

MINUTES OF THE HOUSE KANSAS 2000 SELECT COMMITTEE.

The meeting was called to order by Chairperson Kenny Wilk at 1:30 p.m. on March 8, 1999 in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Leah Robinson, Legislative Research Department  
Gordon Self, Revisor of Statutes  
Jim Wilson, Revisor of Statutes  
Janet Mosser, Committee Secretary

Conferees appearing before the committee: Dan Stanley, Secretary, Department of Administration

Others attending: See attached list

Chairperson Wilk continued the hearing on **HB 2522 on performance-based compensation plan for state agencies**.

Dan Stanley, Secretary, Department of Administration, was recognized by Chairperson Wilk. Secretary Stanley expressed his appreciation for the Committee's thoughtful approach in developing the bill. He explained that, as Secretary of Administration, he currently has the authority to make most of the changes proposed. Because he is in agreement with the overall philosophy and intent of the bill, he provided a substitute bill for consideration that uses, with slight modifications, existing authority to effect the changes proposed (**Attachment 1**). Chairperson Wilk recognized Bobbi Mariani, Assistant Director, Division of Personnel Services, Department of Administration, who reviewed the substitute bill in detail.

Chairperson Wilk closed the hearing on **HB 2522**.

Chairperson Wilk noted that the Committee has now received two balloons (from Paul Wilson of the Kansas Association of Public Employees and today from the Department of Administration). The Committee also has been keeping track of points raised during testimony. For the benefit of the Committee and working with Representative Horst and Representative Sharp, it is his intent to put together a balloon on **HB 2522** and to discuss next week along with ideas on how best to move forward.

Minutes for February 18, 22, and 23 were distributed. Representative Sharp moved to approved the minutes. The motion was seconded by Representative Lane. The motion carried.

Chairperson Wilk adjourned the meeting at 2:45 p.m.

The next meeting is scheduled for March 9, 1999.

## KANSAS 2000 SELECT COMMITTEE GUEST LIST

DATE: 3-8-99

NAME	TITLE	REPRESENTING
Keith Haxton		SEAK
PAUL Wilson		KAPE
Julia Thomas		DOB
JENNIFER HENSHALL		OJA
Dan Resmark		Highway Patrol
AL RAIA		" "
Ed Gray		JJA
DAN Stan G		DOA
B. Manami	Asst Dir DPS	DOA
Karen Watney		DOA
Kuld Chuber		DoA
Craig Peterson	HR Manager	KDHE
Noble Morrell	HR	KDOT
Carol Reed		SRS
Bill Henry		Ks Gov Consulting
Dick Koerth		KIDWP
Errol Wilkins		
D. Keith Meyers		DOFA
Joseph Truice		KGC

*Testimony by  
Secretary Dan Stanley  
HB-2522  
March 8, 1999  
Select Committee on Kansas 2000*

Mr. Chairman, members of the Committee.

I am pleased to appear before you today to talk about compensation for state employees. First, let me express my appreciation for the Committee's thoughtful approach in developing HB-2522. You have handled this delicate issue with great openness, an invitation for all stakeholders to express their views, and gathered far reaching views from private industry as well as government. I applaud you for your focus on state employee compensation and the needs of state agencies. I share your concerns, and I agree with your overall philosophy that values employees and their worth to the organization.

I also agree with other concepts included in the bill and appreciate your recognition of the magnitude of the change. In fact, you identify and support three major components to effect change: a compensation system, employee evaluations, and training. In my view, these are the three pillars that must be the underpinnings of our human resources philosophy. Without those three components working together, there can be no successful change. I also appreciate your recognition of the need for flexibility--without a certain degree of flexibility change would not be successful. And that is what we are really all about here today. Not change for change sake, or because our current personnel and compensation system is over 50 years old, but because we seek to be more successful. We seek to be successful for both the benefit of our employees and our customers, the tax payers of Kansas.

What you are proposing is sweeping statutory change. You have developed a plan that is outlined in great detail--perhaps too much detail to really be manageable. As Secretary of Administration, I currently have the authority to make most of the changes you have proposed. Since I agree with your overall philosophy and intent, I have drafted a bill for your consideration that uses, with slight modifications, existing authority to effect the change you want. I ask you to consider the substitute bill you have before you. Let me explain what this bill would do.

Like HB 2522, the substitute bill sets out a clear statement of a compensation philosophy. This philosophy incorporates values and goals we share: to provide efficient, effective and creative public service to the people of Kansas through an employee compensation system that is competitive; has internal equity; is based on employee skills, competencies and performance; and is fiscally sound. We agree with you and others that establishing a philosophy and adhering to that philosophy is fundamental to success.

This bill also creates an oversight committee. The composition and purpose of the committee included in the substitute bill reflects a model that would partner with us, state agencies, and employees as we work together to develop and implement a new compensation

Kansas 2000 Select Committee  
Meeting Date 3-8-99  
Attachment 1

system. By including representatives from the legislature, the private and public sectors, and the public at large, we believe that a total compensation system can be designed that reflects our joint philosophy and addresses the needs and concerns that you have been hearing about the past few weeks.

Also notice that we include a "sunset" date for the current system. We feel this will provide flexibility to thoughtfully and methodically develop, train, test, and finally implement a new compensation system.

As I mentioned earlier, the Department of Administration already has the authority to modify the pay plan. We can develop plans, or "schedules," that achieve our goals by removing the word "step" from the existing statute. This provides us with the flexibility to make changes during the design of a new plan without requiring statutory authority. It would also allow us to make timely adjustments in order to respond to market changes or changing needs of agencies.

We have also added language to the statute which specifically allows for monetary and non-monetary incentives, pay premiums, competencies and geographic market differences. These bonuses would serve to enhance the flexibility of the compensation system even further as well as embrace the concept of performance based pay by recognizing employee productivity and skill. Language has also been added to the statute to provide that the annual compensation budget will be forwarded to the legislative oversight committee established in this act as well as to the governor, myself and the director of budget. As I mentioned earlier, we hope to work closely with this committee. This requirement will ensure that the committee has all the information necessary to help plan and develop the compensation system.

Existing law provides us the authority to establish and amend a system of performance ratings. This system could be modified to complement any new compensation system that would be developed. We also recognize concern you have heard from employees about not receiving timely performance reviews. That has been a long standing concern and is addressed through regulation. Our proposal places even more importance on timely reviews by authorizing the adoption of corrective action for supervisors who do not comply with the provisions of the system of performance ratings.

A new topic we have introduced in the substitute bill concerns pilot projects. This section is identical to HB 2481 which was proposed earlier this session. Pilot projects would be a valuable tool in evaluating and implementing a wide variety of personnel related programs. Currently, any new initiative that falls within regulation or statute must be implemented statewide. This bill would provide the ability, through an Executive Directive, to suspend certain provisions for a specific duration and for a specific period of time. This allows flexibility to test a new initiative to see how it works and make corrections before it is rolled out statewide. A new compensation system would be an ideal candidate for a pilot project.

Finally, this bill proposes, as did HB 2522, the repeal of the Retirement Reduction Act.

You will note that training is not addressed in this bill. We currently have the authority to

develop and implement training, and based on our commitment to the three components you have identified, be assured that training will be provided to employees on any new compensation system.

As you can see, this bill does not specifically lay out a new compensation system. This proposal uses existing authority to develop and implement a compensation system within the framework of a stated compensation philosophy. If you recall, the Comptroller from Vermont spoke to you a couple of weeks ago and cautioned that you should not bury yourselves in detail. Rather, you should think in general terms about what you want and let your administrators work out the details and issues. Your philosophy provides us with those "general terms." By working with your oversight committee, we will develop a compensation system within that framework.

Again, let me commend the Committee for their tireless work on this important issue. I believe we have broad agreement on the key areas. I offer this substitute not as a deviation of intent, but as a more flexible approach to reach the same shared goals. Thank you.



**New Section 1.** It is the policy of the state of Kansas to value employees as a resource to provide efficient, effective and creative public service to the people of Kansas. The state of Kansas hereby adopts a philosophy to provide total compensation for public service that is externally competitive with relevant labor markets, internally consistent among job classifications, sensitive to skill, competency, performance and experience differences among individual employees, and responsible and accountable for available fiscal resources.

For purposes of this section, total compensation shall include employee pay and benefits. Employees shall receive education on the compensation philosophy and annually receive a written statement of the value of their total compensation as prepared by the secretary of administration.

**New Sec. 2.** (a) There is hereby established the state employee compensation system oversight committee which shall consist of nine members as follows:

(1) Three members shall be appointed by and serve at the pleasure of the speaker of the house of representatives from among the members of the house of representatives;

(2) three members shall be appointed by and serve at the pleasure of the president of the senate from among the members of the senate;

(3) three members shall be appointed by and serve at the pleasure of the governor. One member shall be representative of private employers, one member shall be representative of public employees, and one member shall be representative of the public at large and hold no other public office or public employment;

(4) the director of the budget;

(5) the secretary of administration; and

(6) the director of personnel services, serving in an ex officio capacity and serving as secretary for the committee.

(b) The state employee compensation system oversight committee shall organize annually by electing a chairperson and a vice-chairperson from the members of the oversight committee. A quorum of the state employee compensation system oversight committee shall be six.

(c) The state employee compensation system oversight committee may meet at any time and at any place within the state on the call of the chairperson. Appointive members of the committee attending meetings of the committee or subcommittee meetings authorized by the committee shall be paid subsistence allowance, mileage and other expenses as provided by K.S.A. 75-3223, and amendments thereto.

(d) The state employee compensation system oversight committee shall monitor the development, implementation and administration of the compensation system and related education. The oversight committee shall receive recommendations and information from and shall advise and consult with agency heads and other officers and employees of state agencies on the implementation and administration of the compensation system.

**New Sec. 3.** The state classified civil service pay matrix of ranges and steps established under K.S.A. 75-2938 in effect prior to the effective date of this act is hereby abolished on and after the first day of the payroll period chargeable to the fiscal year ending June 30, 2003.

**Sec. 4.** K.S.A 75-2938 is hereby amended to read as follows: **75-2938. Classified service; assignment of positions to classes; titles and descriptions for classes; assignment of classes to ranges; pay plan compensation system; wage and salary surveys; delegation of assignment of positions; schedule or schedules of salary and wage ranges grades and steps; approval of governor.** (a) Except as otherwise provided in the Kansas civil service act, the director of personnel services, after consultation with the heads of state agencies or persons designated by them, shall assign each position in the classified service to a class according to the duties and responsibilities thereof. Titles shall be specified by the director for each such class for use in certifying the names of persons for appointment under this act. A description of the duties and responsibilities with suitable qualifications required for satisfactory performance in each class shall be specified by the director. The classes and titles so specified and described shall be used for: (1) Original appointments ; (2) promotions ; (3) payrolls ; and (4) all other records affecting the status of persons in the classified service. Each class when approved or modified and approved as modified by the governor shall take effect on a date or dates specified by the governor. After consultation with the director of the budget and the heads of state agencies or persons designated by them, the director shall recommend changes in classes from time to time, and such changes, when approved or modified and approved as modified by the governor, shall take effect on a date or dates specified by the governor.

(b) The director of personnel services shall recommend to the governor the assignment, and from time to time the reassignment, of each class to a specified **range grade** approved or modified and approved as modified by the governor, the same shall become effective on a date or dates specified by the governor. In adopting or revising any **plans schedule or schedules**, the governor shall give consideration to pertinent rates in other public and private employment in the appropriate labor markets, and for this purpose the director shall **have made periodic** *conduct* wage and salary surveys *annually with one survey to be conducted each year.* *The director of personnel services may use other appropriate surveys purchased or obtained by public or private agencies in lieu of or in addition to surveys authorized by this subsection.*

(c) *The director may also recommend to the governor suggestions for monetary and non-monetary incentives to reward individual and team performance, pay premiums*

*to recognize skills, competencies, geographic market differences, or unique working conditions. Incentives and pay premiums may or may not be additions to base pay.*

~~(d)~~ *The results of such survey and recommendations for revisions in the pay plan*  
*The director shall forward an annual compensation budget* ~~are to be forwarded~~ *to the*  
governor, the secretary of administration, the director of the budget and the legislature  
*state employee compensation oversight committee.* The recommendations shall give  
consideration and weight to *market* survey results, to changes in the cost-of-living, and to  
proper internal alignment of the various job classes, *to recruitment and retention issues,*  
*and to other relevant factors.* ~~The director may use the results of other appropriate~~  
~~surveys conducted by public or private agencies in lieu of or in addition to surveys~~  
~~authorized to be conducted under this subsection.~~

~~(c)~~ *(e)* The secretary of administration may delegate the authority to assign  
positions in the classified service to a class according to the duties and responsibilities  
thereof to the appointing authority. Such delegation shall specify the particular classes,  
ranges *grades*, and schedules authorized. Appointing authorities delegated such assigning  
authority shall make monthly reports of assigning transactions to the director of personnel  
services. Any delegation of such authority is subject to review by the secretary of  
administration who may modify any delegation made in order to ensure consistency with  
the state classification plan and may withdraw the delegated authority from the  
appointing authority upon evidence of improper use of such authority by the appointing  
authority. The decision of the secretary of administration in regard to the withdrawal of  
such delegated authority shall be final.

~~(d)~~ *(f)* After consultation with the director of the budget and the secretary of  
administration, the director of personnel services shall prepare, *and from time to time*  
*amend,* a ~~pay plan~~ *compensation system* which shall contain a schedule *or schedules* of  
salary and wage ranges *grades* and steps, *and from time to time changes therein.* When  
such ~~pay plan~~ *compensation system* or any change therein is approved or modified and  
approved as modified by the governor, the same shall become effective on a date or dates  
specified by the governor and any such modification, change of date shall be in  
accordance with any enactments of the legislature applicable thereto.

~~(e)~~ *(g)* The classes and ~~pay plan~~ *compensation system* for the classified service as  
approved by the governor shall be used by the director of the budget in preparation of the  
budget.

~~(f)~~ *(h)* Whenever any appropriation or other act specifies any ~~pay plan~~  
*compensation system* or any change, limitation or condition upon the ~~pay plan~~  
*compensation system,* personnel or policies of the state or any state agency, such  
appropriation act or other act shall control the provisions of this section to the extent of  
their application thereto.



**Sec. 5.** K.S.A 75-2943 is hereby amended to read as follows: 75-2943. (a) Appointing authorities shall give notice to the director of personnel services of their intention to establish new positions and of the existence of any vacancy to be filled in any office or employment in the classified service in the manner provided by the director.

(b) The secretary of administration, upon recommendation of the director of personnel services, shall establish procedures and standards for the certification of names of eligible persons for vacant positions.

(c) The appointing authority shall appoint on probation, with sole reference to merit and fitness, one of the candidates whose name is certified in the manner provided by subsection (b) to fill such vacancy. The provisions of this section shall not apply when the office or employment is among those which are described in K.S.A. 75-2945 and amendments thereto.

(d) After consultation with appointing authorities and other supervising officials, the director shall establish, and from time to time amend, a system of performance ratings which shall provide for general categories of performance levels and such other criteria as the director may prescribe for each class of positions in the classified service or for groups of classes. In accordance with K.S.A. 75-3706 and amendments thereto, the secretary of administration shall adopt rules and regulations in respect to such performance ratings, and such performance ratings shall be considered in determining the advisability of transfers, the promotion of an employee to a higher class, questions of reduction or dismissal of any employee, increases and decreases in salary of an employee within the salary range *placement in the pay grade or eligibility for other types of compensation* established under this act, and in all other decisions relating to the status of employees. In accordance with K.S.A. 75-3706 and amendments thereto, the secretary of administration shall adopt rules and regulations prescribing the extent to which such ratings and the reports upon which they are based shall be open to public inspection by the public and by the affected employees. *Further, the secretary of administration shall adopt rules and regulations prescribing corrective action for supervisors, managers, and human resource personnel who do not comply with provisions of the system of performance ratings.*

**New Sec. 6.** (a) The director of personnel services may develop plans for pilot projects within the state employee workforce for the purpose of determining whether a specified change in human resource management policies or procedures or a new human resources program would result in improved statewide human resource management. The plan shall describe the primary elements of the proposed pilot project which shall include:

- (1) the purpose and duration of the project;
- (2) the potential impact of the project;
- (3) the criteria and methodology by which the effectiveness of the pilot project will be evaluated;
- (4) the anticipated fiscal impact of the project;
- (5) a description of the state agency or agencies and the group or groups of state

employees to be included in the project; and

(6) a specific delineation of any provisions of personnel rules and regulations or laws relating to state agencies and state employees that are to be suspended with respect to participants in the pilot project.

(b) The director of personnel services shall submit the plan for a pilot project to the secretary of administration for review. The secretary may approve the pilot project, modify and approve the project, or reject the project. Each plan that is approved or modified and approved by the secretary shall be submitted to the governor.

(c) The governor may authorize implementation of the pilot project plan by issuing an executive directive. The executive directive may place additional limitations or conditions on implementation of the pilot project as the governor deems advisable. The executive directive shall stipulate any provisions of personnel rules and regulations or laws relating to state agencies and state employees that are suspended for participants in the pilot project. Such a suspension of provisions of rules and regulations or laws shall be effective only for pilot project participants and only for the duration of the project.

(d) (1) No pilot project shall suspend the provisions of any of the following laws:

(A) K.S.A. 75-2925, subsection (g) of K.S.A. 75-2926, K.S.A. 75-2941, or subsection (a) of K.S.A. 75-2949, and amendments thereto, or any other statute or rule and regulation that prohibits discrimination in personnel administration actions; or (B) K.S.A. 75-2949, and amendments thereto, or any other statute or rule and regulation relating to the appeal of a suspension, demotion, or dismissal to the civil service board.

(2) Nothing in this section shall affect any rights of employees included within pilot projects, except those rights explicitly identified in the pilot project.

(e) A copy of each executive directive authorizing implementation of a pilot project shall be submitted to the president of the Kansas senate and the speaker of the Kansas house of representatives.

**Sec. 7.** K.S.A. 75-2938, 75-2938a, 75-2943, and 75-6801 are hereby repealed.

**Sec. 8.** This act shall take effect and be in force from and after its publication in the statute book.