

MINUTES OF THE Senate COMMITTEE ON Ways and Means

The meeting was called to order by Senator August "Gus" Bogina at
Chairperson

11:00 a.m. ~~xxx~~ on February 4, 1987 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Richard Ryan, Ed Ahrens, Ron Schweer
Revisor's Office: Norman Furse
Committee Office: Judy Bromich, Pam Parker

Conferees appearing before the committee:

Norman Furse, Revisor of Statutes Office
Senator Frey
Stan Koplik, Board of Regents
Virginia Higgins, Chair, Council of Faculty Senate Presidents, Emporia
State University
Martie Aaron, Student at Kansas University, Associated Students of
Kansas, Campus Director

SB 82 - An act relating to salaries and compensation of certain state officers and employees; providing for a reduction in salaries in certain pay periods chargeable to fiscal year 1987.

Norman Furse briefly reviewed SB 82.

Senator Frey discussed SB 82. (Attachment 1) Senator Frey responded to a question from Senator Gaines by stating that Sections 1 and 2 of SB 82 are required because of the fact that salaries have been reduced by virtue of HB 2049. Section 3 of the bill is a policy decision this Committee can either accept or reject, as to whether to reduce other salaries or not. He advocates reducing salaries versus furloughing but he did not feel he could say one is better than the other.

Senator Frey answered a question from Senator Werts by stating that SB 82, as written, would not produce enough revenue to offset funds being taken from some of the social welfare programs through HB 2049. Gary Stotts, Acting Budget Director, reviewed some preliminary figures regarding the fiscal note for SB 82.

Senator Frey stated, in response to a question from Senator Feleciano, that he had two purposes for the bill, one is to address the constitutional question of reductions in salaries for judges and executive branch employees, and two, to provide a means to offset social welfare cuts through HB 2049.

In answer to questions from Senator Winter, Senator Frey stated that he is not trying to address total university budget reductions in SB 82. If there is money involved which the state has no control over through the appropriation process, e.g., private or federal funds, SB 82 could not affect it.

Stan Koplik presented testimony regarding SB 82. (Attachment 2) Virginia Higgins was the next conferee to testify in opposition to SB 82. (Attachment 3) The last conferee to present testimony in regard to SB 82 was Martie Aaron. (Attachment 4) Written information was submitted in the form of a memorandum to Gary Stotts from Jerry Sloan, Budget and Fiscal Officer of the Office of Judicial Administration, dated January 29, 1987 regarding SB 82. (Attachment 5)

The Chairman stated that the Committee members wishing further fiscal in-

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Ways and Means,
room 123-S, Statehouse, at 11:00 a.m./~~p.m.~~ on February 4, 1987

formation concerning SB 82 from staff should submit requests to him.

Senator Werts moved, and Senator Gaines seconded, the approval of the minutes from the January 26, 27, 28, 29, 1987 and February 2, 1987 meetings. The motion carried by voice vote.

Senator Gaines moved, and Senator Winter seconded the motion, the introduction of two bills -- Bill Draft 7 RS 0201, an act relating to state tax levies for institutions, and Bill Draft 7 RS 0328, an act concerning the Kansas public employees retirement system. The motion carried by a voice vote.

The meeting was adjourned by the Chairman at 12:20 p.m.

February 4, 1987
Senator Robert Frey

SWAM 1
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TESTIMONY ON SENATE BILL 82

In the late part of 1986, then Governor-elect Hayden realized shortly after his election that the State Treasury of Kansas was in much worse condition than had been thought prior to the election. Governor Hayden said in his budget message that two days after the election he woke up to discover that he had a \$200,000,000 overdraft to deal with. And deal with it he did. In recommending across the board cuts for all agencies in government by 3.8 percent, Governor Hayden has successfully addressed the issue of revenue short fall for Fiscal Year 1987.

In reducing budgets, however, certain problems developed. The judicial branch budget cuts were inevitably going to require reductions in salary of justices of the supreme court, the court of appeals and judges of the district court. The problem with those reductions developed very quickly when it was pointed out that the constitution of the State of Kansas requires that salaries of judges not be reduced unless it is done by general law applicable to all salaried officers of the state.

The reaction of the judiciary was predictable and quick. Chief Justice Schroeder quickly indicated that the constitutional prohibition against reduction in salaries of judges was going to force the judicial branch into a substantial personnel problem by requiring that the brunt of the 3.8 percent reduction be taken by nonjudicial personnel and he objected.

Senate Bill 82, above all else, is an attempt to address the constitutional issue of reduction of salaries of judges. It is my intention with this bill to provide for an equitable reduction in salary for the judges of the judicial branch along with other salaried officers of the state as defined in section 1. By defining the salaried officers of the state, as is set out in the bill, we have complied with the constitution in reducing the salaries of all persons defined therein. Once the definition is established and the salary reductions mandated, there is less pressure on the judicial branch to shift the burden of reduction of salaries to the nonjudicial personnel.

ATTACHMENT 1
2/4/87 SWAM

Section 3 of the bill goes beyond the constitutional mandate of equity in salary reductions but it does not exceed the boundaries of equity in the minds of the general public. What section 3 of the bill does is provide for a reduction in salaries of all persons who are officers or employees of the state who receive an annual salary of \$50,000 or more and who are not defined as officers of the state under section 1.

Why provide for a general salary reduction? Two major reasons come to mind:

1. Salaries of the \$50,000 per year or more are still somewhat uncommon within the ranks of state employees. Many people regard a state employee who earns more than \$50,000 per year to be the aristocracy, if you will, of state employment. There are literally thousands of people who earn far less than \$50,000 per year who are employees of the state. There are hundreds of thousands of people more out in the State of Kansas who do not work for the state but earn less than \$50,000 per year. The provisions for reductions of salaries in section 3 is intended to address what is perceived as a question of equity. If budgets must be cut and if salaries are going to be cut in order to reduce the budget demands for Fiscal Year 1987, then it only makes sense that the salaries of the highest paid employees should be reduced first. Lower paid employees should not suffer reductions in salary unless there is no other alternative but the loss of employment.
2. House Bill 2049 provided for the lapse of certain appropriations for many of the agencies of the State of Kansas for Fiscal Year 1987. Contained within the lapse bill were controversial provisions for reductions in appropriations for aid to dependent children, income maintenance for certain persons and other social welfare programs which, when reduced by the budget reduction bill, caused similar

reductions in federal appropriations to those funds. Senate Bill 82, if enacted, could restore some of those cuts in the social welfare programs which in turn could allow for reinstatement of federal funds to those programs.

It is my position, and I feel that it is the position of the sponsors of this bill, that we must take this course of action as represented by Senate Bill 82 in order to provide for the basic social needs of our citizens in Kansas. We provide for these salary cuts knowing full well that you will hear opposition raised by professors at the universities as well as others who enjoy the higher bracket salaries. We do not take great pleasure in the knowledge that the salary reductions could cause a temporary setback in the ever present struggle for decent salaries for university professors, judges and others. However, given the difficult financial times the State of Kansas currently is experiencing it seems to me that there could be no better way to address the fiscal problems of the state than to balance the equity of salary reductions along with the inequity of reductions of benefits to the poor and innocent children who are receiving reductions in aid to dependent children. Senate Bill 82 can accomplish that equity.

SWAM 2
2, 17

Testimony of Dr. Stanley Z. Koplik, Executive Director
Kansas Board of Regents
Senate Bill 82
February 4, 1987

I am appearing before you today representing the Kansas Board of Regents and wish to convey the Board's strong opposition to Senate Bill 82.

The past few months have represented some difficult times for the Regents institutions. The institutions, along with others in state government, have been wrestling with the effects of a mandatory 3.8 percent budget reduction in the current year. The reduction was announced in November and needed to be implemented with only seven months remaining in the fiscal year. The Regents institutions cooperated in this recision with little or no protest. We understood the Governor's call for a \$60 million statewide reduction to be necessary in order to put the state on the path to fiscal integrity. Senate Bill 82, on the other hand, singles out that group of state employees making more than \$50,000 annually, and says, "you make too much money." We see this as patently unfair and carrying with it a strong disincentive affecting some of our state's most esteemed scholars and researchers. Many of these people represent key ingredients in the partnership between business and industry and higher education and we would do little for the cause of economic development by imposing this punitive measure.

ATTACHMENT 2
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There are several other dimensions of Senate Bill 82 worthy of your consideration.

- (1) The Board of Regents enters into contracts on an annual basis with individual faculty members. Abrogation of these contracts in the form of a mid-term reduction of salary would represent a serious breach of faith. The result would likely be numerous lawsuits--litigation costs could be quite significant and might eventually outweigh any anticipated savings.
- (2) The Board of Regents has a legal and constitutional authority to govern the institutions under its jurisdiction. One key statutory authority given to the Board is to set salaries for its employees, in this case, faculty. The action proposed in Senate Bill 82 would seriously undermine the Board's authority and call into question whether the Board has any real or legal authority in this area.
- (3) Passage of Senate Bill 82 would provide a substantial boost toward the collective organization of faculty on each of the Regents campuses. If this is a desired outcome or deemed to be in the best public policy interests of the State of Kansas, then Senate Bill 82 will be the vehicle to drive us to that end.
- (4) There is an aspect of this discussion which is harder to quantify. However, I feel confident that I can convey to you, in no uncertain terms, that passage of Senate Bill 82 would have an absolutely detrimental effect on morale, a somewhat fragile

commodity. There is some evidence of hope on campus at this moment in time. Why do we want to risk turning such hope, and even optimism, into cynicism and distrust?

- (5) We have numerous faculty who are prodigious revenue producers for Kansas. Their research reaps hundreds of thousands of dollars in grants to our institutions and thereby into our economy. Oftentimes, these faculty are paid from these same grant funds. Passage of Senate Bill 82 would penalize the very people who indeed make quite limited demands on the State General Fund. In fact, they relieve financial pressures on the state by the very nature of their productivity.

Members of the Committee, I frankly see more harm than good coming as a result of this bill. I ask you to consider the probable outcomes and weigh that against the possible outrage in higher education circles. The Board of Regents submits that the balance tilts clearly against passage of Senate Bill 82.

REMARKS TO SENATE WAYS & MEANS COMMITTEE
REGARDING SENATE BILL NO. 82

by
VIRGINIA H. HIGGINS, CHAIR, COUNCIL OF FACULTY SENATE PRESIDENTS
February 4, 1987

My name is Virginia Higgins. My position is Chair of the Council of Faculty Senate Presidents. The Council of Faculty Senate Presidents represents the faculty governing units at each of the institutions under the control of the Kansas Board of Regents. We represent the faculty in the Regents' system. It may help you to know that I have been an employee of the state of Kansas and the Regents' system since 1964 as a faculty member at Emporia State University. I am not protecting any portion of my own salary through my statement today. I do not earn enough salary to qualify under the mandates of the proposed bill.

I am appearing today to speak against Senate Bill No. 82 which proposes a 3.8% reduction in salary in the remaining pay periods in fiscal year 1987 for officers and employees of the state receiving an annual salary of \$50,000 or more. I will target my remarks to the probable impact of SB 82 on the Regents' system. I wish to establish through my remarks five points of concern.

SB 82 destroys the principle of equitable budget cuts.

The FY 87 budget rescission has been devastating to programs and has seriously damaged faculty morale. It has resulted in serious decreases in operating expenses, cancellation of plans to purchase needed equipment, cancellation or reduction of the contracts of part-time faculty, cancellation of certain classes, termination, reduction or non-replacement of student employment contracts, delay of repairs, cancellation of essential faculty travel for purposes of scholarship and professional development (both in- and out-of-state), decreases in the quality and quantity of services faculty are able to provide to our communities and a host of additional measures which have damaged the quality of the programs we are able to offer to our students and to the state at large. The Regents' system has been cooperative and we faculty tightened our belts along with the rest of the state agencies during this economic period. In large measure, lack of faculty rebellion over the budget rescission was due to the fact that the 3.8% reduction was to be carried out statewide, with all agencies carrying an equitable and proportionate share of the rescission. SB 82 proposes to single out a particular group of state employees for what amounts to a special tax because they earn, apparently, too much money in today's austere times. Passage of Senate Bill No. 82 will destroy the principle of equitable budget cuts.

SB 82 will further damage the already seriously-weakened faculty morale.

By identifying a particular group and proposing to tax their salaries, SB 82 will send a strong, negative message to faculty. While senators and house members often tell us that higher education is an important priority in Kansas, SB 82 (combined with extremely modest budget recommendations from the Governor's Office), tells us that perhaps its greatest importance to Kansas at present is that it is a potential source to tap for dollars.

Consider the message implicit in SB 82 for a faculty member who has already had long distance reduced/cut off, has been told there are no dollars to attend an important professional meeting, is asked to cut down/cut out postage use, has lost the assistance of a graduate or undergraduate employee, cannot provide enough printed materials for class, finds the library has no funds to order needed books, teaches in a classroom which is either too hot or too cold because of attempts to save on energy dollars, has discovered that a piece of broken equipment critical to his/her research or instruction cannot be replaced, or is forced to cancel a field trip for students because there are no dollars. To ask that faculty member who is working under the worst conditions I can recall in my 23 years of higher education in Kansas to take a second punch in the form of a special tax on his/her salary is equivalent to a hit below the belt. It would destroy most of what remains of faculty morale.

SB 82 will compound the problem of attracting and retaining quality faculty in Kansas higher education.

Board of Regents' staff suggest that SB 82 will impact approximately 450-500 teachers and administrators in the Regents' system. The University of Kansas Medical Center employs 4,750 people. Of that amount, 147 have a salary from state funds that amounts to \$50,000 or more. Many more clinicians make \$50,000 but those funds come from several sources. The proposed bill is unclear whether the clinicians whose salaries come from several sources would be covered within the bill. Nevertheless, the bill proposes to tax at a minimum 147 faculty/administrators from the Medical Center. The University of Kansas School of Law has 27 professors, and at least 15 of them, or more than 50%, would be subject to this bill. In addition, the University of Kansas employs 50 chaired professors--34 of them holding the title of Distinguished Professor--all 50 of these would be impacted by this proposed piece of legislation. While smaller in number, the other schools within the Regents' system also employ chaired professors. In addition, our university presidents, the chancellor, and several other administrators would be affected by this bill. Consider the nature of those whose salaries would be reduced. Medical school faculty and law school faculty by the very nature of their training are in national demand. In addition, they have an attractive alternative of private practice if the rewards of teaching are intolerably reduced. Persons who

hold special chairs or distinguished professorships hold those by virtue of their extraordinary qualifications. University administrators (presidents, vice presidents, and deans) have risen from the ranks because of their leadership abilities. Simply put, SB 82 proposes to penalize a number of the most qualified and productive members of the Regents' system. In opposing SB 82 please understand I oppose the salary reduction of an administrator as vigorously as I oppose the reduction of a teaching colleague. In many ways a good university administrator is as important to my ability to teach in a sound academic program than is a good teaching colleague. An administrator sets my budget, handles my complaints, makes decisions and creates ways to enable my programs to go forward, and has the power to reward me for a job well done.

In recent years Kansans have become increasingly alarmed about the ability of our state to attract and retain quality faculty. Higher education is truly a national market, and Kansas must be competitive to attract and retain faculty of high caliber. Kansas is losing out in its ability to attract and retain faculty. Perhaps what is most unfortunate about our current economic condition is that we are unable to hide it from the eyes of others outside the borders of the state. There are numerous reports of Kansas faculty being asked by colleagues in other states about the economic conditions in Kansas. The word has spread that Kansas is not a good state to look to for faculty employment .

I wish to remind committee members that there are estimates that within the next 25 years as many as 400,000-500,000 new faculty appointments will need to be made nationally. Within the Regents' system it is expected that approximately 66% or two-thirds of the Regents' faculty could retire at age 65 between 1985 and 2009. Kansas Board of Regents' staff tell us that the impact of this will be that as many as 1,500 faculty will need to be replaced in the next 22 years within the Regents' system. In addition to anticipated retirements, faculty are leaving, and have already left Kansas for higher salaries, better benefits, and greater ability of another institution to support the faculty member's needs for scholarship and teaching. According to Regents' figures, in the three-year period from 1983-86, 274 or more than 40% of the 679 faculty who left the Regents' system did so because they found higher salaries and better chances for professional advancement elsewhere. As I indicated earlier, the word on Kansas is out. We have a situation where faculty are leaving to go elsewhere for better salaries. The faculty exit and subsequent drain on the talent remaining in our universities is compounded by our need to replace faculty who retire. Kansas is no longer competitive in the national faculty market. SB 82 will not only cause those whose pockets are directly affected by it to consider leaving, it will function as the worst possible national advertisement for Kansas higher education. To those in and outside the state, the message implicit is "Get out" or "Stay out." The long term damage to the already eroding system of Kansas higher education is incalculable. To the Council of

Faculty Senate Presidents, it is unthinkable. For some faculty, SB 82 will be the knock-out blow.

SB 82 will compound the problem of retaining the brightest students in Kansas.

Principally because SB 82 will erode faculty morale and compound our ability to attract and maintain high-quality faculty, SB 82 will cause a further drain to universities outside our borders of the best and brightest of our high school students as they seek a quality education elsewhere. While Kansas may establish a special Honors Academy or encourage the establishing of special scholarship awards to our most gifted high school students, those actions will have little impact in retaining these students if students believe that the quality faculty have gone elsewhere. Do not think that the current budget problems have gone unnoticed by our students. Do not think that the lowered faculty morale has gone unnoticed by our students. Do not be misled to believe that smart students are unaware that quality faculty make quality programs possible. As more and more faculty become dissatisfied and leave, you will find an increasing number of our best students following in their footsteps.

SB 82 establishes a dangerous precedent in isolating a particular group of state employees.

Faculty have already heard talk attributed to the legislature that the \$50,000 minimum may be set too high. If SB 82 becomes law, what is there to prevent a similar measure from establishing a minimum of \$40,000 or \$30,000? Or, isolating all faculty or all highway patrolmen or all state correctional officers? Once the precedent is established that it is permissible to penalize a particular group, who is to say which group is next in line?

In sum, from the faculty perspective, there are solid reasons to oppose Senate Bill No. 82. It violates the principle of an equitable spread among the state's employees in finding a solution to the current economic conditions. It undercuts the already weakened morale of the faculty. It threatens to make it impossible for Kansas to compete in the national market for quality faculty. It encourages the serious drain of talented youngsters from the state. It sets a dangerous precedent in isolating a group of state employees and raises the question of who is next? While the 21 sponsoring senators of SB 82 may be well-motivated in seeking a creative solution to our current economic problem, the bill itself has serious problems which pose long-term consequences for the Regents' system. This bill will result in more damage to the quality of our universities than help it could ever hope to provide in quantity to the state's treasury. I strongly ask the committee members to weigh the tremendous risks for Kansas higher education that are inherent within this proposal.

I wish to thank the committee for this oppportunity to share the faculty perception on SB 82. While faculty as a group have not been noted for their activity in matters that come before the the Ways and Means Committee, our assessment of our conditions and our ability to deliver the quality of programs that we know you want for Kansas citizens mandates that we speak clearly when we believe proposals will be devastating to higher education. Such is our assessment of Senate Bill No. 2. I thank you for your attention.

ASSOCIATED STUDENTS OF KANSAS

The University of Kansas

105 Burge Union
Lawrence, Kansas 66045
(913) 864-3710

February 4, 1987

My name is Martie Aaron, and I am the Campus Director of the Associated Students of Kansas at the University of Kansas. Although A.S.K. does not have a position on Senate Bill 82, I represent the concerns of the 26,000 students at K.U. regarding the provisions of this bill that would reduce the salaries of 126 members of our faculty by 3.8% for the remainder of FY 1987.

K.U. students understand the seriousness of our State's financial difficulties and the necessity of the recent budget cuts. We also understand the motivations behind Senate Bill 82. We strongly believe, however, that the benefits to be gained from this proposed legislation are outweighed by its costs.

It is an understatement to say that faculty members are upset by this proposed salary cut. Many faculty members, including those not directly affected by this bill's provisions, view this measure as further indication that our State is not truly committed to continued excellence at our public universities. Faculty salaries at K.U. are already below those at our peer universities. Many faculty members have left K.U. to accept better paying positions elsewhere. The proposed faculty salary cut sends the wrong message at the wrong time. At a time when we should be doing everything we can to retain our high quality faculty members, we may very well be taking the steps that will drive them out of Kansas.

You may be wondering why a student representative is presenting these concerns rather than a member of our faculty. As education consumers, students have the most to lose if faculty members leave our university. We will be denied the opportunity to work with some of the most gifted scholars in their respective fields. We will be less prepared to deal with the challenges that are ahead of us.

With the \$3.2 million K.U. has already cut from our budget, we believe we are doing our fair share to help the state resolve its financial problems. We believe it is unfair to ask our faculty and students to withstand further reductions that will seriously damage the quality of education at our university. I urge this committee to reaffirm its commitment to higher education by rejecting this proposed faculty salary cut.

ATTACHMENT 4
2/4/87 SWAM



State of Kansas

Office of Judicial Administration

Kansas Judicial Center
301 West 10th
Topeka, Kansas 66612-1507

(913) 296-2256

January 29, 1987

To: Gary Stotts, Acting Director of the Budget
From: Jerry Sloan, Budget and Fiscal Officer
Re: Senate Bill 82

This bill would reduce the salary of certain state officers and employees by 3.8% for each of the months remaining chargeable to fiscal year 1987.

In the Judicial Branch, this bill would affect seven Supreme Court Justices, seven Court of Appeals judges, 141 district judges, 70 district magistrate judges, the Judicial Administrator, the Clerk of the Appellate Courts, the Disciplinary Administrator and the Appellate Reporter. The State General Fund savings per month would be \$34,267.34, plus fringe benefits for a total of \$39,629.56.

If this bill were to become law before February 18, 1987, there would be four payroll periods remaining and the total savings would be \$158,518.24. This is approximately the amount included in the lapse bill, HB 2049, for judicial salary reductions.

JS:dlh

ATTACHMENT 5
2/4/87 SWAM