

**Second Regular Session
Sixty-seventh General Assembly
STATE OF COLORADO**

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 10-0919.01 Dan Cartin

HOUSE BILL 10-1409

HOUSE SPONSORSHIP

Pommer, Ferrandino, Lambert

SENATE SPONSORSHIP

Tapia, Keller, White

House Committees

State, Veterans, & Military Affairs
Appropriations

Senate Committees

A BILL FOR AN ACT

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

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Under current law, employees in the state personnel system are eligible for periodic salary increases based on performance. The

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

HOUSE
Amended 2nd Reading
May 3, 2010

department of personnel is currently responsible for developing guidelines and coordinating a performance system containing certain components. Employee salaries may be increased or left unchanged subject to available appropriations, and no annual increase in salary is guaranteed.

The bill phases in changes to the compensation system from a performance award based system to a system based on annual incremental rate increases in salary within an employee's pay grade or pay range for each position in the state personnel system.

Specifically, the bill requires the state personnel director (director) to adopt procedures for implementing annual incremental rate increases in salary based on employee performance and core job competency requirements. The director's annual report to the joint budget committee (JBC) on compensation must include the total dollar amount appropriated for personal services used to fund annual incremental rate increases in employee salaries.

The date by which the director must submit to the governor and JBC of the general assembly the annual compensation report and recommendations and estimated costs for state employee compensation for the next fiscal year is changed from August 1 to October 1 of each year.

For the 2012-13 fiscal year and each fiscal year thereafter, the recommended changes to salaries and any adjustments to the recommended changes made by the general assembly in the annual general appropriation act shall be effective on July 1 of the ensuing fiscal year unless the general assembly, following the adoption of a joint resolution declaring a fiscal emergency and approval thereof by the governor, acting by bill, does not appropriate moneys to implement the recommended changes to salaries and any adjustments to the recommended changes for that fiscal year.

On or before July 1, 2010, the director shall establish a pay plan that specifies 12 annual incremental salary rates within the pay grade or pay range for each job classification in the state personnel system. The salary rate within the applicable pay grade or pay range is specified for employees in the state personnel system who were hired prior to January 1, 2001, and on or after January 1, 2001.

For the 2010-11 and 2011-12 fiscal years:

- ! An employee of the department of public safety or of a department of state government or an institution of higher education that has implemented the incremental salary increase pay plan may advance to a higher salary rate within the employee's pay grade or pay range for the employee's position based on a satisfactory performance evaluation;
- ! A salary increase for an employee attributable to the

movement to a higher salary rate within the employee's pay grade or pay range shall be funded from an amount appropriated for personal services in the annual general appropriation act for the division, section, unit, office, or agency with which the employee is employed that is attributable to vacant classified positions, not to exceed 1% of the total amount of such appropriation;

- ! The amount of that personal services appropriation shall be utilized first to advance those employees who were hired on or after January 1, 2001, to a higher salary rate within the employee's applicable pay grade or pay range and, thereafter, to the extent any such amount is available, to advance those employees who were hired prior to January 1, 2001, to such higher salary rate;
- ! Upon the authorization of the governor, the attorney general, secretary of state, state treasurer, or the governing board of a state-supported institution of higher education, the respective department or institution shall implement the incremental salary increase pay plan for the employees of the department or institution in the state personnel system.

For the 2012-13 fiscal year and each fiscal year thereafter:

- ! An employee in the state personnel system may advance to a higher salary rate within the employee's pay grade or pay range based on a satisfactory performance evaluation and the achievement of the core job competencies established by the director; and
- ! Each of the principal departments of state government shall specify in the annual budget request for the department the amount necessary to advance the employees of such department to higher salary rates within employees' pay grades or pay ranges.

On or before July 1, 2013, the director and the executive director of each principal department, following consultation in good faith with state employee representatives and employee organizations, shall identify and establish core job competencies specific to positions in the state personnel system.

The director is authorized to adopt appropriate procedures to implement the bill.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 24-50-104 (1) (c) (I), (1) (c.5) (V), (4) (b) (I), and
3 (4) (c), Colorado Revised Statutes, are amended, and the said 24-50-104

1 (4) is further amended BY THE ADDITION OF [REDACTED] A NEW
2 PARAGRAPH, to read:

3 **24-50-104. Job evaluation and compensation.** (1) **Total**
4 **compensation philosophy.** (c) (I) Based on a system of performance
5 management and evaluation, the state personnel director shall adopt
6 procedures for periodic salary increases AND FOR ANNUAL INCREMENTAL
7 RATE INCREASES IN SALARY WITHIN THE PAY GRADE OR PAY RANGE FOR
8 EACH POSITION AS PROVIDED IN PARAGRAPH (g) OF SUBSECTION (4) OF
9 THIS SECTION for employees in the state personnel system based on
10 performance.

11 (c.5) (V) The state personnel director shall monitor compliance
12 with the requirements of this paragraph (c.5) and paragraph (c) of this
13 subsection (1) and shall annually report the director's findings pertaining
14 to the prior fiscal year no later than January 1 of the following fiscal year
15 to the joint budget committee of the general assembly. The report shall
16 include, by department or institution:

17 (A) The number of supervisors who were suspended or demoted;

18 (B) The percentage of all supervisors who complied with the
19 requirements of this paragraph (c.5);

20 (C) The total amount of dollars appropriated for performance
21 awards, the total amount of such dollars that were awarded to employees
22 for performance awards, and the total amount of those dollars awarded
23 for each performance category;

24 [REDACTED]
25 (D) THE TOTAL AMOUNT OF DOLLARS REQUESTED FOR ANNUAL
26 INCREASES IN EMPLOYEE SALARIES PURSUANT TO SUBPARAGRAPH (II) OF
27 PARAGRAPH (g) OF SUBSECTION (4) OF THIS SECTION.

1 (4) **Annual compensation process.** (b) (I) The state personnel
2 director shall prepare an annual compensation report based on the
3 analysis of surveys conducted pursuant to paragraph (a) of this subsection
4 (4). The purpose of the annual compensation report shall be to reflect all
5 adjustments necessary to maintain the salary structure, state contributions
6 for group benefit plans, ~~and~~ performance awards, AND ANNUAL
7 INCREASES IN SALARY PURSUANT TO PARAGRAPH (g) OF THIS SUBSECTION
8 (4) for the upcoming fiscal year. The state auditor is responsible for
9 contracting with a private firm to conduct a performance audit of the
10 procedures and application of data, including any survey conducted by the
11 state personnel director. Beginning January 1, 2003, such audits shall be
12 conducted every two years, and beginning January 1, 2005, the audits
13 shall be conducted every four years. A report shall be submitted to the
14 governor and the general assembly by the June 30 immediately following
15 the completion of the audit.

16 (c) By ~~August 1, 2003, and by August 1~~ OCTOBER 1, 2010, AND
17 BY OCTOBER 1 of each year thereafter, the state personnel director shall
18 submit the annual compensation report and recommendations and
19 estimated costs for state employee compensation for the next fiscal year,
20 covering salaries, state contributions for group benefit plans, ~~and~~
21 performance awards, AND ANNUAL INCREASES IN SALARY PURSUANT TO
22 PARAGRAPH (g) OF THIS SUBSECTION (4) to the governor and the joint
23 budget committee of the general assembly. The recommendations shall
24 reflect a consideration of the results of the annual compensation survey,
25 fiscal constraints, the ability to recruit and retain state employees,
26 appropriate adjustments with respect to state employee compensation, and
27 those costs resulting from implementation of section 24-50-110 (1) (a).

1 The recommendations for state contributions for group benefit plans shall
2 specify the annual group benefit plan year established pursuant to section
3 24-50-604 (1) (m). The annual compensation report shall include the
4 results of the surveys of public or private employers and jobs for
5 prevailing total compensation and the reasons for any deviation from
6 prevailing total compensation in the recommendations submitted to the
7 governor and the joint budget committee. The state personnel director
8 shall also publish such report.

9 [REDACTED]
10 (g) (I) ON OR BEFORE OCTOBER 1, 2010, THE STATE PERSONNEL
11 DIRECTOR SHALL ESTABLISH A PAY PLAN THAT SPECIFIES TWELVE ANNUAL
12 INCREMENTAL SALARY RATES WITHIN THE PAY GRADE OR PAY RANGE FOR
13 EACH JOB CLASSIFICATION IN THE STATE PERSONNEL SYSTEM. [REDACTED] [REDACTED]

14 [REDACTED] [REDACTED]
15 (II) EXCEPT AS OTHERWISE PROVIDED IN SUB-SUBPARAGRAPH (C)
16 OF THIS SUBPARAGRAPH (II), FOR THE 2010-11 FISCAL YEAR AND EACH
17 FISCAL YEAR THEREAFTER:

18 (A) AN EMPLOYEE IN THE STATE PERSONNEL SYSTEM MAY
19 ADVANCE TO A HIGHER SALARY RATE WITHIN THE APPLICABLE PAY GRADE
20 OR PAY RANGE FOR THE EMPLOYEE'S PAY POSITION BASED ON A
21 SATISFACTORY PERFORMANCE EVALUATION PURSUANT TO PARAGRAPH (c)
22 OF SUBSECTION (1) OF THIS SECTION AND, ON AND AFTER JULY 1, 2012,
23 THE ACHIEVEMENT OF THE CORE JOB COMPETENCIES ESTABLISHED
24 PURSUANT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH (g);

25 (B) EACH OF THE PRINCIPAL DEPARTMENTS OF THE EXECUTIVE
26 BRANCH OF STATE GOVERNMENT SHALL SPECIFY IN THE ANNUAL BUDGET
27 REQUEST FOR THE DEPARTMENT THAT IS SUBMITTED TO THE GENERAL

1 ASSEMBLY THE AMOUNT FOR PERSONAL SERVICES NECESSARY TO
2 ADVANCE THE EMPLOYEES OF SUCH DEPARTMENT TO HIGHER SALARY
3 RATES WITHIN EMPLOYEES' PAY GRADES OR PAY RANGES;

4 (C) SUB-SUBPARAGRAPH (A) OF THIS SUBPARAGRAPH (II) SHALL
5 APPLY COMMENCING WITH THE FIRST FISCAL YEAR IN WHICH COLORADO
6 PERSONAL INCOME INCREASES BY FIVE PERCENT DURING SUCH FISCAL
7 YEAR. FOR PURPOSES OF THIS SUB-SUBPARAGRAPH (C), COLORADO
8 PERSONAL INCOME SHALL BE CONSIDERED TO INCREASE BY AT LEAST FIVE
9 PERCENT DURING A GIVEN FISCAL YEAR IF, FROM THE CALENDAR YEAR
10 THAT COMMENCES EIGHTEEN MONTHS PRIOR TO THE FIRST DAY OF THE
11 FISCAL YEAR, AND TO THE NEXT CALENDAR YEAR, COLORADO PERSONAL
12 INCOME INCREASES BY AT LEAST FIVE PERCENT. AS USED IN THIS
13 SUB-SUBPARAGRAPH (C), "COLORADO PERSONAL INCOME" MEANS THE
14 TOTAL PERSONAL INCOME FOR COLORADO, AS DEFINED AND OFFICIALLY
15 REPORTED BY THE BUREAU OF ECONOMIC ANALYSIS IN THE UNITED
16 STATES DEPARTMENT OF COMMERCE.

17 (III) ON OR BEFORE JULY 1, 2012, THE STATE PERSONNEL
18 DIRECTOR AND THE EXECUTIVE DIRECTOR OF EACH PRINCIPAL
19 DEPARTMENT OF THE EXECUTIVE BRANCH OF STATE GOVERNMENT,
20 FOLLOWING CONSULTATION IN GOOD FAITH WITH STATE EMPLOYEE
21 REPRESENTATIVES AND EMPLOYEE ORGANIZATIONS, SHALL IDENTIFY AND
22 ESTABLISH CORE JOB COMPETENCIES SPECIFIC TO POSITIONS IN THE STATE
23 PERSONNEL SYSTEM.

24 (IV) THE STATE PERSONNEL DIRECTOR MAY ADOPT APPROPRIATE
25 PROCEDURES TO IMPLEMENT THIS PARAGRAPH (g).

26 **SECTION 2. Safety clause.** The general assembly hereby finds,

- 1 determines, and declares that this act is necessary for the immediate
- 2 preservation of the public peace, health, and safety.