

MINUTES OF THE KANSAS 2000 SELECT COMMITTEE.

The meeting was called to order by Chairperson Kenny Wilk at 1:30 p.m. on March 18, 1999 in Room 526-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Paul West, Legislative Research Department
Gordon Self, Revisor of Statutes
Jim Wilson, Revisor of Statutes
Janet Mosser, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Chairperson Wilk opened the meeting to discussion of **HB 2522** on a performance-based compensation plan for state agencies. A revised bill explainer was distributed (**Attachment 1**) as well as a corrected balloon amendment. Representative Horst provided the Committee a handout showing, in a visual format, the possible components of the pay system as well as a comparison of the components (**Attachment 2**).

Minutes for March 9, 11, and 15 were distributed. Representative Jenkins moved to approve the minutes. The motion was seconded by Representative Lane. The motion carried.

Chairperson Wilk adjourned the meeting at 3:20 p.m.

The next meeting is scheduled for March 22, 1999.

KANSAS 2000 SELECT COMMITTEE GUEST LIST

DATE: 3-18-99

NAME	TITLE	REPRESENTING
PAUL WILSON		KAPE
M. Pomato		BSU
Hebra Frideaux		FHSU
Cabin Henshall		OJA
Don Rye		S.E.A.R
Jon Josseland		KU
SUE PETERSON		K-STATE
Rep. Mary Compton		
JENIFER GOMEZ	HR Asst.	SECRETARY OF STATE
Anne Brunst		KDOT
K. Melick		KDDR
Denny Burgess		KAPE
Bill Henry		Ks Gov Consulting
Karen Watson		DOA
B. Merani		DofA
Lousa Chabwa		DOB
ERIC SEXTON		WSU

March 16, 1999

REVISED NEW STATE EMPLOYEE PAY PLAN FOR THE NEW MILLENNIUM

A Proposal to the Kansas 2000 Select Committee

Overview

Proposed Improvements Through a Performance Based Pay System:

- The proposed change to a performance based pay system would:
 - value employees as a resource to provide efficient, effective, and creative public services to the people of Kansas;
 - create a compensation system that would facilitate equity across all state agencies and job classifications;
 - create two-way communications between supervisors and employees; and
 - utilize performance standards that would be used to set employee objectives, communicate objectives, review employee achievements, and support the employee in delivering outstanding service to the people of Kansas.

I. Employee Pay Based on Performance:

- A. Effective July 1, 2000 (FY 2001) the following agencies shall be shifted to a performance based pay system (see Table A which is attached to this document):
 1. selected fee fund agencies (including the 20 biennial budget fee boards);
 2. Regents' institutions, including the Board of Regents; and
 3. the Judicial Branch.

The current longevity based pay plan will be maintained for those positions that are not conducive to a performance based pay system.

Kansas 2000 Select Committee

Meeting Date 3-18-99

Attachment 1

- B. Effective July 1, 2001 (FY 2002) **all other agencies** will implement a performance based pay system. See Table A which is attached to this document.
- C. Performance based pay will be based on the employee's value to the employing agency, including the employee's contribution toward the agency's mission and service to the citizens of Kansas, and on similar jobs in the marketplace, including a compensation level that is necessary to attract and retain highly qualified employees.
- D. A minimum of four new performance based pay matrices will be established, in addition to a one longevity based one.
- E. The performance based pay matrices would not include pay steps. Employee salaries would be placed on a broad-band pay range by the agency head that takes into account the contributions to the agency and hence the citizens of Kansas, experience, special training or education, and job complexity. The number of pay ranges on a pay matrix would be substantially less than the current 24 pay grades. There are currently 15 pay steps on each pay grade. The longevity based pay plan would retain pay steps and pay grades.
- F. Agency heads for performance based pay agencies may institute a maximum 15 percent regional compensation differential, if necessary, in order to recruit and retain qualified employees.
- G. The existing classified employee pay matrix will be modified and limited in application.
- H. Employees that are converted to a performance based pay cannot receive a reduction in their pay (which would include longevity bonus payments) because of the conversion.
- I. The Judicial Branch shall implement a similar performance based pay plan for nonjudicial employees. District Court judges shall fix the salary of nonjudicial personnel within their district.
- J. **Financing the Performance Based Pay System:**
 - 1. Longevity bonus payments will be abolished and agencies will be permitted to utilize longevity bonus payment resources to help implement a performance based pay system.
 - 2. Financing for the performance based pay will come from the State General Fund or other resources of the agencies.
 - 3. State agencies under the performance based pay shall request and the Governor shall submit to the Legislature the greater of either the annual rate of the increase in the cost-of-living as determined by the federal government or a 2.5 percent increase in state employees salaries. Plus an additional 1.0 percent for base salary increases for employees in work groups for work group excellence and base salary increases for individuals for exceptional performance. Agencies utilizing longevity based pay shall request and the Governor shall submit to the Legislature the necessary amount of funds to maintain the longevity based pay plan.

4. The Director of Personnel Services shall forward an annual compensation budget to the Governor, the Secretary of Administration, the Kansas Director of the Budget and the State Employee Compensation System Oversight Committee.

II. Employee and Supervisor Evaluations:

- A. Employees shall be evaluated on the basis of five different levels with exceptional being the highest, and unsatisfactory being the lowest. Those employees rated unsatisfactory shall be counseled on how their performance may be improved to a satisfactory level. Two unsatisfactory evaluations within six months would be sufficient reason for termination. The two evaluations shall not be less than 60 days apart or more than 180 days apart.
- B. Agencies will be required to include peer group evaluations with the traditional supervisor evaluation system of employee goal setting and performance reviews, where authorized and appropriate when determining performance based pay increases.
- C. Agencies shall monitor employee evaluations to ensure that cross-manager differences are minimized and that employees are not unduly denied or granted high or low ratings.
- D. A randomly selected group of employees from each agency shall be selected to evaluate the agency head's performance as an administrator. The results of that evaluation would remain confidential and (for executive branch agencies) provided to the Governor. The Department of Administration would randomly select the employees from each agency and conduct the survey, except the Governor's staff would select the employees and conduct the survey for the Department of Administration. Elected officials and judges subject to retention would be exempt from this provision.

III. Training for Performance Based Pay:

- A. Agency heads will implement educational programs for supervisors, managers, and all other agency employees on the development and implementation of meaningful performance based compensation systems prior to July 1, 2000 for the Group I agencies and prior to July 1, 2001 for Group II agencies (see Table A).
- B. In cooperation with agency heads and Business College faculty of Regents institutions and Washburn University, the Department of Administration would develop and institute regularly scheduled training for all state employees. The training would include goal setting, evaluation performance, and other issues on performance based pay as determined appropriate by the Department of Administration.
- C. The position of Director of Training will be created in the Department of Administration. The 1999 Legislature will provide funding for the office commencing in FY 2000 and FY 2001.

- D. Employees that reach the maximum pay deemed appropriate for their positions will be provided counsel and assistance to retrain for a position with higher compensation. It will be the agency's responsibility to ensure that all employees continue to learn and earn during their tenure with the state. Employees may acknowledge yearly, in writing, that they do not wish additional responsibilities and voluntarily elect to remain in a maximum pay position.
- E. Additional training for supervisor and managers shall be provided concerning the longevity based pay plan.
- F. Supervisors, managers, and employees will be required to take training on performance based pay. Supervisors and managers will be required to successfully complete the training.
- G. Agencies shall pay tuition and other educational expenses for the education or training of any state employee, when it is requested by the employee and approved by the agency head, as a value to the state and the state agency.

IV. Legislature's Role in Performance Based Pay:

- A. The Legislature will approve or disapprove increases in the number of employees within each agency, but will not approve or disapprove the compensation levels of employees. A full-time equivalent (FTE) position limitation will be placed on all agencies.
- B. The Legislature will appropriate funds for the number of approved positions, but the Legislature will not approve or disapprove the compensation levels of individual employees or employee groups. Compensation levels will be deemed administrative decisions based on the agency head being accountable to the Governor, Legislature, and the people of Kansas for the performance of the agency's duties to the state.
- C. The Legislature, in consultation with the Governor or the appropriate elected officials, will continue to determine compensation rates for executive branch agency heads. The Legislature, in consultation with the Chief Justice, will determine by statute the compensation rate for justices and other judges of the judicial branch.
- D. Creation of a legislative oversight committee to review and monitor the Department of Administration's implementation of the new performance based pay system. The State Employee Compensation System Oversight Committee would consist of 11 members, three from the House (two from the majority party and one from the minority party) and three from the Senate (two from the majority party and one from the minority party) the Secretary of the Department of Administration, the Kansas Director of the Budget, and three members appointed by the Governor, one representing public employees, one representing private employers, and one representing the public-at-large. The Committee could meet on the call of the chairperson and travel within the state at the Committee's discretion. The Committee would be abolished or sunset on January 1, 2003.

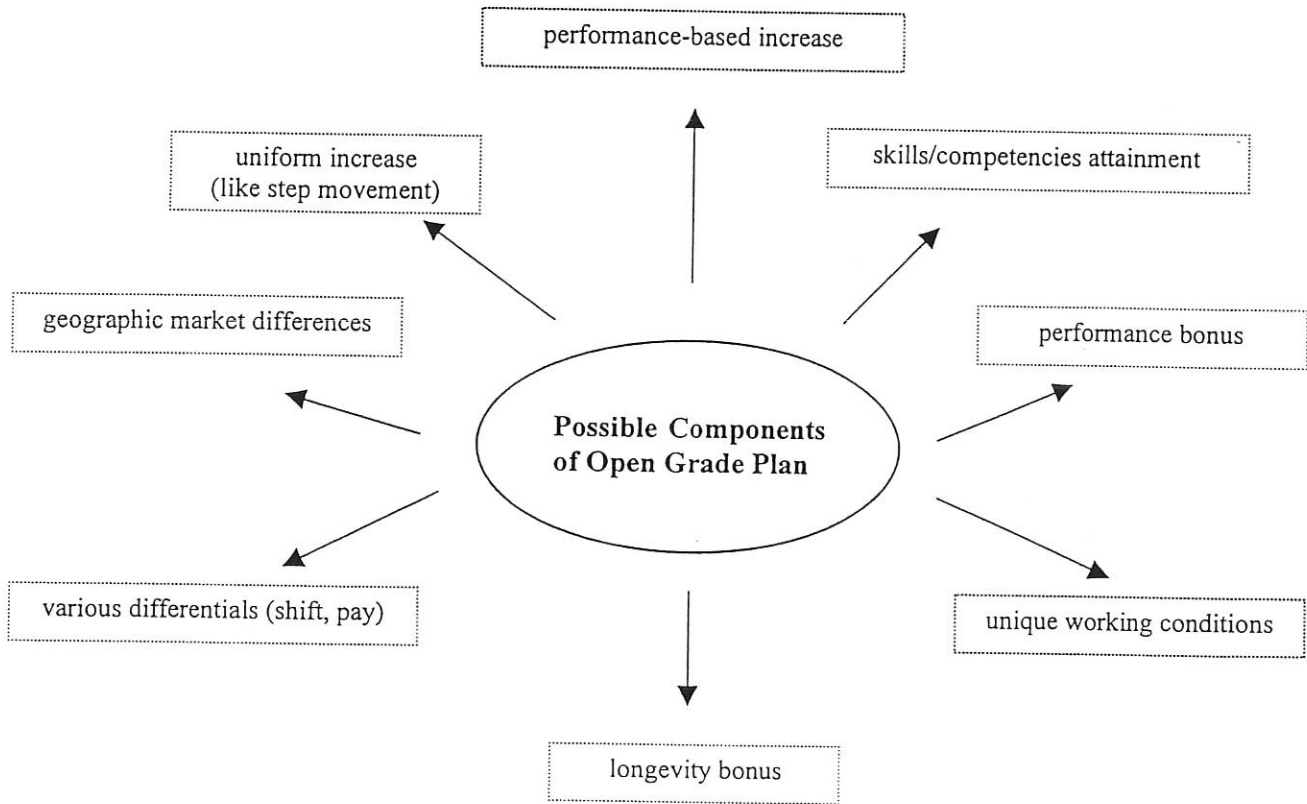
V. **Other Personnel Related Issues:**

- A. The **Retirement Reduction Act**, where one out of every four positions that become vacant through a retirement for selected positions and agencies, is repealed.
- B. The Department of Administration will retain rule-making authority on general personnel issues (*i.e.*, vacation, sick leave, other benefit-related policies, and Civil Service issues)
- C. The Department of Administration will provide to each employee an annual statement of the total value of their compensation package.
- D. **Cafeteria Style Benefits Cash-Out Option**—The Department of Administration is required to offer employees a "cafeteria style" benefit package from which the employees may select the benefits that the employees deem best. The optional benefit package must be in place by July 1, 2001. Employees would be able to receive up to one-half of their unspent benefit dollars as additional salary. An employee would be able to donate their unspent benefit dollars to a fund in which employees in need could access for assistance (*i.e.*, additional sick leave days to care for spouse as under the current Shared-Leave Program, etc.).

TABLE A

<p>Group I Agencies Effective Date: July 1, 2000</p>	<p>Group II Agencies Effective Date: July 1, 2001</p>		
<p>Fee Boards: Abstracters' Board of Examiners Board of Accountancy State Bank Commissioner Kansas Board of Barbering Behavioral Sciences Regulatory Board State Board of Healing Arts Kansas State Board of Cosmetology State Department of Credit Unions Kansas Dental Board State Board of Mortuary Arts Kansas Board of Examiners in Fitting and Dispensing of Hearing Aids Consumer Credit Commissioner Board of Nursing Board of Examiners in Optometry State Board of Pharmacy Real Estate Appraisal Board Kansas Real Estate Commission Office of the Securities Commissioner of Kansas State Board of Technical Professions State Board of Veterinary Examiners</p>	<p>Other Agencies: State Corporation Commissioner Citizens' Utility Ratepayer Board Judicial Branch Judicial Council Board of Regents Fort Hays State University Kansas State University KSU Veterinary Medical Center KSU Extension Systems and Agri- cultural Research Programs Emporia State University Pittsburg State University University of Kansas University of Kansas Medical Center Wichita State University State Fire Marshal Kansas Public Employees Retirement System Kansas Lottery Kansas Racing and Gaming Commission Kansas Technology Enterprise Corporation Health Care Stabilization Fund Board of Governors Kansas Wheat Commission</p>	<p>Department of Transportation State Department of Education Arts Commission School for the Blind School for the Deaf Historical Society State Library Department of Agriculture State Conservation Commission Kansas State Fair Kansas Water Office Animal Health Department Department of Wildlife and Parks Department on Aging Kansas Guardianship Program Department of Health and Environment Homestead Property Tax Refunds Larned State Hospital Osawatomie State Hospital Rainbow Mental Health Facility Kansas Neurological Institute Parsons State Hospital and Training Center Kansas Commission on Veterans' Affairs Department of Human Resources Department of Social and Rehabilita- tion Services Department of Corrections Ellsworth Correctional Facility El Dorado Correctional Facility Hutchinson Correctional Facility Lansing Correctional Facility Larned Correctional Facility Norton Correctional Facility Topeka Correctional Facility</p>	<p>Winfield Correctional Facility Adjutant General Kansas Bureau of Investigation Ombudsman of Corrections Kansas Parole Board Kansas Sentencing Commission Emergency Medical Services Board Highway Patrol Atchison Juvenile Correctional Facility Beloit Juvenile Correctional Facility Larned Juvenile Correctional Facility Topeka Juvenile Correctional Facility Juvenile Justice Authority Board of Indigents' Defense Services Department of Commerce and Housing Kansas, Inc. Department of Revenue Board of Tax Appeals Governmental Ethics Commission Department of Administration State Treasurer Secretary of State Attorney General Legislature Legislative Coordinating Council Kansas Legislative Research Department Revisor of Statutes Legislative Division of Post Audit Governor's Department Office of Lieutenant Governor Insurance Department Commission on Human Rights Kansas Development Finance Authority</p>

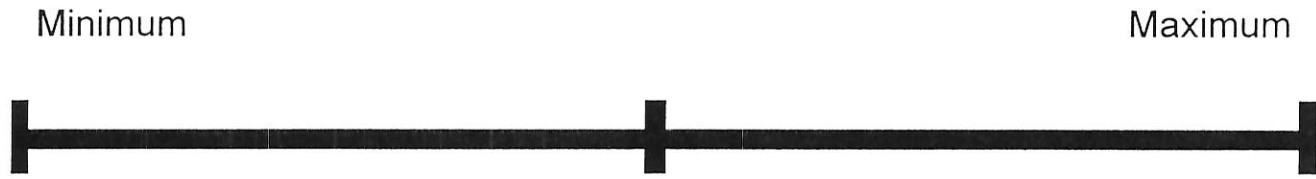
Possible Components of Pay System



- Components may be an increase to base pay, a non-base building increase, or a combination of base building and a premium.
- Incentive and pay premiums may or may not be additions to base pay.
- System maintenance: current with cost of living and market rate/surveys

2-2

2.5% Increase Under an Open Grade Plan



Grade 13

Pay Rate	\$7.98	\$10.96
Step Increase	\$0.20	\$0.28

Grade 21

Pay Rate	\$11.79	\$16.19
Step Increase	\$0.29	\$0.41

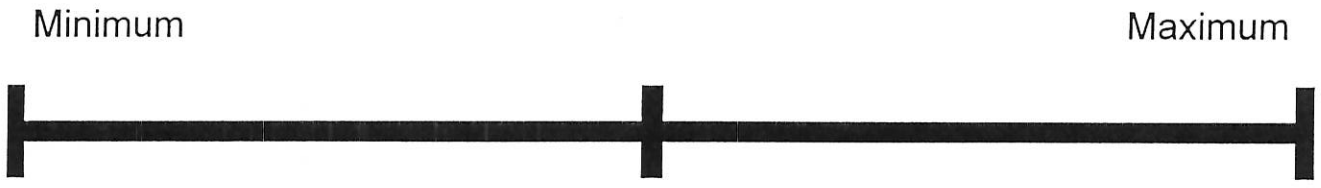
Grade 32

Pay Rate	\$20.17	\$28.36
Step Increase	\$0.50	\$0.69

Hourly Depiction

Hourly Depiction

2.5% Increase Under an Open Grade Plan



Grade 13

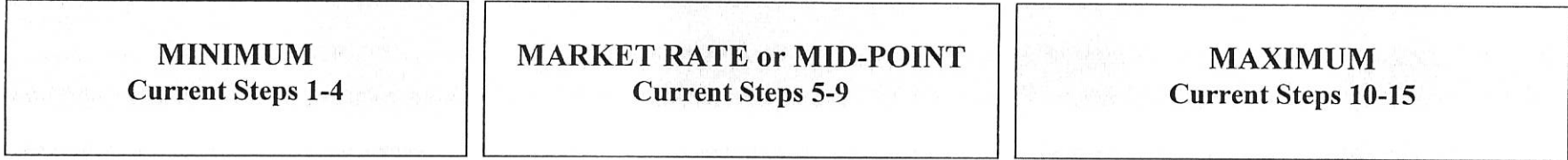
Pay Rate	\$16,598.40	\$22,796.80
Step Increase	\$416.00	\$582.40

Grade 21

Pay Rate	\$24,523.20	\$33,675.20
Step Increase	\$603.20	\$852.80

Grade 32

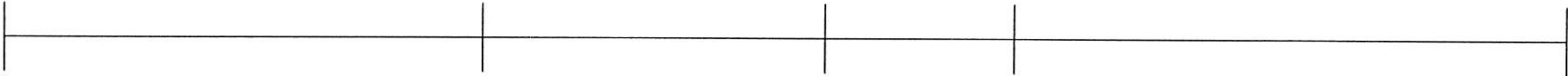
Pay Rate	\$41,953.60	\$58,988.80
Step Increase	\$1,040.00	\$1,435.20



Pay Grade 13
Step 1
\$7.98

Pay Grade 13
Mid-Point
\$9.61

Pay grade 13
Step 15
\$11.23



Maximum Step consists of Market Rate or Mid-Point plus any one or combination of the following:

- Uniform increase
- Performance bonus (flat rate or percent)
- Performance based increase (flat rate or percent)
- Longevity
- Geographic differential
- Skills/competencies attainment
- Variation differentials (shift or pay)
- Team bonus
- Project bonus
- Unique working conditions

Comparison of Components
(Effect of Increases on Individual Hourly Rates)

Consistent Factors in Examples

- Midpoint hourly rate is constant
- Reflects hourly rates of hypothetical employees in the following job classes: Service Assistant (Pay Grade 7), Technician (Pay Grade 13), Assistant Manager (Pay Grade 21), and Manager (Pay Grade 32)

Uniform Increase (2.5% increase)	
Service Assistant	$\$6.90 + 2.5\% = \7.07
Technician	$\$9.24 + 2.5\% = \9.47
Asst. Manager	$\$13.66 + 2.5\% = \14.00
Manager	$\$23.35 + 2.5\% = \23.95

Midpoint + longevity bonus (\$400 bonus = \$.19/hr)	
Service Assistant	$\$6.90 + .19 = \7.09
Technician	$\$9.24 + .19 = \9.43
Asst Manager	$\$13.66 + .19 = \13.85
Manager	$\$23.35 + .19 = \23.54

Midpoint + Geographic Differential (5% differential)	
Service Assistant	$\$6.90 + 5\% = \7.25
Technician	$\$9.24 + 5\% = \9.70
Asst Manager	$\$13.66 + 5\% = \14.34
Manager	$\$23.35 + 5\% = \24.51

Midpoint + Geographic Differential + Performance Bonus (5% differential; \$500 bonus = \$.24/hr)	
Service Assistant	$\$6.90 + 5\% + .24 = \7.49
Technician	$\$9.24 + 5\% + .24 = \9.94
Asst Manager	$\$13.66 + 5\% + .24 = \14.59
Manager	$\$23.35 + 5\% + .24 = \24.75

Midpoint + Uniform Increase + Performance-based Increase (2.5% uniform increase; 4% performance-based increase)	
Service Assistant	$\$6.90 + 2.5\% + 4\% = \7.35
Technician	$\$9.24 + 2.5\% + 4\% = \9.84
Asst Manager	$\$13.66 + 2.5\% + 4\% = \14.56
Manager	$\$23.35 + 2.5\% + 4\% = \24.89

The _____ Agency has six employees:

- 1 – Manager (Base midpoint annual salary is \$48,360)
- 1 – Asst Manager (Base midpoint annual salary is \$28,413)
- 1 – Service Assistant (new employee beginning below midpoint with an annual salary of \$12,397)
- 3 – Technicians

Technician A is at below midpoint on the pay grade and has an annual salary of \$18,325.

Technician B is above midpoint on the pay grade and has an annual salary of \$20,176.

Technician C is at midpoint on the pay grade and has an annual salary of \$19,219.

The components used in their open grade plan are:

- Uniform increase (varies depending on employees place in grade)
- 5% geographic differential for employee in Wichita branch office
- Longevity bonus after 10 years of service (\$400)
- Performance-based increase to base pay based on performance rating and position on open range:

Performance Rating	Midpoint		
	Below	At	Above
Outstanding	5%	3%	2%
Above Average	3%	2%	1.5%
Satisfactory	2%	1.5%	1%
Unsatisfactory	0%	0%	0%

5% Geographic Differential

Technician A works in Wichita branch office and receives a 5% geographic differential.

\$915.20 increase in annual base salary
(\$.44/hr)

Longevity Bonus

Asst. Manager, Technician A, and Technician B have more than 10 years of service and receive a \$400 bonus

Performance-Based Increase

(% increase depends on placement within grade)

Technician A and *Technician B* received performance reviews. *Technician A* is below midpoint on the pay grade and received a satisfactory rating (2% increase). *Technician B* is above midpoint on the pay grade and received an above average rating (1.5%).

Technician A - \$374.40 increase in annual base salary (\$.18/hr)

Technician B - \$312.00 increase in annual base salary (\$.15)

	Manager	Asst Manager	Technician A	Technician B	Technician C	Service Asst.
Annual Base Salary	\$48,360	\$28,413	\$18,325	\$20,176	\$19,219	\$12,397
Geographic Differential			\$916			
Longevity Bonus		\$400	\$400	\$400		
Performance-based Increase			\$374	\$312		
Total Salary	\$48,360	\$28,813	\$20,015	\$20,888	\$19,219	