

REVISED CONDITIONAL FISCAL IMPACT

(replaces fiscal note dated April 26, 2010)

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Date: May 4, 2010

Prime Sponsor(s): Rep. Pommer
Sen. Tapia

Bill Status: Senate SVMA

Fiscal Analyst: Janis Baron (303-866-3523)

TITLE: CONCERNING THE PROCESS BY WHICH ANNUAL SALARY INCREASES MAY BE AWARDED TO EMPLOYEES IN THE STATE PERSONNEL SYSTEM BASED ON PERFORMANCE, JOB CORE COMPETENCIES, AND YEARS OF SERVICE.

| Fiscal Impact Summary | FY 2010-2011 | FY 2011-2012 | FY 2012-2013 |
|--|---|---------------------|---------------------|
| State Revenue | | | |
| State Expenditures | No salary increases anticipated over the next three fiscal years. | | |
| FTE Position Change | | | |
| Effective Date: Upon signature of the Governor, or upon becoming law without his signature. | | | |
| Appropriation Summary for FY 2010-2011: None required in year one. | | | |
| Local Government Impact: None. | | | |

Summary of Legislation

Under current law, employees in the state personnel system are eligible for periodic salary increases based on performance using guidelines developed by the Department of Personnel and Administration. Employee salaries may be increased subject to available appropriations, and no annual increase in salary is guaranteed.

The *reengrossed* bill includes the following provisions regarding salary increases for employees in the state personnel system:

- requires the state personnel director to establish a pay plan that specifies 12 annual incremental salary rates within the pay grade or pay range for each job classification by October 1, 2010;
- requires the state personnel director together with the executive director of each department to establish core job competencies specific to positions in the state personnel system on or before July 1, 2012;
- requires each department to specify in its annual budget request the amount of funding needed to advance its employees to higher salary rates;

- beginning with FY 2010-11 and each fiscal year thereafter, an employee may advance to a higher *step* based on a satisfactory performance evaluation;
- on and after July 1, 2012, an employee may advance to a higher *step* based upon a satisfactory performance evaluation and the achievement of the core job competencies; and
- specifies that any salary increases shall apply in the first fiscal year following the prior calendar year wherein Colorado personal income increased by 5 percent, as reported by the Bureau of Economic Analysis in the U.S. Department of Commerce.

State Expenditures

The bill is assessed at having a conditional state fiscal impact for two reasons: (1) salary increases are authorized rather than mandated; and (2) salary increases are contingent upon Colorado personal income increasing by a minimum of 5 percent in a prior calendar year.

The bill is not expected to increase state employee salaries over the next three fiscal years. A fiscal impact **may** occur in the first fiscal year following the prior calendar year in which Colorado personal income increased by 5 percent, as reported by the Bureau of Economic Analysis, and the General Assembly chooses to fund salary increases.

At this time, the calendar year that would trigger any salary increases in the following fiscal year is unknown. As the legend below illustrates, FY 2010-11 would be the first year following calendar year 2009 to provide salary increases if Colorado personal income increased by 5 percent (18 month period required by bill). The March 2010 economic and revenue forecast prepared by the Colorado Legislative Council Staff indicates that Colorado personal income is not expected to grow by 5 percent through calendar year 2012, or FY 2013-14. The source for projecting Colorado's personal income comes from the Bureau of Economic Analysis.

| | | | | |
|--|----------------|------------------------|------------------------|------------------------|
| Calendar Year CO Personal Income | 2009 (1.9%) | 2010 3.0% | 2011 3.6% | |
| Fiscal Year | | 2010-11 No Increase | 2011-12 No Increase | 2012-13 No Increase |

It is important to note that the first report on each state's personal income for the prior calendar year is made by the Bureau of Economic Analysis in late March or early April. Although this would be a tight time frame to include salary increases in the Long Bill for the upcoming fiscal year, it would be possible.

Costs to establish core job competencies. Beginning with FY 2012-13, the state personnel director and the executive directors of each principal department, are required to identify and establish core job competencies specific to positions in the state personnel system. This effort will begin in FY 2011-12. Once completed, the Department of Personnel and Administration may choose to use web-based computer software to update and maintain the core competencies.

The Department of Personnel and Administration was canvassed for purposes of this fiscal note, but no information was received. Because the bill was significantly amended in the House of Representatives, this analysis assumes that any costs associated with establishing core job competencies will be addressed through the budget process for FY 2011-12, should they be required.

Salary increases. At this time there is no way to know the percentage increases that will distinguish the 12 annual incremental salary rates within the pay grade or range for each job classification. This task must be completed by October 1, 2010.

Departments Contacted

All Departments