

Approved: 3/14/95  
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Robin Jennison at 1:30 p. m. on March 8, 1995 in Room 514-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department  
Laura Howard, Legislative Research Department  
Kathy Porter, Legislative Research Department  
Leah Robinson, Legislative Research Department  
Susan Wieggers, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Mike Corrigan, Revisor of Statutes  
Lenore Olson, Committee Secretary  
Tara Eubanks, Administrative Assistant

Conferees appearing before the committee:

Representative Cliff Franklin  
Jeff Wagaman - Deputy Secretary of Administration  
Kelly Jennings - Kansas Association of Public Employees (KAPE)  
Brad Avery - State Employees Association of Kansas (SEAK)  
Jerry Magnuson - SHARP project manager, Department of Administration

Others attending: See attached list

Chairperson Jennison opened the hearing on HB 2406.

HB 2406 - Alternative systems of compensation for agencies of the executive branch of state government.

Representative Cliff Franklin testified in support of HB 2406. He explained that this bill would allow agency secretaries to use a merit pay system and abandon the matrix pay grid. Representative Franklin said the purpose of the bill is to provide incentives for state employees to focus on customer satisfaction and service quality (Attachment 1).

Jeff Wagaman, Deputy Secretary of Administration, testified on HB 2406. He said the Department agrees agencies would benefit from a pay structure much like the private sector. However, they are concerned that this bill would result in significant implications that are not all in the state's best interest. Mr. Wagaman also said the Department would like the opportunity to work over the summer to devise a comprehensive plan to accomplish the goals of this bill without compromising the advantages of the existing structure (Attachment 2).

Kelly Jennings, Kansas Association of Public Employees, testified KAPE is opposed to the current language in HB 2406, however, wholeheartedly agrees with the concept and purpose of the bill (Attachment 3).

Brad Avery, State Employees Association of Kansas, testified HB 2406 would, among other things, shift workers from the classified to the unclassified service upon approval of an "alternative system of compensation." Mr. Avery said the issues in this bill should be closely studied in a broader context where all parties would have a chance to bring forth suggestions for improvements in the civil service system (Attachment 4).

Chairperson Jennison closed the hearing on HB 2406.

The Chair opened the hearing on SB 172.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 p.m. on March 8, 1995.

**SB 172 - State officers and employees: payroll accounting.**

Jerry Magnuson, SHARP project Director, Department of Administration, testified in support of **SB 172**. Mr. Magnuson said that with the implementation of a biweekly pay cycle, employees will be paid more quickly for their work. He also said biweekly pay will simplify the compliance with the provisions of the Fair Labor Standards Act (Attachment 5).

Chairperson Jennison closed the hearing on **SB 172**.

The Chair directed the Committee to turn to **SB 95**.

**SB 95 - Special claims against the state.**

A motion was made by Representative Hochhauser, seconded by Representative Neufeld, to amend **SB 95** to include \$100,000 for the claim by the family of Brenda Keller, to be paid from the State General Fund. The motion failed with a count of 9 aye and 10 nay votes

Information from Ron Hein for the Lottery claim for Orrin J. Fowles was distributed (Attachment 6).

A motion was made by Representative Kline, seconded by Representative Reinhardt, to amend **SB 95** to include the claim for Orrin J. Fowles to be paid from Lottery proceeds. The motion carried.

A motion was made by Representative Goossen, seconded by Representative Gross, to amend **SB 95** in Section 2 to include a \$446.47 motor fuel tax refund for Carty Oil Company. The motion carried.

A motion was made by Representative Farmer, seconded by Representative Helgerson, to pass as amended **SB 95**. The motion carried.

A motion was made by Representative Carmody, seconded by Representative Helgerson, to approve the minutes of February 23 and February 27, 1995. The motion carried.

A motion was made by Representative Dean, seconded by Representative Gross, to introduce a bill (SRS 1196) regarding robbery insurance for the Kansas State Fair. The motion carried.

A motion was made by Representative Kline, seconded by Representative Reinhardt, to introduce a bill which would authorize transfer of a parcel of property in Neosho County from the local school district to SRS. The motion carried.

A motion was made by Representative Helgerson, seconded by Representative Gross, to introduce a bill similar to **HB 2396**, a bill previously requested by Representative Haley regarding the transfer of real estate in Wyandotte County. The motion carried.

The meeting adjourned at 3:10 p.m.

The next meeting is scheduled for March 9, 1995.

# APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3/8/95

NAME	REPRESENTING
Cliff Franklin	State Representative
Duane Watkinson	Division of the Budget
Jeff Wacaman	D of A
B. Mariani	Dept. of Adm.
Shep Kopp	Dept of Adm
Bill Myllanor	Dept of Adm
Jerry Magnuson	DOA
Rogac Rooker	D of A
Jammy Fall	D of A
Kelly Young	KAPE
Linda McGee	PMA
Dan Pesmark	KHP
<del>Bob</del> Brenda L. Schuette	SRS
Delores Gonzales	KCC
Jan Stevens	KOHE
Roger Fraude	FIC

# Alternative Systems of Compensation For State Agencies

HB 2406

Representative Cliff Franklin  
March 8, 1995

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Appropriations Cmte  
Attachment 1

Thank you Mr. Chairman and members of the Appropriations Committee. I come here today to support HB 2406 which is a merit pay system for state agencies. The bill allows Agency Secretaries to use a merit pay system and abandon the matrix pay grid. The merit pay system is subject to approval of the Governor. The following bullets outline the main points of the system:

- Agency Secretary will be solely responsible for the Agency Performance
- Merit pay shall be used at discretion of Agency Secretary
- Merit system will require Governors approval
- Merit pay would move classified employees to non-classified status upon implementation
- Creates a "Performance Increase" line item in the Agency Budget. The makeup of this line item transfers the following funding:
  - a) Transfers Longevity increase to Performance
  - b) Transfers Step increase to Performance
  - c) Transfers COLA increase to Performance
- Allows Merit increases to range in a 6% window around the average. For example, if the average increase is 3.5%, (Governor's recommendation), then the merit pay increases would range .5% - 6.5%.
- Performance Appraisals will be based on objective and subjective criteria such as the following:
  - a) Helping external customers
  - b) Delegating authority down to the customer service levels
  - c) Sharing good ideas with colleagues.
  - d) Internal customer service
  - e) Innovation that eliminates barriers between the customer and the agency
  - f) Innovation that eliminates unnecessary regulation and

paperwork

- g) Innovation that eliminates unnecessary middle management
- h) Innovation that eliminates duplication of services among state agencies
- i) Innovation that tears down barriers between state agencies
- j) Utilization of Kansas Quality Plan

The purpose of this bill is to provide incentives for state employees to focus on customer satisfaction and service quality. We can no longer continue the practice of increasing state budgets without regard to the impact on our businesses and residents. State taxes create overhead for Kansas businesses that make them less competitive with other states and other nations. Like business, we need to become "**lean and mean**" and delight our customers. Kansas government should strive to become the bench mark of efficiency for all other states to follow. We need to push decision making down to the front lines of customer service and eliminate some of the policy making overhead.

Last November, voters in my district communicated their desire for a State Government that is customer focused, enthusiastic, accountable, cost efficient, and innovative. True or not, their perception of State Government is that of a highly bureaucratic beast that clings to ever increasing budgets, entitlement compensation, and the status quo.

Ask any businesswoman or any businessman and they will tell you that perception is reality in a competitive market. If the consuming public believes Japanese products are of higher quality, then the perception becomes reality with the purchase of Japanese products. If the business community perceives Kansas Government is not business oriented, then the reality will find businesses locating in other states.

In serving on the Education Committee, I have listened to lobbyists ask for 25% increases in budgets with no mention of accountability, efficiency, or service improvement. They have approached the increase as an entitlement that they deserve and that we have the power to grant. I ask each of you, would you ask for a 25% budget increase in these competitive times at your company? The system is broken because customer service is not the focus. Kansas government has good employees that are caught in a flawed culture of entitlement and expansion. We are the leaders and policy makers and it is the legislatures responsibility to redirect

policy for customer satisfaction.

Whether you consider yourself liberal, conservative, or moderate, we can all agree that customer satisfaction is an important part of our job as government employees. Whether you are urban or rural, we can all agree that effective and efficient government is our target. KAPE has come out in support of the concept of HB 2406 because it places the customer first and rewards public employees fairly based on performance. I ask for your support and favorable recommendation.

**Testimony Before The**  
**HOUSE APPROPRIATIONS COMMITTEE**

**By**  
**Jeffrey S. Wagaman**  
**Department of Administration**

**Wednesday, March 8, 1995**  
**RE: House Bill 2406**

Thank you for the opportunity to appear before you today regarding House Bill 2406. My name is Jeff Wagaman and I am the Deputy Secretary of the Department of Administration.

The bill before you would allow state agencies to adopt an alternative system of compensation for their officers and employees. The system, which would reward the performance of officers and employees of the agency with pay increases or bonus payments, must be based on enhanced productivity, reduction in waste and inefficiency, and elimination of unnecessary levels of regulatory activity and middle management.

This bill has presented the State of Kansas with an opportunity to study pay structures and develop a pay system that could meet agency needs and effectively reward employees. We agree that agencies would benefit from a pay structure much like the private sector that will provide them with the ability to hire competitively, reward performance, and control employee pay at the agency level. However, we are concerned that House Bill 2406 would result in significant implications that are not all in the state's best interest.

Some of these implications include the following:

1. The proposed bill moves us away from the concept of the state as one employer. It is the state's responsibility to ensure equal pay for equal work across agencies and to ensure market competitiveness. If this bill were passed, there would be dissimilar pay structures among state agencies. Classified employees converted to unclassified employees under this bill would receive pay increases or bonuses as a reward for performance but would no longer be eligible for the same pay structure as classified employees.
2. Employees of agencies adopting an alternative system would become unclassified employees. Unclassified state employees are not hired through the same hiring process as classified employees and do not have the same rights and benefits of employment as classified employees. For example, current classified employees are eligible to be considered for promotion and transfer opportunities and have rights of appeal to the Civil Service Board. We support the current system of classified career employees.

*3/8/95*  
*Appropriations Ante*  
*Attachment 2*



3. Employees already have changes to which they must adjust with the implementation of SHARP, most notably, biweekly pay. Changing the pay structure under which they have operated for so many years could be overwhelming and seriously undermine the positive changes.
4. There are technical system issues that also must be considered. For example, it would not be feasible to incorporate alternative pay plans into KIPPS, the State's current personnel and payroll system, for FY 1996 since that system will be replaced with SHARP in January 1996. Multiple alternative pay plans could be incorporated into SHARP, but it would require significant modifications as well as requiring on-going extensive data entry time and system storage space.
5. Federal laws and regulations, such as Fair Labor Standards Act, Americans with Disabilities Act, Family and Medical Leave Act and Equal Employment Opportunity/Affirmative Action, consider the state as one employer. This bill would complicate administration of these federal laws.

A pay plan could be developed that would provide agency flexibility while ensuring competitive pay and equity and would be compatible with existing systems and processes. This plan would be interactive with SHARP, address concerns of employees during the transition from one pay plan to another, and would provide state agencies flexibility to manage employee compensation and reward outstanding employees while equity and regulation issues remain centralized.

A pay plan, structured similarly to those most often used in the private sector, would consist of an "open range" pay matrix. For example, we would take the "pay structure box" now containing steps, and erase them. Employee increases would be primarily determined by their performance. The pay plan structure would be competitively maintained through recommendations based on market survey data and, in a competitively maintained pay structure, employees' progression through the pay ranges would be at an appropriate pace.

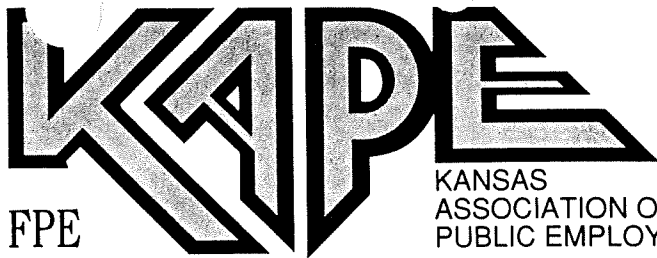
Individual increases could be accomplished in a number of ways. As now, the Governor would recommend a specific amount for salaries to be appropriated by the legislature. Agencies could then designate a portion of their compensation pool for individual pay increases and a smaller portion of the pool for bonuses. There are a number of plans that can address the means to achieve equitable and competitive individual pay matrix increases. This system could be administered without a greater fiscal impact than the current system.

Understandably, change often brings with it concerns, especially when that change can affect the pocket book. Employees will need to be assured, through a well-conceived and well-communicated plan, that they will be rewarded based on their performance rather than subjectivity. This can be accomplished by setting forth guidelines that meet agency objectives and by providing the tools to effectively measure performance. A bonus pool will provide the agencies with a means to reward exceptional performance.

While the intentions of this bill are worthwhile, it is our belief that a new pay plan can be devised that is in step with a shift toward the creation of an "earning" environment (pay for performance) and a shift away from the entitlement mentality. Rather than adopt House Bill 2406, the Department of Administration would like the opportunity to work over the summer to devise a comprehensive plan, possibly in cooperation with an interim committee, for FY 1997 that will accomplish the goals of House Bill 2406 without compromising the advantages of the existing structure.

Thank you for your time and attention. I would be happy at this time to answer any questions you may have.

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KANSAS  
ASSOCIATION OF  
PUBLIC EMPLOYEES

1300 South Topeka Avenue Topeka, Kansas 66612 913-235-0262 Fax 913-235-3920

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**Kelly Jennings**  
**Kansas Association of Public Employees**  
**In Opposition to:**  
**House Bill 2406**  
**March 8, 1995**

Distinguished members of the committee, good afternoon. My name is Kelly Jennings, I represent the Kansas Association of Public Employees. I appreciate the opportunity to appear here today to address House Bill 2406.

KAPE is opposed to the current language of HB2406, however, wholeheartedly agrees with the concept and purpose of the bill. HB 2406 proposes "an alternative system of compensation for the purposes of encouraging agency heads and other supervisors and managers of the state agency to act to revise or eliminate the activities and programs of the state agencies to enhance productivity, reduce waste and inefficiency, eliminate unnecessary levels of regulatory activity, and middle management."

Employees are a necessary link to providing a more efficient, cost-effective state government. HB 2406 can help to provide this by allowing employees incentives to achieve more efficiently run state agencies.



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Attachment 3

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The portion of HB 2406 KAPE opposes is contained in Section 1(c) which begins on Line 35 of page 1 in the bill. This section proposes that any agency utilizing alternative methods of compensation removes employees from the classified service to placement in the unclassified service.

Unclassifying employees will serve no purpose in the quest to achieve more efficient government services. In fact, the purpose of the Civil Service Act as found in K.S.A. 75-2925 clearly supports the intent of HB 2406 for a more efficient, and effective state government. The Act also provides for the Secretary of Administration to prepare a pay plan which would make unclassifying of employees unnecessary.

With amendments allowing employees to remain classified, and also to allow for increased employee input, KAPE would stand in support of HB 2406.

We urge you to give consideration to these ideas. Thank you. I will be happy to answer any questions you may have.

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**S** tate Employees Association of Kansas

1254 Randolph  
Topeka, Ks. 66604  
(913) 357-7376

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TESTIMONY OF BRAD E. AVERY  
STATE EMPLOYEES ASSOCIATION OF KANSAS  
IN OPPOSITION TO HB 2406

My name is Brad E. Avery, representing the State Employees Association of Kansas. HB 2406 is a bill which would, among other things, shift workers from the classified to the unclassified service upon approval of an "alternative system of compensation."

While S.E.A.K. believes the stated objectives of the legislation, found in subsection (e), have merit, arbitrarily shifting classified workers to the unclassified service is both unconstitutional and has little or no relationship to the accomplishment of said objectives.

The Legislature attempted to make a similar shift in the previous decade when it created the Kansas Water Office. Workers were shifted from the classified to the unclassified service and some were terminated as a result. The Kansas Supreme Court found that permanent, classified state employees have a property interest in their positions that cannot be deprived arbitrarily and without due process. *Darling v. Kansas Water Office* 245 Kan. 45,48 (1989)

Converting classified employees, who now can be terminated for just cause, to unclassified employees who can be terminated at the pleasure of the appointing authority would deprive those employees of their property rights as surely as if the Legislature were to attempt to take a piece of property without compensation.

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Attachment 4

(2)

Secondly, the permanent classified service was created in order to avoid having the administration of state government be dependent upon the winds of political change. It is no secret that both Democrats and Republicans have competed successfully for the Office of Governor. To subject the state work force to sweeping changes every four years because new agency heads are appointed by a new governor would be bad public policy.

Thirdly, there is no evidence of which I am aware that agencies having a predominantly unclassified work force are able to meet the criteria specified in subsection (e) any better than agencies with a predominantly classified work force. Interestingly enough, the provisions of this legislation would not apply to the bulk of the current unclassified work force who are either employees of elected officials or work for the Board of Regents.

If the sponsors of the bill and this committee are seriously concerned about accomplishing improved services and more efficient government, S.E.A.K. would urge that such issues be studied in the interim session and not arbitrarily connected to a change in the status of some state workers.

There are currently provisions and means in effect designed to both measure the performance of individual state employees and which address termination. If these need to be reviewed, then I suggest that the entire gamut of civil service statutes and regulations be carefully examined rather than take the approach suggested by this bill of relating all change to one factor.

(3)

S.E.A.K. would therefore urge the defeat of this particular legislation but would also request that the issues it addresses be closely studied in a broader context where all parties would have a chance to bring forth suggestions for improvements in the civil service system.

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**Testimony To The**  
**HOUSE APPROPRIATION COMMITTEE**

**By**  
**Jerry Magnuson**  
**SHARP Project Director**

**Wednesday, March 8, 1995**  
**RE: Senate Bill 172**

Mr. Chairperson and members of the committee, thank you for the opportunity to appear before you today in support of Senate Bill 172. My name is Jerry Magnuson, and I am the Director of the Statewide Human Resource and Payroll System Project (SHARP). I would like to first briefly describe the SHARP project and then address the proposed legislation.

The SHARP project began in May 1994 as a result of the Kansas Personnel/Payroll Study requested by the Legislature in 1993. This study concluded that KIPPS, the State's current personnel and payroll system, is outdated and unable to meet our needs. SHARP will utilize "PeopleSoft" software to develop and implement a statewide human resource/benefits/payroll system that efficiently and effectively supports human resource service needs for agency management and legislative policymaking. SHARP will issue its first payroll warrants in January 1996. At that time SHARP will replace KIPPS and will move our state personnel functions from 1970's technology into the 21st century.

Senate Bill 172 was designed to facilitate the implementation of the SHARP Project by updating some of our present terminology and processes and includes technical amendments relating to the establishment of a biweekly pay period for all state employees.

There currently are five different pay cycles running each month: one biweekly, two semi-monthly and two monthly cycles. While the majority of employees are paid monthly, the effort required to run five pay cycles each month can be reduced significantly by consolidating all employees to the same pay cycle. The efficiencies realized from running only one pay cycle also spread to other related payroll processes, such as eliminating salary advances/supplemental pay, posting paychecks, using direct deposit and reconciliation/remittances.

With the implementation of a biweekly pay cycle, employees will be paid more quickly for their work. For employees paid monthly, the existing pay period is the 18th through the 17th and they are paid on the first. This is up to a six week delay in getting paid for work performed. With biweekly pay, there is only a two week delay. This also means that new employees will be paid sooner, which eliminates the need for new employee salary advances. To provide more consistency, pay dates will be standard (every other Friday) and will also fall on a working day. Therefore, electronic fund transfer of warrants will occur consistently every pay period.

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*Appropriations Cmte*  
*Attachment 5*



Biweekly pay will simplify the compliance with the provisions of the Fair Labor Standards Act (FLSA). A biweekly pay period will allow the state to standardize work weeks and work periods for most employees; this enhances the ability of the state to track overtime pay requirements of the Fair Labor Standards Act (FLSA). Standardized work schedules will also simplify the process of accruing vacation, sick and other types of leave.

Being paid more frequently may also aid recruitment efforts because biweekly pay periods reflect the majority of the private sector's pay periods more closely. Employees will be paid more frequently (26 times a year, compared to the current 12 times per year).

This bill also provides that longevity bonus payments will be included in the employee's regular pay warrant. This eliminates the need for an additional warrant, which reduces the number of pay warrants processed each year.

The proposed changes will also change the budget and accounting procedures. Salary and wage payments will be charged to the fiscal year when the payment occurs, rather than the fiscal year in which the payroll period ends.

This proposed bill will help to expedite the smooth transition to the SHARP system. In fact, because the proposed bill will support existing SHARP functions, programming costs to modify ShARP will be unnecessary.

The Department of Administration would appreciate your support for passage of this bill. I would be happy to answer any questions you may have.

# STATEWIDE HUMAN RESOURCE & PAYROLL SYSTEM PROJECT

## SHARP

January 30, 1995

**PROJECT MISSION:-** Develop and implement a statewide human resource/benefits/payroll system that efficiently and effectively supports the human resource service needs of the State of Kansas. The SHARP Project will provide Kansas with systems, processes and prepared staff to support the State into the 21st century.

### 1. PROJECT SCOPE

- a. Align people, processes and technology with the State's human resource and payroll strategies.
- b. Replace the current HR/PAY mission critical system (KIPPS). KIPPS is 15 years old, uses 1970's technology and is costly to operate.
- c. Joint acquisition and project effort with the University of Kansas and Kansas State University.
- d. Business Process Reengineering (BPR).
- e. A proven, forward looking software package (PeopleSoft, Inc.).
- f. Use of advanced technology (Client/Server).
- g. Vendor systems integration support (Andersen Consulting).
- h. Knowledge transfer for state personnel.

### 2. SYSTEM BENEFITS

- a. Reengineered and streamlined processes for human resource, benefits and payroll functions.
- b. Compliance with the provisions of the Fair Labor Standards Act (FLSA) and facilitates monitoring of accurate overtime payments to non-exempt employees.
- c. Provides timely, flexible, access to integrated statewide information for agency management and legislative policy-making.
- d. Timely response to federal and state requirements.
- e. Provides ease of use to a wide range of users.
- f. Is flexible and maintainable.
- g. Reduced administrative and operating costs.
- h. Enables timely, effective interfacing to other state systems.

### 3. PROJECT ORGANIZATION

- a. Seamless organization of state and vendor personnel

(1) 59 staff on the team

(2) 31 State, 28 Andersen Consulting

(3) State staff from DPS (7), A&R (8), DISC (3), CCSD (5), KDOT (1), SRS (1), KU (1), KSU (1), SHARP/DOA (4)

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- b. Steering Committee
- c. User Acceptance Team from State Agencies
- d. Focus Groups Representing 1,500 state personnel
- e. Located in the Landon State Office Bldg., Rm 600N

**4. PROJECT SCHEDULE**

Open Enrollment (Benefits)	October 1995
Human Resource / Payroll	January 1996
Biweekly Pay Period	12/17/95 - 12/30/95
Pay Date	1/12/96
<u>On Schedule and Within Budget</u>	

**5. BIWEEKLY PAY**

As part of the implementation of the new SHARP System, the State will pay all of its employees on a biweekly basis. Pay periods will begin on Sunday and end two weeks later on Saturday. Paychecks will be issued two weeks later on Friday. If Friday (payday) is a holiday, paychecks will be issued on the closest preceding work day.

**a. Reason for This Decision**

There are a number of important reasons for the State to make this very significant change. As with most major operating policy decisions, the pros and cons are numerous and complex. In general, this decision was prompted by the fact that converting to the new SHARP System presented an opportunity to make significant changes in underlying business processes and policies. Also, the State's recent experience with FLSA related lawsuits illustrated the importance of structuring the State's payroll system in a manner that simplified compliance with the provision of the law and facilitated monitoring of accurate overtime payments to non-exempt employees.

Other major reasons for making the move to biweekly pay:

- There currently are five different pay cycles running each month: one biweekly, two semi-monthly and two monthly cycles; while the majority of employees are paid monthly, the effort required to run five pay cycles each month can be reduced significantly by consolidating all employees to the same pay cycle. Most large employers in the private sector limit the number of different pay cycles to the greatest extent possible.
- The efficiencies realized from running only one pay cycle also spread to other related payroll processes, such as eliminating salary advances, posting paychecks, using direct deposit and reconciliation/remittances.

- Biweekly pay periods allow the State, in most cases, to standardize work weeks and work periods for most employees, synchronize law enforcement work periods and the biweekly pay period; this enhances the State's ability to comply with the overtime pay requirements of FLSA.
- Standardized work schedules also make the administration of the SHARP System's new time and leave capture system simpler and more efficient.
- Having a standard number of hours in each pay period simplifies the process of accruing vacation, sick and other types of leave; this again allows the State to become more efficient administratively.
- Recruitment and retention of personnel is another benefit of biweekly pay. This pay cycle is consistent with private sector.
- Employees paid on an hourly basis produces fluctuating paychecks for any pay period other than biweekly. The State has therefore avoided this by implementing biweekly pay.

**b. Impacts on Employees**

From the employees' perspective, there are several benefits that will come with this change to biweekly pay:

- Employees will be paid more often: twenty-six times a year, rather than twelve.
- Employees will be paid more quickly for their work (every two weeks for the preceding two weeks, rather than every month, for the preceding month); new hires will not need to request salary advances.
- Pay dates will be standard (every other Friday) and will always fall on a work/banking day. Therefore, electronic fund transfer of warrants will occur consistently every pay period.
- For employees currently paid monthly, the conversion to the new SHARP System will create an "extra" paycheck in calendar year 1995, because pay for the November 18 to December 17, 1995 pay period will be paid December 29, 1995.
- For non-exempt employees, biweekly pay ensures a standard amount of gross wages in each paycheck, EXCLUDING shift differential or overtime.

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6. PROJECT BUDGET

Total Budget (FY 94 - 00) \$11,463,680  
Computer Services Recovery  
Fund (Fund 6163)

Vendor Contract  
(Andersen & PeopleSoft) \$ 8,130,098

Administration, Software  
Maintenance, Equipment, PC  
Software, Implementation Reserve,  
KDFAs Interest, Office Expenditures,  
Staff (4) \$ 3,333,582

- a. Shadow Budget
- b. Agency Expenses for SHARP
- c. FY 96 Budget Request (\$2.77 million)

7. SHARP PROJECT ISSUES

- a. Funding
- b. Statutes
- c. Agency Readiness
- d. Regents' Readiness
- e. Training
- f. Time & Leave Reporting
- g. Technology Infrastructure

M E M O R A N D U M

To: Kevin Scott  
From: Carl M. Anderson  
Date: June 20, 1990  
Re: Payment of Claim - Barbara Rollman and Connie K. Doyen

Although I wasn't aware that claims were being honored without actual tickets, your memo of February 20, 1990, indicated that this was a practice that had been in operation from the beginning.

The claims of Barbara Rollman and Connie K. Doyen for winning "Holiday Cash" tickets in the sum of \$250 (purchased at the Short Stop in Clay Center, Kansas, and Husselman Retail Liquor in Salina, Kansas) were presented during a period of time when the Kansas Lottery was honoring claims based upon copies of tickets and claim forms. The actual tickets and claim forms in these cases were never received by the Lottery. In view of our treatment of similar claims in the past, we believe that it is imperative that these claims be honored following the expiration of "Holiday Cash" on June 11, 1990. Thus you should process each of these two claims for payment. When the warrants are returned to the Lottery for distribution, please advise me so that I can write appropriate letters to each of these winners explaining the situation.

These are the last two instant claims of which I have been made aware, that were purportedly mailed to the Lottery, but never received.

In accordance with the Commission's determination on March 2, 1990, we will not honor such claims in the future, except in those instances where validation has occurred at the retail level as set forth in our rules and regulations.

CMA:ms

3/8/95  
Appropriations Cmte  
Attachment 6

1 it. A lot of retailers did not have that kind  
2 of cash on hand. At that point, they would give  
3 them the winner claim form and the ticket and  
4 the validation would be mailed in order for  
5 payment. So normally, yes, they would be paid.  
6 There were occasions when they were not paid  
7 right at the retailer.

8 Q And if a retailer got a ticket and you were  
9 verified with the retailer that they had gotten  
10 a ticket and then it was lost after that point,  
11 those were several of the items that we talked  
12 about today, where they were paid?

13 A Yes.

14 MR. WEIR: That's all I have.

15 RE-CROSS EXAMINATION

16 BY MR. STRATTON:

17 Q If the lottery is obligated to pay Mr. Fowles  
18 the \$117,000, from what would that be paid?

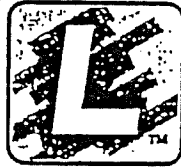
19 A I have no idea.

20 Q Is there an ongoing winners', what do you call  
21 it, winners' claim fund?

22 A Winners' fund? No, there is not.

23 Q There was at one time?

24 A No, but what I am saying is, there is an ongoing  
25 prize claim fund, and in that prize claim fund



## Kansas Lottery

CREATING JOBS FOR KANSAS

Mike Hayden  
Governor

Gerald F. Simpson  
Executive Director

To: Carl Anderson, Assistant Attorney General

From: Kevin Scott, Games Accounting Manager *KS*

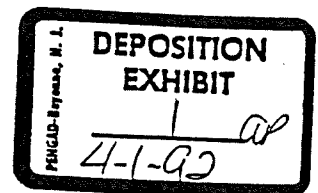
Date: February 20, 1990

Subject: Payment of claims without actual tickets

Questions have been raised concerning our practice of processing claims for payment without having possession of the actual instant ticket. A breakdown of those claims processed by game is attached. As can be seen the number and dollar amount of these claims has dropped off significantly after game #9.

This practice began in May 1988 with the expiration of game #1 and the payment of \$5,000.00 to Mr. Donald Cobb of Junction City. I'm sure you remember Mr. Cobb. His claim was supposedly lost in the mail, although the press was quick to place blame on the lottery. The only evidence Mr. Cobb presented in proof of his claim was a carbon copy of his original claim with the ticket number listed. From that number our ticket vendor was able to reconstruct the ticket to determine whether or not it was actually a winner. From the original claim of Donald Cobb (and subsequent payment) it was suggested by then Director of Administration Larry Gray that similar claims be handled in the same fashion. Being that by reconstruction we could determine the status of the ticket (a winner or not), and IF no other claim was made on the same ticket, and IF no other information concerning the ticket was brought to the attention of the lottery (ie stolen, etc), that the claim could be paid AFTER the official expiration of the game. To my recollection this proposed practice was discussed and agreed upon by Larry Gray, Mike Craighead, and Jim Huff, and was then directed to me by my supervisor, Mike Craighead.

It was my belief that the remainder of the Executive Committee was aware of and had agreed to the continuation of this practice. Unfortunately at that time there were no formal procedures and thus no documentation concerning the discussions or agreement exists. By your recent directive we have discontinued this practice until further notice.





M E M O R A N D U M

To: Kevin Scott  
From: Carl M. Anderson  
Date: June 20, 1990  
Re: Payment of Claim - Barbara Rollman and Connie K. Doyen

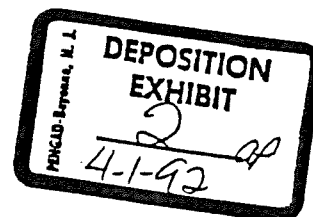
Although I wasn't aware that claims were being honored without actual tickets, your memo of February 20, 1990, indicated that this was a practice that had been in operation from the beginning.

*SAME STORE*  
The claims of Barbara Rollman and Connie K. Doyen for winning "Holiday Cash" tickets in the sum of \$250 (purchased at the Short Stop in Clay Center, Kansas, and Husselman Retail Liquor in Salina, Kansas) were presented during a period of time when the Kansas Lottery was honoring claims based upon copies of tickets and claim forms. The actual tickets and claim forms in these cases were never received by the Lottery. In view of our treatment of similar claims in the past, we believe that it is imperative that these claims be honored following the expiration of "Holiday Cash" on June 11, 1990. Thus you should process each of these two claims for payment. When the warrants are returned to the Lottery for distribution, please advise me so that I can write appropriate letters to each of these winners explaining the situation.

These are the last two instant claims of which I have been made aware, that were purportedly mailed to the Lottery, but never received.

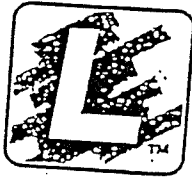
In accordance with the Commission's determination on March 2, 1990, we will not honor such claims in the future, except in those instances where validation has occurred at the retail level as set forth in our rules and regulations.

CMA:ms



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CARL COPY



Kansas Lottery

CREATING JOBS FOR KANSAS

July 3, 1990

Mike Hayden  
Governor

Gerald F. Simpson  
Executive Director

Ms. Barbara Rollman  
514 Blunt  
Clay Center, KS 67432

Dear Ms. Rollman:

I am enclosing a warrant of the state of Kansas in the sum of \$250.00 representing payment of your claim for a winning "Holiday Cash" ticket. We were unable to pay your claim until after the expiration of the "Holiday Cash" game which occurred on June 11, 1990, since we never received the original ticket and claim form at the Lottery. This delay was required because anyone presenting the winning ticket which they had signed with an accompanying claim form would have been entitled to payment. No such claim was made, and in accordance with office policy in effect at that time we are honoring your claim.

At a Lottery Commission meeting on March 2, 1990, it was determined that effective immediately it was the Lottery's policy to deny all future claims unless the Lottery receives the actual winning ticket accompanied by a claim form. Thus, pursuant to current policy, claims such as the one your presented will no longer be paid.

We want to thank you for your interest and participation in the Lottery.

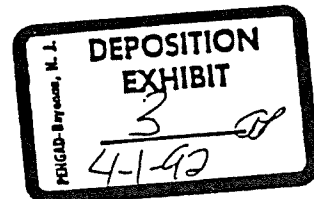
Sincerely,

Gerald F. Simpson  
Executive Director

CMA:dg

Enclosure

6-5



1 executive meeting with our legal advisor, Carl  
 2 Anderson. in his opinion, at that time, would be  
 3 the same thing as being validated by the  
 4 lottery. so those were a case of, and this is  
 5 again back just from memory, of the claims had  
 6 been validated by the retailer and mailed and  
 7 then somewhere got lost in the mail or in the  
 8 process of coming to the lottery. so the  
 9 validations were there. In other words, they  
 10 knew the tickets were there.

11 Q Somebody knew the tickets were there at some  
 12 point in time?

13 A Right?

14 Q So basically, you didn't have the ticket, the  
 15 actual ticket? You didn't even have a piece of  
 16 the actual ticket, you may not have even had a  
 17 copy of the ticket, but somebody had verified at  
 18 some point that these people had the ticket, so  
 19 you paid it from that extrinsic evidence?

20 A Well, the fact that it had been validated.

21 Q And can you tell me why you were treating  
 22 tickets this way?

23 A The first way or the second way?

24 Q Well, just taking evidence that a ticket had  
 25 been in possession of a claimant and then

1 checking into that, or investigating that  
2 information and if it was verified or if it had  
3 been validated by the retailer, you would still  
4 pay the claim?

5 A I had never been involved in this type of work  
6 before, but the lottery is a marketing and sales  
7 organization. In a marketing sales  
8 organization, a person -- I learned very quickly  
9 that you have to bend over backwards to please  
10 your customers. It goes back to the old saying  
11 that the customer is always right. And this was  
12 the philosophy that we used early on in the  
13 lottery, is that the fact that the customer was  
14 always right.

15 Q By we, who are you talking about we? The  
16 Executive Director?

17 A The Executive Director, yes.

18 Q Did you and he believe, or I guess he can't tell  
19 me what he believes, but did you believe at the  
20 time that you had the authority, under the  
21 statutes and rules and regulations regarding the  
22 lottery, to authorize payment of lottery tickets  
23 that had been mutilated, torn, lost, stolen?

24 A That I don't know. I honestly don't know. I  
25 would have to think back. I would assume that I