

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 23, 1999 in Room 526-S of the Capitol.

All members were present except: Representative Gwen Welshimer - excused

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

Conferees appearing before the committee:

Others attending: See attached list

Chairperson Wilk directed the Committee's attention to **SB 324 - University of Kansas hospital authority; certain employee benefit plans; retirement annuities.**

Representative Lane moved to amend the bill by adding the provisions of SB 56 and to pass favorably as amended. The motion was seconded by Representative Horst. The motion carried.

Chairperson Wilk directed the Committee's attention to **HB 2522 - performance-based compensation plan for state agencies.** A further revised bill explainer was distributed (**Attachment 1**) as well as another substitute bill. Jim Wilson, Revisor of Statutes, reviewed the substitute bill.

Questions and discussion followed.

Representative Horst moved to adopt the substitute bill for HB 2522. The motion was seconded by Representative Carmody. The motion carried with ten in favor and six opposing.

Jim Wilson, Revisor of Statutes, expressed his concern that, even though it was noted that the substitute bill had not been finally proofed, he has found a couple of instances of inconsistencies and omissions. Since these were not intentional, he will make the technical corrections conforming to the policies expressed here. A motion can also be made to have the technical corrections made by the Revisor. Representative Horst moved that the Revisor make the technical corrections. The motion was seconded by Representative Sloan. The motion carried.

Discussion of the substitute bill followed.

Representative Gatewood moved to strike the 3<sup>rd</sup> and 7<sup>th</sup> Judicial Districts as a pilot. The motion failed due to lack of a second.

Discussion continued.

Representative Kirk made a conceptual motion to conduct a market study prior to establishing new matrixes and, if there are comparable positions spread throughout the state system, adjustments be made throughout the state system. The motion failed due to lack of a second.

Representative Carmody moved to pass favorably substitute HB 2522. The motion was seconded by Representative Gregory. The motion carried with eight in favor and seven opposing. Representatives Alldritt, Barnes, Gatewood, Jenkins, O'Brien, and Sharp were recorded as voting "no" on the motion.

Chairperson Wilk noted that he expects another bill to be sent to the Committee. It deals with a public safety task force and the Committee will likely have a hearing on the bill. He urged members to pay attention to the announcements for details on the next Committee meeting.

Chairperson Wilk, on behalf of Representative Horst and Representative Sharp and the entire Committee, expressed appreciation to Jim Wilson, Revisor of Statutes, and Alan Conroy, Legislative Research Department, for their outstanding work for the Committee. He also expressed appreciation to Janet Mosser, Committee Secretary, for her support to the Committee.

Chairperson Wilk adjourned the meeting at 3:00 p.m.

## KANSAS 2000 SELECT COMMITTEE GUEST LIST

DATE: 3-23-99

NAME	TITLE	REPRESENTING
PAUL WILSON		KAPE
Keith Haxton		SEAK
Albena Grigoreaux		FHSU
Don Kiper		SEAK
William Tate		Legist st Rep. Osborne
Nancy Bryant		SOS
Bill Speed		UKHA
Bill Henry		KS Gov. Consulting
Jerry Sloan		OJA
Ron Seiber		Dept of Admin
Dick Iwert		KOMP
Karen Watney		DoA
B. Manani		DoA
Louis Chabria		DOB

March 23, 1999

## FURTHER 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 will become pilot agencies for a performance based pay system:
  - 1. Department of Administration (FY 1999 approved - 865.4 FTE positions);
  - 2. the Third (Douglas) and Seventh (Shawnee) Judicial Districts; and
  - 3. Any other administrative judge could apply to the Supreme Court to have their judicial districts become pilot agencies.

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

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Attachment 1

- B. **No other agencies** will implement a performance based pay system prior to FY 2003. Any agency that wishes to implement a performance based pay system will be required to make a presentation before the State Employee Compensation System Oversight Committee.
- 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 maintained 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. Administrative District Court judges of judicial districts that are utilizing performance based pay shall fix the salary of nonjudicial positions within their district. Any Administrative District Court judge may obtain a review by the Supreme Court of a personnel or compensation related decision made by the Judicial Administrator or other personnel of the Office of Judicial Administration.
- J. **Financing the Performance Based Pay System:**
1. For performance based job classes the 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 submit to the Director of Personnel Services for inclusion in the annual compensation report for the Governor and 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 Director of Personnel Services shall submit to the Governor and 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, the State Employee Compensation System Oversight Committee, and the Kansas Legislative Research Department.
5. A new assessment is established against the state agency payrolls to finance training activities of the Division of Personnel Services. The assessment could not exceed 0.1 percent of payroll.

## **II. Employee and Supervisor Evaluations:**

- A. Employees shall be evaluated on the basis of a minimum of four different levels with exceptional being the highest, and unsatisfactory being the lowest.
- B. Performance based pay 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. Performance based pay 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. Performance based pay 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.
- 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. Performance based pay agency 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.

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 for those agencies that utilize a performance based pay system.
- 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 25 percent 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.).