Approved: Janaury 22, 1996
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 17, 1996 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:
Jeff Wagaman, Deputy Director, Department of Administration
Bill McGlasson, Director of the Division of Personnel Services, Department of Administration

Others attending: See attached list

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The Chairman informed members that the day's agenda includes reviewing state employee related issues and welcomed Jeff Wagaman, Deputy Director for the Department of Administration to present information.

Mr. Wagaman told members that the information prepared for this meeting would cover past compensation practices for state employees and initiatives which the Department of Administration will advance this year. He distributed and reviewed copies of his written testimony which summarized past compensation practices for state employees (Attachment 1). In response to Senator Moran, Mr. Wagaman stated that the cost of health care benefits was not factored into the information he provided, but he would provide that for the Committee. He commented that 1.5% of state employees do not receive step increase due to an unsatisfactory performance evaluation, and reviewed performance evaluation policies. Members requested additional information on a number of items:

- employee classification, salary ranges, average salaries and the number of steps that are a part of the pay plan of member states of the Central States Compensation Association. Members believed this information would aid them in evaluating the comparisons made in Chart 3 (Attachment 1-8).
- additional data that would illustrate how the average longevity bonus of $597 as identified by the Department of Administration equates to the average compensation of those employees receiving longevity bonus payments
- a comparison of private sector pay with state pay
- a comparison of other states' salaries for certain job classifications
- the cost of an additional step on the pay matrix

Chairman Kerr distributed an article from the December 18, 1995 issue of Business Week which stated that information from the Bureau of Labor Statistics provides evidence that the consumer price index has overstated the rate of inflation by 1.5% per year over the last few years.

Bill McGlasson, Director of the Division of Personnel Services, Department of Administration, reviewed information regarding the Department's vision for a more efficient state workforce and some of the proposals that have been identified to facilitate the transformation (Attachment 2). Members asked questions about the Department's policy regarding work on holidays (item 3, Attachment 2-2), the current practice regarding the appeal process for disciplinary measures (item 1, Attachment 2-1), the agency's plan for the retraining of displaced employees, and how the strategies proposed by the agency will affect the directing and supervision of employees. There was some discussion regarding the number of bargaining units with which the

Department must meet and confer. Mr. McGlasson stated that the meet and confer process is often difficult because the Department cannot negotiate certain items (such as salaries) and told members that three fulltime equivalent positions are employed to handle the meet and confer activities.

The Chairman thanked the representatives from the Department of Administration for their presentations and adjourned the meeting at 12:00 noon. The next meeting is scheduled for January 18, 1996.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: JANUARY 17, 1996

NAME	REPRESENTING
Bill McGlasson	Dept of Admin
Jeff Wasamen	"
Jerry Sloan	OJA
Sally O'Healy	KRNE
Connie Hafenstine	KDOT
Robin Koch	Self
Don M Rezac	S.E.A.K.
CAROL L. SPRAGUE	TREASURER'S OFFICE
Judy Wolff	SRS
Susan Pleuffer	KDOR
Louis Chabira	Budget Division
Kelly Jennings	KAPE

Testimony To The

SENATE WAYS AND MEANS COMMITTEE

By
Jeff Wagaman, Deputy Secretary
Department of Administration

Wednesday, January 17, 1996
RE: Past Compensation Practices for State Employees

Mr. Chairperson and members of the committee, thank you for the opportunity to appear before you today to provide a summary of past compensation practices for state employees. My name is Jeff Wagaman, and I am the Deputy Secretary of the Department of Administration. Today, I would like to first briefly summarize the last ten years of pay increases in the State of Kansas. This includes both step increases within the pay plan and general cost-of-living adjustments (COLA) to the pay plan. Then, I will show how Kansas has kept pace with the rate of inflation and other states' compensation practices.

The State of Kansas has a Step Pay Plan in which each step is an increase of approximately 2.5%. Each year, the funding for step movement requires the recommendation of the Governor and approval of the legislature. In each of the last ten years, the legislature has approved step movement for state employees. To be eligible for a step increase, employees must have a satisfactory or better performance evaluation and be below the last step in the pay grade to be eligible. Approximately 96% of classified state employees received a step increase in the last fiscal year. The estimated cost of a 2.5% step increase for classified employees in FY 96 is $14.7 million, as shown in Table 1.

The legislature may also approve a general increase to the base of the pay plan. This general increase is often referred to as a COLA. As you can see in Chart 1, the amount of general COLA that the legislature has approved over the last 10 years has varied from a low of 0 in 1991 to a high of 4% in 1988. The average general COLA over the last ten years is 1.75%. For example, the estimated cost of a 1.75% COLA for classified state employees would be approximately $14 million.

When both the step increase and general COLA's that Kansas state employees have received over the last 10 years are combined and compared to the rate of inflation, Kansas employees' pay increases easily match and exceed the Consumer Price Index (CPI). State of Kansas employees' average pay increase since 1986, including both the step and general COLA, is 4.25%. The average increase in the CPI over that same period is 3.6%. The only years the

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CPI increased more than state employees' pay were 1990 and 1991. This is demonstrated in Chart 2.

Kansas is a member of the Central States Compensation Association (CSCA). The Association is comprised of 18 centrally located states that exchange information and study compensation and classification issues. These are the standards by which Kansas can judge its own compensation plan. Table 2 demonstrates which of the Association members have step pay plans, what those step increases amount to, what the average general COLA's have been, and whether or not they have a longevity plan. The states with step pay plans consistently grant step movement each year to all eligible employees. Most states noted that step movement was based on a satisfactory or better performance evaluation, as does Kansas. Also, like Kansas, employees who are on the last step in a pay grade do not receive a step increase among the Association states with step pay plans.

Of the Association members, Kansas has never had the highest *COLA* pay increase in any one year. In 1991, Kansas was among five member states that did not give a general COLA. However, Kansas state employees did receive their step pay increase equal to 2.5% in 1991. But, as stated before, not **all** employees, such as those on the last step in the pay grade, get a step increase. These employees count on some kind of a COLA or a longevity bonus, if they have at least 10 years of service, to see any sort of increase in pay. Of course, these employees make up a small percentage (approximately 4%) of the classified state workforce.

Among the states that give large or small general COLA's in a particular year, it is important to note whether they have a step pay plan. For example, employees in Texas received no general COLA in the years 1995, 1994, 1991, 1990, 1988, and 1987. However, Texas has a step pay plan, and most employees received a 3.4% step increase in each of those years. On the same note, South Dakota gave very large general COLA's in 1995, 1994, 1993 and 1991. But, South Dakota does <u>not</u> have a step pay plan so the COLA's were the only increase those employees received.

When the average COLA and the average step increase are combined, Kansas ranks right in the middle of all of the states in the Association (9th out of 18) with a combined average pay raise of 4.25%.

Nebraska, which has a step pay plan and grants general COLA's, ranks first with an 8.5% average annual pay increase, as shown in Chart 3. This chart includes all of the Association states regardless of whether they have step pay plans or not.

In addition, the State of Kansas provides a longevity bonus to eligible employees after 10 years of service. K.S.A. 75-5541 provides that longevity bonus payments are calculated by multiplying $40 by the number of full years of satisfactory service from a minimum of 10 years ($400) to a maximum of 25 years (or $1,000). The longevity bonus plan is separate from the state's pay plan. It is intended as an annual bonus for long-term employees. Longevity bonus payments have been funded by the legislature each year since they were first authorized in 1989. The estimated cost for longevity bonuses is $10.6 million in FY 96, which is also shown in Table 1.

Most employees on the last step in a pay grade qualify for longevity bonus payments. These employees rely on that bonus and COLA's to increase their earnings because they do not receive a step increase.

Some employees qualify for and receive both pay increases (step movement and COLA) and a longevity bonus in one year. For example, an employee with 10 or more years of service, a satisfactory or better performance evaluation, and who is below the last step in a pay grade received a step increase of 2.5%, a 1% COLA and an average longevity bonus of $597 in FY 96.

There are many different ways to look at pay increases for state employees. Each one of the states in the Association pays their employees a little bit different, so sometimes it's like comparing apples and oranges. But the important thing is that no matter how you look at it, Kansas rates favorably both against the CPI and among the Association. Pay increases have been both consistent and very fair for Kansas state employees over the last 10 years.

The pay increases have been neither relatively high nor relatively low, and have generally kept pace with, if not exceeded, inflation.

The Department of Administration appreciates your concern in this matter. Thank you Mr. Chairman for requesting this briefing. We would be happy to provide you with any additional information you may need.

Thank you for allowing me this time.

DEPARTMENT of ADMINISTRATION
DIVISION of PERSONNEL SERVICES

Estimate of Cost of Providing Step Movement to Eligible Employees in FY 96

Step Increase Percent	No. of Employees	Total Step Increase Amount
2.5%	28,401	**$14.7 million**

Estimate of Cost of Providing Longevity Pay to Eligible Employees in FY 96

Years of Service	Longevity Bonus Amount	No. of Employees	Avg. Bonus Payment	Total Longevity Bonus Payment
10 - 25	$400 - $1,000	17,769	$597	**$10.6 million**

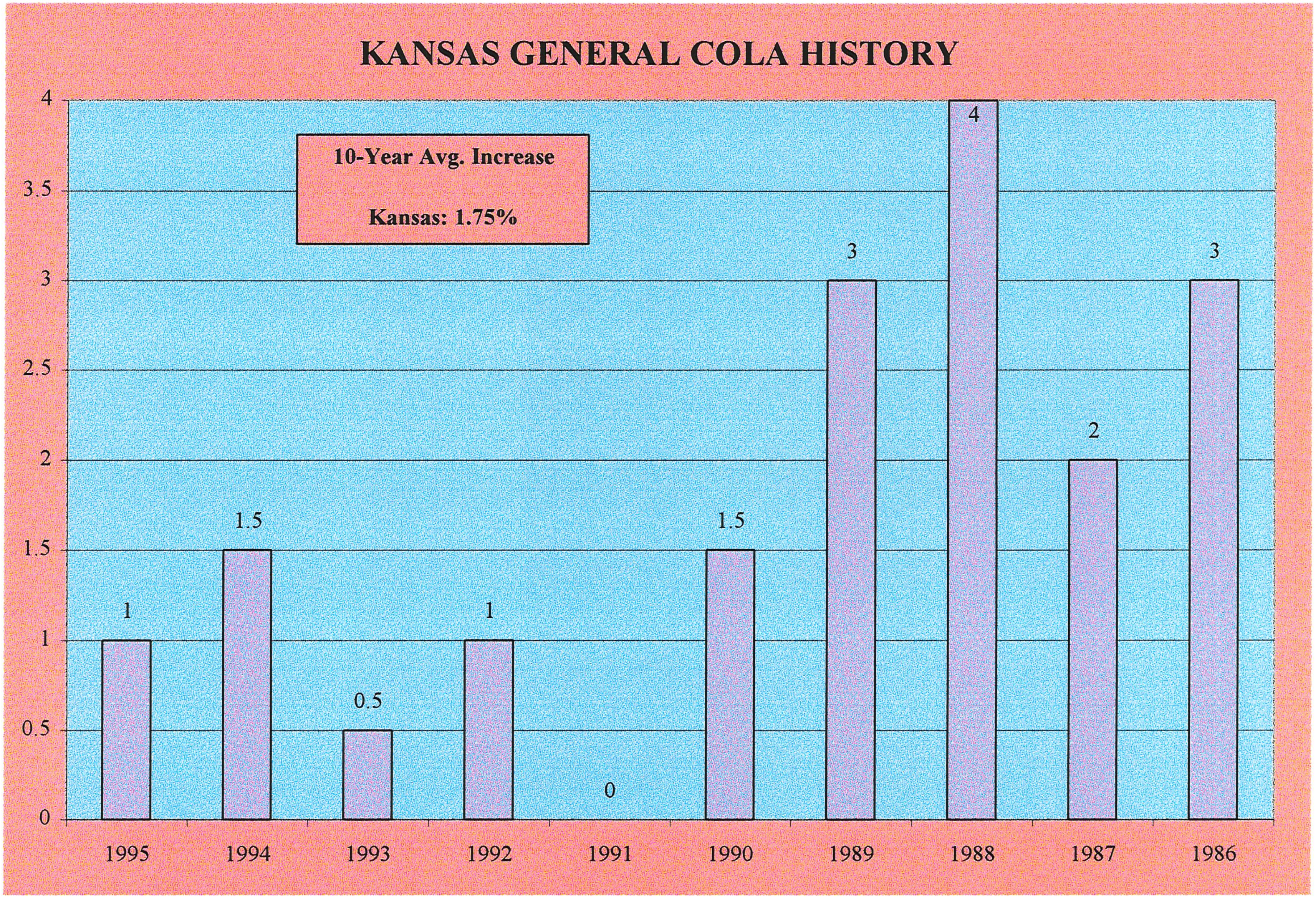
Table 1

CSCA STATES
COMPARISON of STATE PAY PLANS

State	Step Plan?	No. of Steps	% Step Increase	Avg. % General COLA (1986-1995)	Separate Longevity Plan?
Arkansas	No	---	---	1.93	Annual Bonus
Colorado	**Yes**	7	5.0	2.58	No
Idaho	No	---	---	3.35	No
Iowa	**Yes**	6	4.8	3.25	No
Kansas	**Yes**	**15**	**2.5**	**1.75**	**Yes**
Louisiana	**Yes**	12	4.0	.40	No
Minnesota	**Yes**	11	2.5	3.08	No
Missouri	**Yes**	15	2.0	1.65	No
Montana	No	---	---	2.20	**Yes**
Nebraska	**Yes**	1	5.0	3.50	No
New Mexico	No	---	---	3.25	State Police Only
N. Dakota	No	---	---	2.51	No
Oklahoma	No	---	---	1.88	**Yes**
S. Dakota	No	---	---	5.42	**Yes**
Texas	**Yes**	8	3.4	1.1	**Yes**
Utah	**Yes**	16	2.75	2.15	**Yes**
Wisconsin	**Yes**	Varies by bargaining unit	Cents-per-hour	2.61	**Yes**
Wyoming	No	---	---	1.73	**Yes**

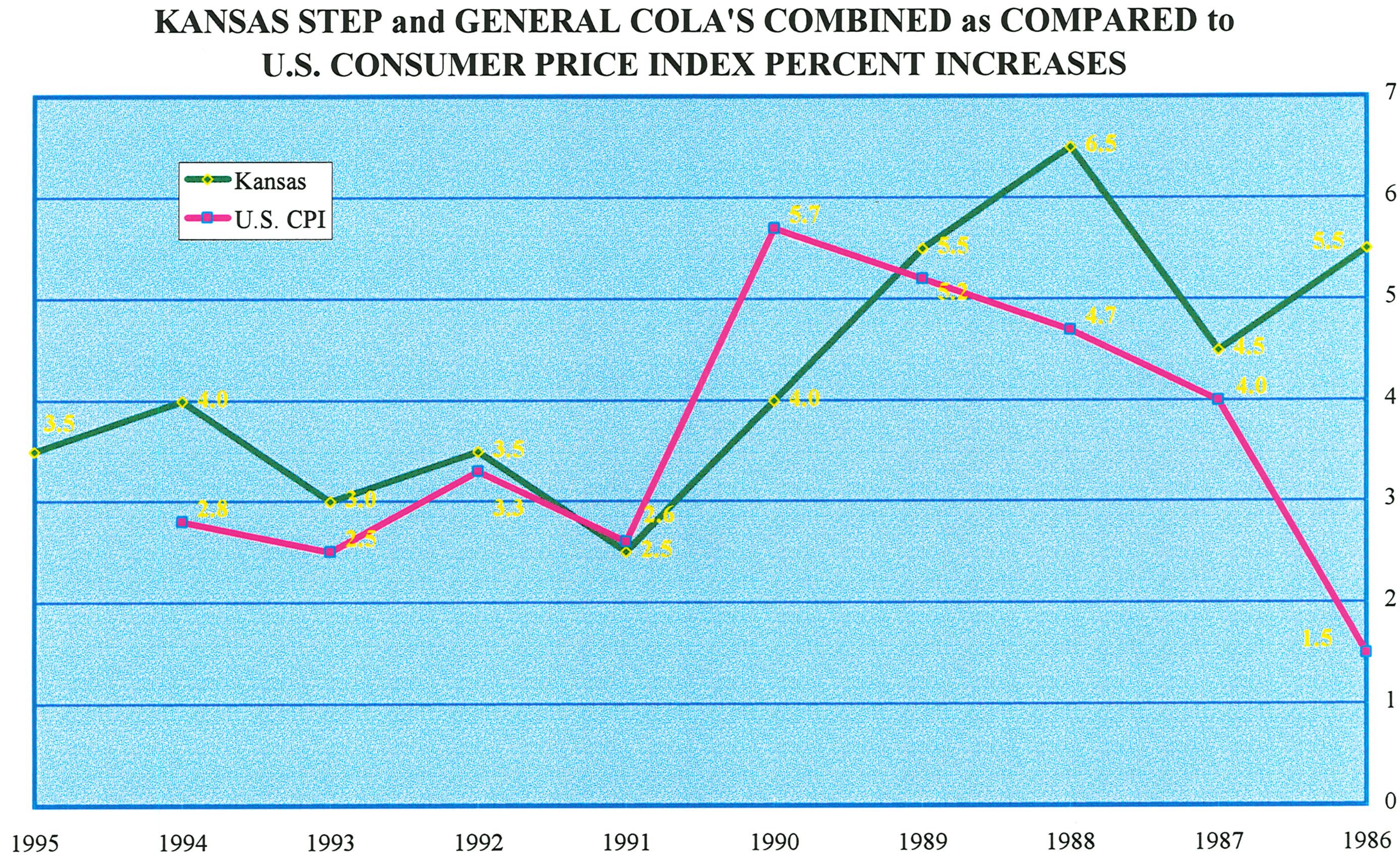
Table 2

DPS - Chart 1



9-1

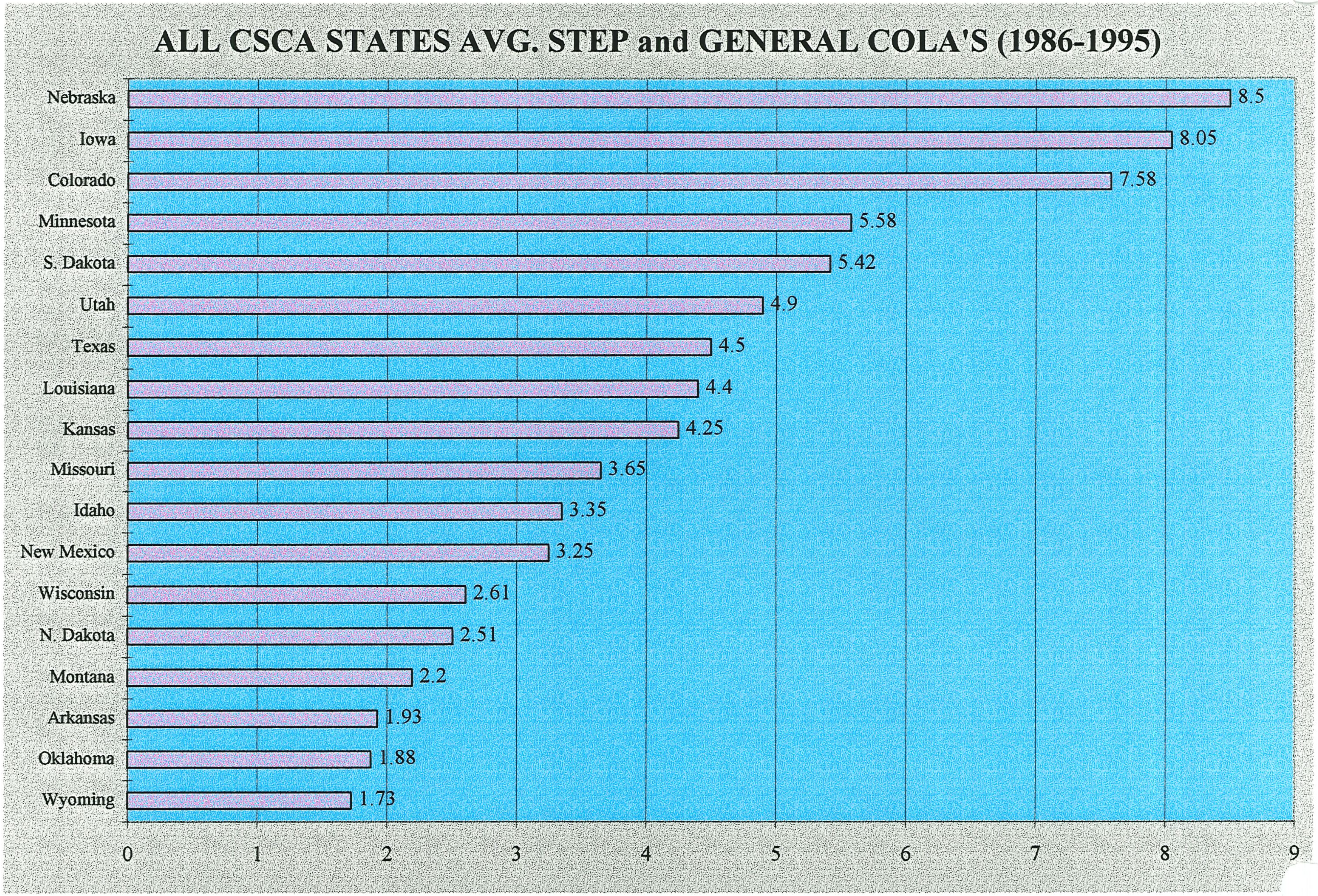
DPS - Chart 2



Data for the CPI for 1995 is not yet available.

1-7

DPS - Chart 3


ALL CSCA STATES AVG. STEP and GENERAL COLA'S (1986-1995)
Nebraska
8.5
Iowa
8.05
Colorado
7.58
Minnesota
5.58
S. Dakota
5.42
Utah
4.9
Texas
4.5
Louisiana
4.4
Kansas
4.25
Missouri
3.65
Idaho
3.35
New Mexico
3.25
Wisconsin
2.61
N. Dakota
2.51
Montana
2.2
Arkansas
1.93
Oklahoma
1.88
Wyoming
1.73
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Testimony To The

SENATE WAYS AND MEANS COMMITTEE

By
William B. McGlasson, Director
Division of Personnel Services

Wednesday, January 17, 1996
RE: Focus and Vision for State Human Resource Management

Mr. Chairperson and members of the committee, thank you for the opportunity to appear before you today. My name is Bill McGlasson, and I am the Director of the Division of Personnel Services. Today, I will provide you with a vision of the future of human resource management for the State of Kansas. First, I will briefly overview our vision for a more efficient state workforce, and then discuss some of the proposals we have identified to facilitate the transformation.

The Division of Personnel Services administers the Kansas Civil Service Act in order to provide a complete human resource program for the state. Our vision is to incorporate the "state as one employer" concept and model the best business practices of the public and private sector. While the focus of the division is to be a resource to agencies and employees, many functions of human resource management must be administered centrally. For example, the Department of Labor considers the state as one employer under federal laws such as the Fair Labor Standards Act, the Americans with Disabilities Act, and the Family and Medical Leave Act.

The division and the agencies must share this common vision to mold a more effective and efficient workforce, maintain fair and equal treatment of all state employees, and assert fiscal responsibility. Research into business practices in both the private and public sector has helped us to select several issues for civil service reform. Our goal is to look at the personnel administration system in a comprehensive way, to eliminate duplication, to increase our focus and to support broader agendas.

The division has identified several strategies as potential levers for change to meet this challenge. We will be submitting proposed legislation for the following strategies:

1) We can enhance the appeal process for disciplinary measures by utilizing alternative dispute resolution methods. Currently, the appeal process is burdensome on both the employee and agencies because of the many steps involved with filing and ruling on appeals. Alternative resolution methods such as mediation and arbitration will streamline the process.

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2) The Employee Award and Quality Award Programs will be combined into one program to simplify and streamline the process, and to provide more timely feedback. This change will offer one award program that enhances employee involvement, responsibility, and quality initiative.

3) Currently, employees who retire under one KPERS administered retirement plan, such as KP&F, can return to work for the state and earn benefits under a different KPERS administered plan. Under the "state as one employer" concept, retired employees would not receive benefits from multiple retirement plans under KPERS.

4) We are designing a layoff formula which is based on a combination of performance reviews, length of service and skills. Our proposal for the new layoff formula is an extension of our skill-based selection program implemented last year.

5) We propose to modify the current practice that allows a classified employee to take an extended leave of absence in order to accept an unclassified appointment. There are legitimate needs for agencies to allow classified employees to take unclassified appointments for a relatively short time. However, these unclassified appointments are meant to be temporary bridges and not long-term solutions.

Other strategies that follow will require only regulatory changes.

1) It is necessary to increase awareness among all state agencies that the state is one employer and that agency personnel officers are accountable to the Civil Service System in administering human resource functions.

2) By developing an alternative pay system, we can encourage and reward quality employee performance, facilitate management of compensation dollars at the agency level, and increase cost-effectiveness.

3) For every observed holiday, each employee has the assurance of getting a day off. Our proposal would standardize the way we handle holidays by allowing every employee who is scheduled to work on the holiday to take the day off before the holiday or after the holiday, if they have to work on the holiday. This would ensure every employee receives the benefit of a holiday, and relieves the state from paying unnecessary additional holiday pay.

4) To meet specific agency needs, we will establish flexible probationary periods that will allow agencies to choose a probationary period which is commensurate with the complexity of duties, nature of work and cyclical patterns of different positions.

5) We would like to create the ability to assign high level, career civil service employees to any state agency to temporarily assist in emergencies or other situations

such as an agency reorganization or a severe staffing change. Having this capability would provide needed expertise from within state government to agencies having a need for experienced managers with knowledge about downsizing, privatizing, or reorganization issues.

6) We are also proposing that the Secretary of Administration may transfer employees from one agency to another. This will further strengthen the concept of the state as one employer. This broadens the opportunity for placing injured workers in a job they can perform, and enhances the ability to get them back to work sooner.

These strategies present a unique approach to human resource management in Kansas. The objectives of the reform we propose include increased awareness that the state is one employer, stronger relationships with human resource managers and agencies, and improved cost effectiveness.

The Division of Personnel Services appreciates your concern in this matter. Thank you Mr. Chairman for requesting this briefing. We would be happy to provide you with any additional information you may need.

Thank you for allowing me this time. I would be happy to answer any questions you may have and would appreciate any suggestions.