134,722	1,301	111,231
Law	104,800	24,891	16,110	60,966	2,833
Legislature	56,166	56,166	0	0	0
Local Affairs	36,339	15,979	6,827	6,242	7,291
Military Affairs	21,999	9,538	620	0	11,841
Natural Resources	340,091	51,346	274,766	8,416	5,563
Personnel	62,949	26,098	2,057	34,794	0
Public Health	328,202	64,035	111,908	26,313	125,946
Public Safety	360,030	128,242	197,060	30,016	4,712
Regulatory Agencies	83,377	2,209	73,381	6,398	1,389
Revenue	225,380	100,886	123,674	820	0

Total Impact of GLP-1 coverage and 88/12 Premium Increase Split					
Department	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
State	22,341	0	22,341	0	0
Transportation	21,378	0	21,378	0	0
Treasury	9,262	5,908	3,354	0	0
Total	$4,758,553	$2,599,367	$1,193,928	$435,971	$529,287

Staff recommends approval of the changes in GLP-1 coverage that would grandfather in existing employees with coverage and increase the co-pay amount to $120.

➔ Judicial Branch 1.5 percent Salary Reduction

The second item in this comeback document is something that staff finds concerning about how the 1.5 percent salary reduction is spread across the state. No action is required on this item if the Committee chooses.

The 1.5 percent salary reduction amounts that staff presented to the Committee on March 12th came from the agreement that the Governor's Office and COWINS came to and that staff received only a few days prior. In formulating the total amount of the salary reduction, OSPB included three exclusions from reductions for Executive Branch agencies.

- Salary base amounts for 24/7 employees and facilities;
- Salary base amounts for programmatic line items that contain fewer than 20.0 FTE; and
- Salary base amounts that are paid for using enterprise funds.

Staff agrees that the argument for excluding these categories of dollars from the salary base reductions is compelling. However, this methodology has some unintended consequences that staff only realized after the Committee had approved the reduction.

The following table outlines the departmental breakdown of reductions necessary to achieve 1.5 percent statewide.

1.5% General Fund Base Reduction					
FY 2025-26 HLD	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	-$367,430	-$111,400	-$223,350	$0	-$32,680
Corrections	-1,043,075	-1,043,075	0	0	0
Early Childhood	-380,159	-169,935	-76,715	-41,097	-92,412
Education	-174,248	-83,586	-34,626	-56,036	0
Governor's Office	-2,187,099	-156,164	-2,864	-1,987,253	-40,818
Health Care Policy and Financing	-1,208,153	-557,885	-15,009	0	-635,259
Higher Education - Admin & Hist.CO	-181,790	-88,004	-86,616	0	-7,170
Human Services	-1,997,562	-1,503,554	-43,916	-22,700	-427,392
Judicial					
Judges	-1,081,113	-1,081,113	0	0	0
All other courts & probation	-4,719,351	-4,318,432	-400,919	0	0
Supreme Court Grievance	-146,851	0	-146,851	0	0
Office of the Child Protection Ombudsman	0	0	0	0	0
Office of the State Public Defender	-1,919,864	-1,919,864	0	0	0
Office of Child's Representative	-67,307	-60,030	0	-7,278	0
Office of the Alternate Defense Counsel	-77,392	-77,392	0	0	0
Office of the Respondent Parents Counsel	-2,487	-2,420	0	-67	0
Office of Public Guardianship	-3,468	-3,468	0	0	0
Judicial Discipline	0	0	0	0	0
Independent Ethics Commission	0	0	0	0	0
Bridges of CO	-129,306	-129,306	0	0	0
ASIA	-228	-228	0	0	0
Judicial Ombudsman	0	0	0	0	0
Judicial Subtotal	-8,147,366	-7,592,251	-547,770	-7,345	0

1.5% General Fund Base Reduction					
FY 2025-26 HLD	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Labor and Employment	-2,305,384	-177,140	-1,163,190	-8,816	-956,238
Law	-1,268,072	-277,629	-159,068	-798,729	-32,646
Legislature	-591,332	-591,332	0	0	0
Local affairs	-170,173	-63,996	-15,370	-86,662	-4,145
Military and Veterans Affairs	-203,883	-66,792	0	0	-137,091
Natural Resources	-830,692	-350,987	-394,427	-84,327	-951
Personnel	-362,911	-165,767	-10,692	-186,452	0
Public Health and Environment	-2,528,027	-430,053	-819,537	-225,369	-1,053,068
Public Safety	-1,927,795	-1,115,493	-518,442	-287,186	-6,674
Regulatory Agencies	-896,910	-22,355	-776,958	-77,546	-20,051
Revenue	-1,761,884	-923,850	-836,594	-1,440	0
State	-253,797	0	-253,797	0	0
Transportation	-257,082	0	-257,082	0	0
Treasury	-85,777	-56,114	-29,663	0	0
TOTAL	-$29,130,601	-$15,547,362	-$6,265,686	-$3,870,958	-$3,446,595

The most significant unintended consequence is the contribution of the Judicial Branch toward the total General Fund reduction amount. Of the total $15.5 million General Fund reduction, Judicial is absorbing $7.6 million of it, or 49.0 percent of the total reduction across the state. Of that total, Judges and Courts and Probation are absorbing $5.4 million, or 34.7 percent of the total statewide reduction.

When staff initially presented these total reduction numbers, staff had not had time to fully digest the implications of the exclusions on Judicial. After digesting, staff has concerns that the statewide reduction is disproportionally being shouldered by the Judicial Department. The exclusions that OSPB included in the reductions are largely not applicable to Judicial.

- Judicial has very few, if any, 24/7 employees or facilities;
- Judicial has nearly 5,000 FTE, which means it has very few program lines with fewer than 20.0 FTE; and
- Judicial has no enterprises.

Because of the exclusions chosen, Judicial essentially takes a full 1.5 percent cut as opposed to the smaller cuts that most Executive Branch agencies would take, as outlined in the following table.

Salary Base Reduction Percentages w/Exclusions				
Department	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Agriculture	1.0%	1.1%	0.0%	1.3%
Corrections	0.2%	0.0%	0.0%	0.0%
Early Childhood	1.5%	1.5%	1.5%	1.3%
Education	0.3%	0.3%	0.8%	0.0%
Governor's Office	0.8%	0.0%	1.5%	0.4%
Health Care Policy and Financing	1.5%	0.2%	0.0%	1.3%

Salary Base Reduction Percentages w/Exclusions				
Department	General Fund	Cash Funds	Reapprop. Funds	Federal Funds
Higher Education - Admin & Hist	1.2%	0.7%	0.0%	0.2%
Human Services	0.6%	0.2%	0.0%	0.6%
Judicial	1.5%	1.3%	0.9%	0.0%
Labor and Employment	1.3%	1.5%	0.9%	1.5%
Law	1.3%	1.3%	1.5%	1.5%
Legislature	1.2%	0.0%	0.0%	0.0%
Local affairs	0.6%	0.4%	2.3%	0.1%
Military and Veterans Affairs	1.0%	0.0%	0.0%	1.5%
Natural Resources	1.4%	0.3%	1.4%	0.0%
Personnel	0.9%	0.9%	0.9%	0.0%
Public Health and Environment	1.0%	1.1%	1.1%	1.3%
Public Safety	1.3%	0.4%	1.3%	0.2%
Regulatory Agencies	1.5%	1.4%	1.5%	1.5%
Revenue	1.4%	1.1%	0.2%	0.0%
State	0.0%	1.5%	0.0%	0.0%
Transportation	0.0%	1.5%	0.0%	0.0%
Treasury	1.5%	1.5%	0.0%	0.0%
Average	1.0%	0.8%	0.7%	0.6%

In staff's second total compensation figure setting presentation, staff asked for permission to adjust Judicial's reduction to continue working with them to get the right numbers. At the time staff assumed that any adjustment would be well within $1.0 million, however, after speaking with Courts and Probation, staff has realized that even though Judicial does not have 24/7 FTE in the same way as, for example, DOC does, there are many FTE that *function like* 24/7 FTE. Courts and Probation provided staff with several options, outlined below. (Note: these responses come directly from Judicial.)

1. Exclude all judicial officers (including judges and magistrates) and their staff compliments. These FTE are essential to keeping the Courts open and addressing the dockets (and because they cannot actually close the Courts). In addition, judicial officers and staff must be available to handle warrants and 48-hour bond hearings 7 days a week. Finally, judicial officer staffing statewide averages approximately 80 percent so they are already over utilized.
   a. **This option would reduce the total cut by $2,316,580 General Fund.**

2. Exclude all judicial officers as described above, and interpreters and court reporters. Court reporters are essential for court proceedings because there must be a transcript/record of everything that is on a docket. Interpreters are essential because Judicial is required by the ADA to provide interpreting services to anyone who requests them.
   a. **This option would reduce the total cut by $2,440,495 General Fund.**

3. Exclude all judicial officers, interpreters, court reporters, and court executives and chief probation officers. These FTE function as the chiefs of staff (under each Chief Judge) for the district Court and district Probation Department.
   a. **This option would reduce the total cut by $2,582,902 General Fund.**

4. Exclude all judicial officers, interpreters, court reporters, court executives, chief probation officers, and probation officers. The work that probation officers perform is essential to public safety and is required by law to be done. Probation Departments are staffed at an average of 80 percent across the state. Holding these positions vacant will mean increased workload on already over utilized staff.
   a. **This option would reduce the total cut by $3,728,801 General Fund.**

Staff recommends Option 3 for reasons to be discussed in the next item.

➔ Judicial Total Compensation Technical Correction

The statewide total compensation request comes to staff in a series of Excel workbooks, or ‘templates’. These templates typically include the entire compensation request for a single department. Because the Judicial Branch has several independent agencies, staff receives several templates that represent the entirety of the Judicial Branch. It is important to note that templates are not sent directly from departments and/or agencies – DPA first sends them to departments to fill out, then departments send them back to DPA who work with OSPB to arrive at the final request, which then gets sent to staff on November 1 for the budget submission and the beginning of January for budget amendments.

Because the Judicial Branch is not beholden to the requirements of the Executive Branch in this regard, sometimes there are issues with the accuracy of the templates.

One of the templates that staff received for the FY 2025-26 budget request is located – as a line item – within the Supreme Court and Court of Appeals division of the Judicial Department in the Long Bill. This line item functions independently from the Supreme Court and Court of Appeals division and so comes to staff as an independent agency.

In the course of reviewing the 1.5 percent salary reduction, staff was working with Judicial budget staff, who identified an error with the template. The template reflected the request as entirely General Fund, which is how staff input the request information into the data management system. The line item represented by the template is actually entirely cash funded. When this was discovered, staff changed the previously identified General Fund to cash funds in the data management system.

This change resulted in a $2.5 million General Fund reduction and a corresponding cash fund increase.