

State of Colorado



Bill Ritter, Jr.
Governor

Rich Gonzales
Executive Director

Jennifer Okes
Deputy Executive Director

DPA

Department of Personnel
& Administration

Executive Office
633 17th Street, Suite 1600
Denver, Colorado 80202
Phone (303) 866-3000
Fax (303) 866-2102
www.state.co.us/dpa

August 1, 2008

Honorable Bill Ritter
Governor of Colorado
136 State Capitol Building
Denver, Colorado 80203

Honorable Representative Bernie Beuscher
Chair, Joint Budget Committee
Colorado General Assembly
200 East 14th Avenue
Denver, Colorado 80203

Dear Governor Ritter and Representative Buescher:

In accordance with statute and based on findings from the 2009-2010 Annual Compensation Report, \$117.5 million is recommended to reach competitive market compensation for employee¹ total compensation for next fiscal year as shown in the following table. Based upon funding limitations, we are recommending \$102.1 million to keep salaries competitive with the market and to maintain the current employer contributions to group benefit premiums at 90% of prevailing levels in the aggregate. We believe this recommendation strikes the best balance in directing limited funding to the most individuals and providing the highest level of flexibility for those individuals.

FY 2009-10 TOTAL COMPENSATION RECOMMENDATIONS AND ESTIMATED COST (Including associated PERA and Medicare costs)		
Type of Compensation	Prevailing Market Compensation	Recommended Compensation (90% HLD)
Salary Adjustments	\$85,507,171	\$85,507,171
HLD Contributions	\$32,012,189	\$16,567,779
Total Compensation Package New Dollars	\$117,519,360	\$102,074,950

¹ The estimated cost is for all agencies, excluding non-appropriated employees in the Department of Transportation and Higher Education Institutions.

The annual compensation survey indicates the need for a total salary budget increase of 3.8% of total payroll for actual employee salary increases. These salary increases include market salary adjustments, system maintenance studies, and individual class adjustments to maintain compensation that is competitive with prevailing market.

In accordance with the implementation of SB06-235, funding for Supplemental Amortization Equalization Disbursement (SAED) payments will be diverted from appropriations for salary increases in FY 2009-2010. This provides the budget authority necessary to make these payments. As a result, the total salary budget adjustments in the Annual Compensation Report have been reduced in this request to account for SAED.

Similar to last year, our recommendation includes funding for achievement pay in order to recognize employee success on the job. Achievement pay uses a combination of base and non-base increases to actual pay. Successful and exceptional performers will receive base achievement pay increases of 1.00% and exceptional performers will receive an additional 2.00% non-base lump sum payment.²

In addition, we are also recommending that a part of the total salary budget include funding for special recognition programs to be applied throughout the year for employee contributions. We are continuing to strengthen our incentive and recognition policy as well as enhance our performance management system. These improvements involve training for supervisors, employee education, and incorporating teamwork into performance outcomes.

The table below outlines all the recommended base and non-base salary increases.

Occupational Group (with # of employees)	Market Salary Increase %	Base Achievement Pay %	Total Base Pay Adjustment %
Enforcement & Protective Serv (5,631)	3.14%	1.00%	4.17%
Troopers* (731)			6.91%
Health Care Services (3,018)	2.95%		3.98%
Labor, Trades, and Crafts (1,044)	2.76%		3.79%
Administrative Support & Rel (2,195)	2.60%		3.63%
Professional Services (7,062)**	2.05%		3.07%
Physical Sciences & Engineering (946)	2.26%		3.28%
Appropriated Non-Classified (4,879)	2.50%		3.53%
Statewide Average (25,506)	2.50%		3.53%
<i>Non-Base Building Lump-sum Achievement Payment for 'Exceptional' Performers 2.00%</i>			
<i>Special Recognition Programs</i>			

² Employees rated "Needs Improvement" are excluded from salary adjustments, except range minimum.

Notes:

- The 'Market Salary Increase %' is the market adjustment by occupational group as indicated in the survey and recommended by the State Personnel Director. The average adjustment is 2.5%
 - The 'Base Achievement Pay %' is the base-building achievement pay component recommended by the State Personnel Director for all 'successful' and 'exceptional' performers.
 - The 'Total Base Pay Adjustment %' shows the final combined base adjustment to eligible employees' salaries.
 - 'Special Recognition' includes non-base cash and non-cash rewards awarded throughout the year, periodically or immediately following the event, action, or contribution, for which all employees are eligible.
- * Per C.R.S. 24-50-104(1)(a)(III)(A), salary adjustments are determined based on Trooper's defined market; the market structure increase is 3.59% and actual salary increase 5.85% after SAED.
- **Financial Services will be consolidated with the Professional Services group effective 7/1/09.

Turning to the State's total contribution to group benefits, an estimated additional \$16.2 million is needed for the next plan year. This will maintain our employer contribution to premiums at 90% of market employer contributions for medical and 85% for dental, as well as reflect projected cost increases. This funding will also contribute toward building the premium stabilization reserve to the full 10% originally recommended by the State's consulting actuary and consistent with statute, C.R.S. 24-50-613(3). One of the goals in our strategic plan is to reach prevailing employer contribution levels and to allow state employees the affordability to choose the compensation package that best meets their needs. The recommended funding allows the State to maintain our position despite increasing health insurance costs. The following table outlines the recommended employer contributions to group benefits.

Total HLD Employer Contribution Dollars by Enrollment Tier		
Tier	State Contribution for FY 08-09	Recommended Contribution for FY 09-10
Employee	\$370.78	\$389.36
Employee + Spouse	\$606.88	\$647.42
Employee + Child(ren)	\$545.34	\$684.28
Family	\$839.32	\$942.34

This year, as in past years, an updated recommendation will be provided in December that incorporates additional survey data from major surveys not available at this time, the most recent Employment Cost Index (ECI), updated enrollment figures, and consideration to the most current statewide budgetary needs.

It is critical that the State meet its statutory obligation to offer competitive total compensation to its employees. This recommendation results in a total additional cost of \$102.1 million total funds for FY 2009-10. We truly believe this recommendation, through a combination of salary increases and employer contributions to group benefits, maximizes the State's investment in its employees.

Please visit the following Web site for the detailed FY 2009-10 annual compensation survey findings: <http://www.colorado.gov/dpa/dhr/comp/pay.htm>.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rich Gonzales', written in a cursive style.

Rich Gonzales
Executive Director

cc: State Legislators, Cabinet Members and Higher Education Presidents.