HB12-1145

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 12-0425	**Date:**	January 31, 2012
Prime Sponsor(s):	Rep. Bradford	**Bill Status:**	House Economic and Business Development
		Fiscal Analyst:	Kerry White (303-866-3469)

TITLE: CONCERNING THE MODIFICATION OF STATE PERSONNEL TOTAL COMPENSATION POLICIES.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: August 7, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill makes several modifications to compensation-related policies. It allows the renamed total compensation report to be produced bi-annually rather than each year and increases the age that children of employees may be covered by the state's group benefit plans to age 26 in order to comply with federal law. The bill changes the requirement that state agencies hire most new employees at the minimum salary level and specifies that most new employees will typically be hired at mid-range salaries. It also removes the requirement that holidays and other forms of authorized leave be included in the calculation for overtime compensation for essential employees.

State Expenditures

This bill affects state expenditures in several areas, as discussed below.

Department of Personnel and Administration (DPA). This bill allows the total compensation report to be produced bi-annually rather each year. This will reduce workload in the department as result of not having to prepare a formal written report every year. However, as the compensation analysis process must continue to be done each year in order to set common policies, the reduction in workload is anticipated to be minimal. Thus, no reduction in appropriations is required.

Reductions for all state agencies. By removing a requirement that holidays and other forms of authorized leave be included in the calculation for overtime compensation of essential employees, state agencies will experience cost savings. It should be noted that state agencies do not receive separate appropriations for overtime compensation, and must pay these costs from within existing personal services appropriations. As these costs vary widely by department, any reductions in personal services costs will be addressed through the annual budget process.

Increases for all state agencies. This bill specifies that new employees will typically be hired at the mid-range salary rather than the minimum salary level. This is likely to result in many new employees being paid higher salary levels than in current practice. However, because state expenditures and new employees must be approved through the annual budget process and are subject to available appropriations, this does not necessarily mean that state expenditures will increase by a corresponding amount. It is possible that some departments may hire fewer employees at higher salaries. In addition, state agencies still have the option to hire employees at the minimum or maximum salary range, depending on each employee's skills and qualifications. For illustrative purposes, the following examples show how salaries may change under the bill:

- In FY 2010-11, the Colorado Department of Education hired 20 new employees at the minimum range. If these employees had been hired at the mid-range salary level, the incremental cost difference to the state would have been $137,100.
- Over the previous three fiscal years, the Colorado Department of Corrections has hired an average of 40.7 Correctional Officer I FTE's per month. If these employees had been hired at the mid-range salary level, the incremental cost difference to the state would have been $2.6 million per year.

Conditional reduction if PPACA is ruled unconstitutional. If the federal Patient Protection and Affordable Act (ACA) is ruled unconstitutional, the eligibility age for dependant coverage on group benefit plans will return to previous levels. The Supreme Court is currently reviewing challenges to ACA and is anticipated to issue a decision by June 2011. Should the ACA be ruled unconstitutional, this analysis assumes that any dependants over the age of 19 that are not in college will be removed from state group benefit plans prior to the effective date of this bill. Any reduction in state expenditures has not been estimated.

Conditional fiscal impact for existing FTE. Existing FTE that are paid below the mid-range salary level for their positions could have a basis to challenge a change in compensation policy that only applies to new hires. Should this occur, departments may experience an increase in state expenditures to investigate and resolve complaints. However, as state agencies may currently hire employees above the minimum salary, this analysis assumes that no state agency will be required to increase pay for all employees that are currently paid below the mid-range.

Departments Contacted

All Departments