

REPORT TO THE FISCAL STABILITY COMMISSION

RESPONSES TO QUESTIONS REGARDING
THE STATE CLASSIFIED PERSONNEL SYSTEM

PRESENTED BY:

DEPARTMENT OF PERSONNEL AND ADMINISTRATION

JULY 28, 2009

The following questions were asked of the Division of Human Resources

State Personnel Costs in the State Budget [Personal services costs are a major component of the budget.]

1. Number of state employees by department.
2. Personal services costs by department. [Percentage of total budget.]
3. Benefit costs.
4. How state employee benefits and pay compare to other states
5. Issues relating to the number of employees that are close to retirement
6. Issues related to high level of turnover
7. Clarification/response to recent audit comparing state employee salaries with private sector salaries.

1. Number of state employees by department.

Based on June 30, 2009 workforce data collected from CPPS, CU, CSU, and community colleges, the number of full-time and part-time permanent state employees by department is summarized in Table 1. The data set includes all classified employees from both general government agencies and higher education institutions. Non-classified employees from general government agencies (e.g., Judicial) are included. Non-classified employees from higher education institutions are excluded. There are 38,740 positions in total.

Table 1 – Total Number of Employees Count – June 2009

DEPARTMENT	Number of Employees
ADAMS STATE COLLEGE	112
AGRICULTURE	276
ARAPAHOE COMMUNITY COLLEGE	58
AURARIA HIGHER EDUCATION CENTER	256
COLORADO COMM COLLEGE	56
COLORADO HISTORICAL SOCIETY	14
COLORADO NORTHWESTERN COMMUNITY COLLEGE	21
COLORADO SCHOOL OF MINES	355
COLORADO STATE UNIVERSITY	2277
COLORADO STATE UNIVERSITY - PUEBLO	147
COLORADO STUDENT LOAN PROGRAM	1
COMMUNITY COLLEGE OF AURORA	55
COMMUNITY COLLEGE OF DENVER AURARIA	31
CORRECTIONS	6334
CSU GLOBAL CAMPUS	5
EDUCATION	552
FORT LEWIS COLLEGE	156
FRONT RANGE COMMUNITY COLLEGE	195
GOVERNOR'S OFFICE	391
HEALTH CARE POLICY & FINANCE	271
HUMAN SERVICES	5571
JUDICIAL DEPARTMENT	3978
LABOR AND EMPLOYMENT	1092
LAMAR COMMUNITY COLLEGE	15
LAW	379
LEGISLATURE	345
LOCAL AFFAIRS	167
MESA STATE COLLEGE	107
METROPOLITAN STATE COLLEGE OF DENVER	250
MILITARY AFFAIRS	134
MORGAN COMMUNITY COLLEGE	12
NATURAL RESOURCES	1484

DEPARTMENT	Number of Employees
NORTHEASTERN JUNIOR COLLEGE	26
OTERO JUNIOR COLLEGE	26
PERSONNEL & ADMINISTRATION	380
PIKES PEAK COMMUNITY COLLEGE	193
PRIVATE OCCUPATIONAL SCHOOL DIVISION	1
PUBLIC HEALTH AND ENVIRONMENT	1218
PUBLIC SAFETY	1371
PUEBLO COMMUNITY COLLEGE	83
RED ROCKS COMMUNITY COLLEGE	73
REGULATORY AGENCIES	534
REVENUE	1406
STATE	109
TRANSPORTATION	3115
TREASURY	26
TRINIDAD STATE JUNIOR COLLEGE	30
UNIVERSITY OF COLORADO – BOULDER	2518
UNIVERSITY OF COLORADO – CENTRAL ADMIN	208
UNIVERSITY OF COLORADO – COLORADO SPRINGS	306
UNIVERSITY OF COLORADO – DENVER	183
UNIVERSITY OF COLORADO – HEALTH SCIENCES CENTER	1203
UNIVERSITY OF NORTHERN COLORADO	569
WESTERN STATE COLLEGE	65

2. Personal services costs by department. [Percentage of total budget].

According to statute, personal services cost includes all salaries and wages including those paid to full-time, part-time, and temporary employees of the state, including the state's contribution to the Public Employees' Retirement Fund; Contractual services, consisting of services rendered or performed by firms or individuals other than for employment compensation as an employee of the state; and tuition for employee workshops which are approved by personnel system regulation. Therefore, the personal services costs reported in Table 2 represent actual expenditures in FY 2008-09, and include salary, PERA, Medicare, AED, SAED, overtime, shift differential, professional services, non-base-building performance pay, etc. Personal services expenditures as well as total expenditures were collected from the **Financial Data Warehouse** as of July 27, 2009. Due to program differences, percentage of personal services cost to total budget varies among state agencies. For example, for some agencies such as Treasury, personal services cost represents only a small portion of total budget. On the other hand, personal services costs may represent the primary load of the entire budget for departments such as Judicial, Law, and Regulatory Agencies. Please note that personal services cost shown in Table 2 includes cost of positions not listed from Table 1. Number of non-classified higher education positions is not available to the Department. **Total expenditures include non-appropriated expenditures.**

Table 2 – Percentage of Personal Services Cost to Total Expenditures

DEPARTMENT	Personal Services	Total Expenditures	% of Total Budget
PERSONNEL AND ADMINISTRATION	\$49,231,840	\$421,568,060	11.7%
AGRICULTURE	\$20,259,256	\$39,419,705	51.4%
CORRECTIONS	\$385,833,610	\$753,866,057	51.2%
EDUCATION	\$63,194,554	\$7,396,950,637	0.9%
OFFICE OF THE GOVERNOR	\$55,603,783	\$343,094,406	16.2%
PUBLIC HEALTH & ENVIRONMENT	\$107,970,825	\$508,293,290	21.2%
HIGHER EDUCATION	\$2,317,056,208	\$8,152,244,006	28.4%
TRANSPORTATION	\$248,143,233	\$1,485,443,535	16.7%
HUMAN SERVICES	\$328,116,006	\$2,229,279,205	14.7%
JUDICIAL	\$321,059,298	\$487,686,833	65.8%
LABOR AND EMPLOYMENT	\$81,232,041	\$1,570,822,775	5.2%

DEPARTMENT	Personal Services	Total Expenditures	% of Total Budget
LAW	\$33,938,411	\$46,019,660	73.7%
LEGISLATURE	\$24,516,003	\$34,761,612	70.5%
LOCAL AFFAIRS	\$12,943,152	\$475,002,097	2.7%
MILITARY AFFAIRS	\$7,480,112	\$22,465,295	33.3%
NATURAL RESOURCES	\$131,103,901	\$422,244,798	31.0%
PUBLIC SAFETY	\$106,769,926	\$234,757,990	45.5%
REGULATORY AGENCIES	\$43,074,185	\$77,319,206	55.7%
REVENUE	\$87,397,677	\$777,093,398	11.2%
HEALTH CARE POLICY & FINANCING	\$62,780,137	\$4,034,056,305	1.6%
STATE	\$9,274,375	\$26,077,291	35.6%
TREASURY	\$2,032,614	\$2,445,098,996	0.1%
Total	\$4,499,011,148	\$31,983,565,157	14.1%

3. Benefit Costs

Total benefit cost for FY 2008-09 summarized in Table 3 includes four major programs, i.e., medical, dental, life, and short-term disability. The following table summarizes the expenditures for all state employees. Again, data were obtained from the Financial Data Warehouse.

Table 3 – FY 2008 – 09 Benefit Costs

Benefit Programs	Total Annual SOC Cost
Medical	\$273,279,888
Dental	\$15,876,431
Life	\$7,910,759
Short-Term Disability	\$7,818,945
Total Benefit Cost	\$304,886,022

4. How state employee benefits and pay compare to other states

Benefits comparisons are based on available data from the 2008 Central States Compensation Association Survey (CSCA). Twenty-two of the 25 states participated in CSCA provided benefit data; specifically, employer contribution dollars toward medical insurance plans. The survey data is effective July 2008; and therefore, the premium costs have been adjusted (projected based on the national medical trend statistics provided by Segal annual survey reports.) for the purpose of providing a comparison to current Colorado benefits as of July 1, 2009. Average premium contribution dollars from CSCA and Colorado's enrollment by tier were used to calculate the total CSCA contribution dollars to derive a comparison to Colorado. As shown in Table 4, average CSCA contribution dollars for all tiers differ from Colorado's tier contributions that reflect the tier relativities desired by the State of Colorado (e.g., higher employer (ER) contribution for employees enrolled in plans with coverage for children). However, when the total state contribution dollars were compared, the State of Colorado is lower than the average CSCA by about 5.5%.

Table 4 – CSCA and Colorado ER Medical Contribution

State Government, CSCA, Contribution to Medical Premiums	CSCA Average Contribution	State of Colorado Contribution
Employee-Only Coverage	\$501.35	\$350.66
Employee + Spouse	\$527.38	\$592.54
Employee + Child(ren)	\$391.70	\$627.10
Employee + Spouse + Child(ren)	\$838.84	\$868.98
Total Medical ER Cost	\$189,484,869	\$179,649,738
% Difference		-5.5%

General comparisons of the medical and dental benefit plan design provided and cost-sharing are summarized in the following tables. Participation in the 2008 CSCA survey is reflected in the by the number of states responding or reporting data (n=r) for each survey question. There was not sufficient data available in the CSCA survey to compare the state paid basic life and accidental death and dismemberment (AD&D) insurance.

Table 4a - Health Plan Comparison, Colorado to State Governments (July 2009)

Health Benefits	n=r*	Market Average (Central States)		State Benefit (Most Common Plans)	
Types of Health Plans Offered	22	% Providing Plan		Offered?	
Health Maintenance Organization (HMO)		59%		Yes	
Preferred Provider Organization (PPO)		86%		Yes	
Point of Service (POS)		14%		No	
Indemnity		18%		No	
High Deductible Health Plan (HDHP)		27%		Yes	
Health Savings Account (HSA)		18%		HSA qualified plan	
Self-insured/Self-funded	19	84%		Yes	
Employer Contribution to Premiums**	22	Market ER Contribution (Weighted Average All Plans)		State ER Contribution (All Plans)	
Employee-Only Coverage		\$501.35		\$350.66	
Employee + Spouse		\$527.38		\$592.54	
Employee + Child(ren)		\$391.70		\$627.10	
Employee + Spouse + Child(ren)		\$838.84		\$868.98	
Office Visit (Primary Care Providers)	20	Market Average PPO	Market Average HMO	OA 1500	Kaiser HMO
Member co-pay (\$)		\$43	\$16	n/a	\$30
Member (%) co-insurance, in-network		16%	n/a	20%	n/a
Emergency Care					
Member co-pay (\$)		Not Reported	\$79	n/a	\$100
Member (%) co-insurance, in-network		Not Reported	n/a	20%	n/a
In-Network	20	Market Average PPO		OA 1500	Kaiser HMO
Member co-insurance (Tier 1-Employee)		16%		\$1,500	n/a
Member co-insurance (Tier 4-Family)		16%		\$3,000	n/a
Out-of-Pocket Maximum (Tier 1)		\$1,800		\$3,000	\$1,000 + co-pays
Out-of-Pocket Maximum (Tier 4)		\$3,650		\$6,000	\$3,000 + co-pays
Out-of-Network					
Member co-insurance (Tier 1-Employee)		32%		\$3,000	No Benefit
Member co-insurance (Tier 4-Family)		32%		\$6,000	No Benefit
Out-of-Pocket Maximum (Tier 1)		Not Reported		\$6,000	No Benefit
Out-of-Pocket Maximum (Tier 4)		Not Reported		\$12,000	No Benefit

*N=r indicates the total number of states responding to the survey question.

**Market premium rates effective July 2008 adjusted to July 2009 using cost increase trend factor of 10%. This brings all data to a common effective date for current comparison.

Table 4b - Dental Plan Comparison, Colorado to State Governments (July 2009)

Dental Benefits	n=r*	Market Average (Central States)	State Benefit (Most Common Plans)
Employer Contribution to Premiums**	20	All Plans	All Plans
Individual Coverage		\$23.84	\$20.72
Family Coverage		\$50.68	\$48.86

Percentage of Services Covered	20	Market Average	Basic Plan	Basic Plus
Preventative Services		97%	Yes	Yes
Restorative Services (basic)		72%	No	Yes
Orthodontics covered for adults		23%	No	Yes
Maximum Orthodontic Benefit (per person)	9	\$1,320	N/A	\$1,500

*N=r indicates the total number of states responding to the survey question.

**Market premium rates effective July 2008 adjusted to July 2009 using cost increase trend factor of 6%. This brings all data to a common effective date for current comparison.

In annual compensation surveys conducted by CSCA, overall findings in comparing Colorado's base pay and pay ranges in relationship to other state governments indicate that Colorado typically falls within the top seven out of 26 CSCA member states in pay. This is a direct reflection of overall economic factors impacting income levels across the CSCA member states.

5. Issues relating to the number of employees that are close to retirement

Based on **June 30, 2009 classified workforce (33,668 positions)**, 16% of employees is eligible for either full or reduced benefit PERA retirement in FY 2009-10. Retirement eligible employees will increase by 4% on an annual basis. Table 5 shows only the state classes that have more than 30% of employees eligible for retirement rate in FY 2009-10. In addition, these are the classes that have 20 or more incumbents. There are 1,154 employees among these 25 classes, 415 are currently eligible for retirement (an average 36%), 476 (including 415) will be eligible in FY 2010 – 11, an increase of 5%.

Table 5 – Example of State Classes with High Potential Retirement Rates

CLASS	CLASS TITLE	# Positions	PERA Eligible in FY0910	PERA Eligible in FY1011	% of PERA Eligible in FY0910
I9A3	LABORATORY COORD III	21	14	15	66.7%
H6P5	PARK MANAGER V	21	11	11	52.4%
A1A2	CORRECTIONS CASE MGR II	29	14	16	48.3%
D9D2	LTC OPERATIONS II	29	14	15	48.3%
H5L2	ADMIN LAW JUDGE II	21	9	11	42.9%
I5C1	CIVIL ENG PROJ MANAGER I	37	15	18	40.5%
G3H2	UNEMP INSURANCE TECH	41	16	16	39.0%
G3C4	LIBRARY TECHNICIAN III	96	37	43	38.5%
H6J3	COMP INSURANCE SPEC II	26	10	10	38.5%
I5C2	CIVIL ENG PROJ MANAGER II	43	16	20	37.2%
G3D2	MEDICAL RECORDS TECH II	27	10	12	37.0%
I2C6	PROFESSIONAL ENGINEER III	51	18	23	35.3%
B1A4	ACCOUNTANT IV	20	7	8	35.0%
H6U5	WILDLIFE MANAGER V	43	15	21	34.9%
A2A4	CRIMINAL INVESTIGATOR III	26	9	11	34.6%
D8B3	CUSTODIAN III	102	35	39	34.3%
I5E5	ELECTRONICS SPEC IV	38	13	13	34.2%
C7A1	CLINICAL TEAM LEADER	21	7	7	33.3%
H6G7	GENERAL PROFESSIONAL VII	142	46	54	32.4%
D7A2	EQUIPMENT MECHANIC II	25	8	9	32.0%
H6R3	REHABILITATION COUNS II	25	8	9	32.0%
G3D1	MEDICAL RECORDS TECH I	44	14	14	31.8%
G3A5	OFFICE MANAGER I	186	57	66	30.6%
B2G4	FIN/CREDIT EXAMINER III	20	6	9	30.0%
I9B3	PROF LAND SURVEYOR I	20	6	6	30.0%

Issues relating to this increasing trend of retirement eligible employees may depend on different situations:

- With hiring freeze and retirement, there will be significant loss of institutional history and fewer left to replace the knowledge and experience lost
- Potential budget savings from salary differences between new hires (lower salaries) and senior employees (higher salaries)
- Potential fiscal impact from separation payout for senior employees
- Potential loss of younger workforce if retirement eligible employees stay longer with the State (there is such a trend during recent slow economic situations). There is a trend for retirement eligible employees to stay longer

6. Issues related to high level of turnover

Based on separation data for all **classified employees in FY 2008-09**, the State is experiencing the lowest turnover rate, 8.5%, within the past five years (ranging between 11% to 13%). This decrease is likely a reflection of the downturn in the economy and possibly apprehension felt by employees. Still, separation varies significantly among all state jobs. Table 6 shows those state jobs that have at least 20 positions and 10% or higher turnover during FY 2008-09, an average turnover rate of 13%. Among these 65 top-turnover jobs, 20 of them (31%) are in the Health Care Service occupation.

Although the State's overall turnover is not that high compared to labor market, the average age of state employees is much higher. Even if turnover could save dollars because of salary differences between new and senior employees, there are other costs: the loss of knowledge & experience that can't easily be hired back; the time it takes to train or gain experience; and the extra staff needed to make up for new hires not being ready to deliver. Agencies would need to conduct this type of analysis in order to plan for better recruitment and retention.

Table 6 – FY 2008-09 Turnover Rate by Class

CLASS	CLASS TITLE	# Positions	% of Turnover
A4A1	STATE PATROL INTERN	28	53.60%
C7D1	HCS TRAINEE I	39	51.30%
G4B1	DRIVER'S LIC EXAM INT	55	32.70%
C8E2	PHARMACY II	24	29.20%
C6P1	CLIENT CARE AIDE I	143	26.60%
C8D1	LABORATORY TECHNOLOGY I	34	26.50%
D8F2	LTC TRAINEE II	27	25.90%
H4Q3	PORT OF ENTRY II	28	25.00%
H4M2	TECHNICIAN II	115	24.30%
H6N1	LABOR/EMPLOY SPEC INT	36	22.20%
C4L1	SOCIAL WORK/COUNSELOR I	25	20.00%
C8C1	LABORATORY SUPPORT I	20	20.00%
C6S3	NURSE III	94	18.10%
D7B1	EQUIPMENT OPERATOR I	24	16.70%
I5C2	CIVIL ENG PROJ MANAGER II	43	16.30%
B2A3	AUDITOR II	31	16.10%
G4B2	DRIVER'S LIC EXAM I	25	16.00%
G3C2	LIBRARY TECHNICIAN I	38	15.80%
A4A6	STATE PATROL ADMIN I	32	15.60%
C4M2	PSYCHOLOGIST I	39	15.40%
C6R1	HEALTH CARE TECH I	555	15.10%
C7C7	HEALTH PROFESSIONAL VII	20	15.00%
D8G2	MATERIALS HANDLER II	74	14.90%
C7D2	HCS TRAINEE II	67	14.90%

CLASS	CLASS TITLE	# Positions	% of Turnover
C6P2	CLIENT CARE AIDE II	405	14.80%
H6V3	YOUTH SERV COUNSELOR III	27	14.80%
C6S4	MID-LEVEL PROVIDER	129	14.70%
D8C1	DINING SERVICES I	185	14.60%
C6Q2	DENTAL CARE II	41	14.60%
B1C2	ACCOUNTING TECHNICIAN II	165	14.50%
C6S1	NURSE I	430	14.40%
H7A1	STATE TEACHER I	139	14.40%
B2F2	BUDGET ANALYST II	28	14.30%
B1C1	ACCOUNTING TECHNICIAN I	42	14.30%
G3A2	ADMIN ASSISTANT I	136	14.00%
H4M1	TECHNICIAN I	29	13.80%
H4Q2	PORT OF ENTRY I	73	13.70%
C8D2	LABORATORY TECHNOLOGY II	59	13.60%
H6R2	REHABILITATION COUNS I	89	13.50%
LEGA	AUDITOR	52	13.50%
C9A1	ANIMAL CARE I	31	12.90%
D8B1	CUSTODIAN I	996	12.70%
H5F2	HEARINGS OFFICER II	40	12.50%
D8E2	GROUNDS & NURSERY II	48	12.50%
G3H2	UNEMP INSURANCE TECH	41	12.20%
D8C2	DINING SERVICES II	123	12.20%
C9C2	VETERINARY TECHNOLOGY II	41	12.20%
D8E1	GROUNDS & NURSERY I	102	11.80%
A1D2	CORR/YTH/CLIN SEC OFF I	2737	11.60%
H6J3	COMP INSURANCE SPEC II	26	11.50%
D6C3	PIPE/MECH TRADES III	27	11.10%
D7C2	PRODUCTION II	27	11.10%
D8D1	GENERAL LABOR I	109	11.00%
C4L3	SOCIAL WORK/COUNSELOR III	104	10.60%
G3A3	ADMIN ASSISTANT II	1280	10.60%
B2F3	BUDGET & POLICY ANLST III	38	10.50%
H6G8	MANAGEMENT	229	10.50%
G2C2	CUST SUPPORT COORD I	48	10.40%
B1C4	ACCOUNTING TECHNICIAN IV	29	10.30%
H6G2	GENERAL PROFESSIONAL II	418	10.30%
D8C3	DINING SERVICES III	189	10.10%
B1A4	ACCOUNTANT IV	20	10.00%
B2G4	FIN/CREDIT EXAMINER III	20	10.00%
C7B2	COMMUNITY WORKER II	20	10.00%
H6O2	LOTTERY SALES REP II	30	10.00%

7. Clarification/response to recent audit comparing state employee salaries with private sector salaries

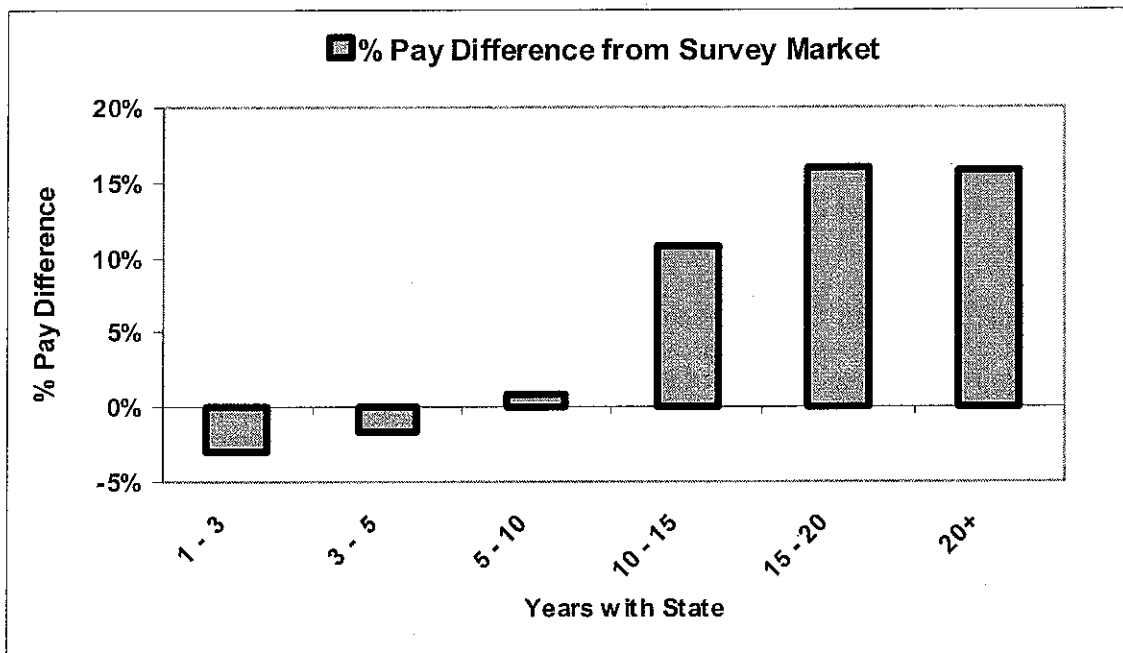
Findings from the 2009 performance audit of the annual compensation survey conducted by the Office of the State Auditor, through an outside consulting auditor, and as subsequently reported by the *Denver Post*, indicated that on average, state employee salaries are approximately 6% higher than those in the State's labor market, which includes both public and private sector employers. When compensation

experts in DPA conducted a similar analysis, our numbers showed that on average, state salaries were approximately 5.5% above the market.

There are a few key items to consider:

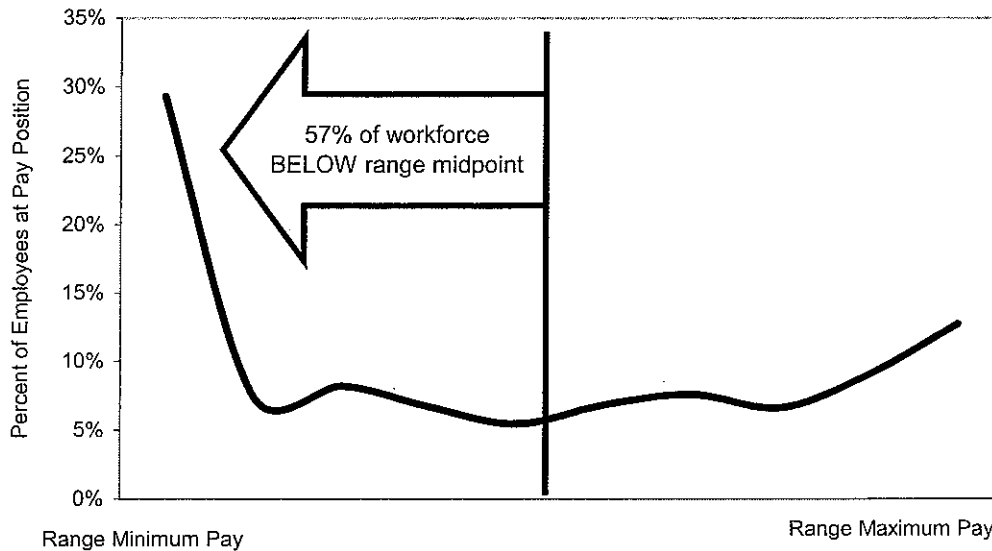
1. In previous salary administration systems, salary increases were based on longevity (i.e., predetermined steps or anniversary dates) rather than what other employers were paying in the market. This resulted in somewhat generous salary increases for a number of years, relative to salary increase trends in the labor market. As shown in Chart 1, in comparison with the average market (public and private sector employers) salary, those state employees who have been with the State over 10 years show salary higher than the market. On the other hand, newer state employees (with five years or fewer) are actually paid lower than the average market level.

Chart 1 – Colorado and Total Market Pay Comparison



2. Most employers experience a traditional bell-shaped curve associated with their employee pay distribution within a pay range as the majority of employees tend to be paid around the middle of the pay range (the pay range midpoint is commonly considered the “going” rate for a job). The State’s actual pay distribution is more like a “U” shaped curve, meaning that most employees’ salaries are either near the minimum or maximum of the pay range, with relatively few near the middle of the pay range. This means that many state employees are paid considerably less than the market while some may be paid higher. Chart 2 shows the State’s current pay distribution. The majority of classified employees are paid below the pay range midpoint rates.

Chart 2 – Bimodal Pay Distribution from Two Pay Administration Systems



3. As State Personnel Director Rich Gonzales noted during the Legislative Audit Committee's hearing on the performance audit, the auditor did not take a total compensation perspective. The State lags the market in regards to the employer's contribution to medical and dental benefits. Currently, the State pays approximately 90% of what market employers pay for medical insurance and 85% for dental. When these are factored into the equation, the reported 6% average (or 5.5% overall average as calculated by DPA) changes to approximately 2.6% higher than the market.

This does not mean that increased funding for salary adjustments and benefits contributions are not important or unnecessary, but rather that a different approach or method of administering pay may be needed. DPA is currently working with partners from Colorado WINS and the Association of Colorado State Patrol Professionals to develop options for modifying the current achievement pay model for administering annual salary increases.