

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Steve Morris at 10:30 a.m. on January 22, 2001, in Room 123-S of the Capitol.

All members were present except: Senator Jim Barone - excused
Senator Nick Jordan - excused

Committee staff present:

Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Debra Hollon, Kansas Legislative Research Department
Amory Lovin, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Michael Corrigan, Assistant Revisor, Revisor of Statutes Office
Julie Weber, Administrative Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Duane Goossen, Director, Division of the Budget
Bobbi Mariani, Director, Division of Personnel Services

Others attending: See attached guest list

Bill Introduction

Senator Jackson moved, with a second by Senator Schodorf, to introduce a separate pay plan bill that would reflect the Governor's employee pay plan adjustments for FY 2002. Motion carried with a voice vote.

Chairman Morris explained that when subcommittees meet the pay plan issues would be amended out and be considered later on in the session. The Chairman assigned the following bills to subcommittees:

- SB 13** - Assigned to Department of Revenue Subcommittee
- SB 17** - Assigned to KPERS Issues Subcommittee
- SB 46** - Assigned to KPERS Issues Subcommittee

Chairman Morris welcomed Duane Goossen, Director, Division of the Budget who briefed the committee regarding pay issues. Director Goossen mentioned that following the release of the Governor's Budget Recommendations, there have been understandably a number of questions that have arisen over the pay plan the Governor proposed. The pay plan is a bit different than it has been in the past. Director Goossen distributed copies of a letter addressed to the Members of the Kansas Legislature from his office, Division of the Budget, dated January 22, 2001, regarding the Governor's Proposed Employee Pay Plan (Attachment 1). Director Goossen noted that the letter lists Bobbi Mariani, Director of the Division of Personnel Services, and his name as potential contacts to answer questions. He noted that the clear intent is to boost starting salaries soon and then to spread the available resources as generously as possible to all classified employees. There were no questions for Director Goossen at this time. Chairman Morris thanked Director Goossen for his presentation before the Committee.

Chairman Morris welcomed Bobbi Mariani, Director, Division of Personnel Services, who provided the Committee with State of Kansas FY 2000 Workforce Report (Attachment 2). Ms Mariani explained the following information in her handout:

- Current pay plan issues: recruitment and retention of new hires
- Pay plan changes: FY 2001 Adjustments and FY 2002 Proposals

CONTINUATION SHEET

In conclusion, Ms. Mariani noted that this is a first step to align the pay plan with the market and the employment environment within fiscal constraints and it is essential for the State to attain a competitive market position in attracting and retaining employees within the tight labor market. Committee questions and discussion followed.

Additional information was distributed by staff, Governor's Recommended Pay Plan Adjustments FY 2002, dated January 9, 2001 (Attachment 3).

The meeting was adjourned at 11:20 a.m. The next meeting is scheduled for January 23, 2001.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE January 22, 2001

NAME	REPRESENTATIVE
Duane Goossen	DOB
B. Mariami	DofA, PPS
Allen Humphrey	KCC
Linda Kinsley	SRS
Naraha Strahan	CWA
Keith Haxton	SEAK
Amy Turner	Sen. Feliciano
Shannon Jones	SUCK
Bill Denny	KS Gov. Consulting
Mike Kuffles	KS Gov. Consulting
Pat Lehman	KS Fire Service Alliance




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Bill Graves
Governor

Duane A. Goossen
Director

MEMORANDUM

TO: Members of the Kansas Legislature

FROM: Duane A. Goossen, Director of the Budget 

DATE: January 22, 2001

SUBJECT: Governor's Proposed Employee Pay Plan

The Governor's Budget Recommendations outline an employee pay plan that immediately improves starting salaries by 7.5 percent and then spreads the available salary resources as broadly as possible to all state employees. The basic components of the plan are listed below. If you have questions about any of this information, please feel free to contact Duane Goossen, Director of the Division of the Budget, or Bobbi Mariani, Director of the Division of Personnel Services. A Legislative Research Memo dated January 9, 2001, also outlines the basic parts of the proposed plan.

FY 2001 Adjustments

Effective with the pay period that begins February 4, 2001, the first three steps of the current pay matrix will be eliminated. All employees currently on the first three steps will be moved to Step 4 and Step 4 will become the new entry level step. In addition, at that same time, Step 4 and Step 5 will become 6 month steps.

This action immediately increases the entry hiring rate by 7.5 percent and helps agencies attract and retain new hires. Agencies are asked to accomplish this within existing budgets. Statewide, the cost to agency budgets in FY 2001 is calculated to be \$2.4 million from all funds, approximately half of which would be from the State General Fund.

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Attachment 1

FY 2002 Proposals

The Governor proposes a base salary increase for all classified employees of 3.0 percent in two phases—1.5 percent at the beginning of the fiscal year and 1.5 percent at the midway point. Unclassified merit increases will be handled the same way.

In addition to the base salary increase, Kansas Highway Patrol Troopers will receive another 5.0 percent increase and Correctional and JJA officers will receive another 2.5 percent.

This base salary increase benefits every classified employee, even those who are currently on the top step of the pay matrix, and provides a more generous increase than traditional step movement. By adjusting all pay ranges up 3.0 percent, the state pay matrix also becomes more competitive with the market. The cost of the FY 2002 base increase is \$18.9 million all funds, with \$10.0 million from the State General Fund. The cost of the unclassified merit increase is \$18.4 million all funds, with \$13.5 million from the State General Fund.

GOVERNOR'S PAY PLAN

Current pay plan issues: recruitment and retention of new hires

- The general increases to our pay plan over the past several years has resulted in a negative market position of our current pay matrix.
- We have an increasing number of concerns from agencies about problems with low entry level pay rates and the impact on applicant pools.
- Turnover data indicates that 44% of employees who left state service (excluding retirements) had 1-2 years of service and 63% of employees left within the first 5 years of service.
- State of Kansas ranks 15th among the 25 Central States in pay and 17th in total compensation.

Pay Plan Changes

General increases to the pay plan have not kept pace with the labor market. The overall goal of the following proposals is to increase the compensation structure for state employees to compete in today's market.

FY 2001 Adjustments

Goal: To attract and retain new hires and increase the hiring rate.

- Adjust the hiring rate by 7.5% by eliminating steps 1, 2, & 3 of the current pay matrix effective February 4, 2001.
- Step 4 becomes the new entry level step for all pay grades.
- Steps 4 & 5 become 6 month "entry level" steps effective February 4, 2001.
- Renumbering the pay matrix will not occur with these changes.
- All other step movement will occur as planned for FY 2001.

FY 2002 Proposals

Goal: To make the pay matrix more in line with the current labor market.

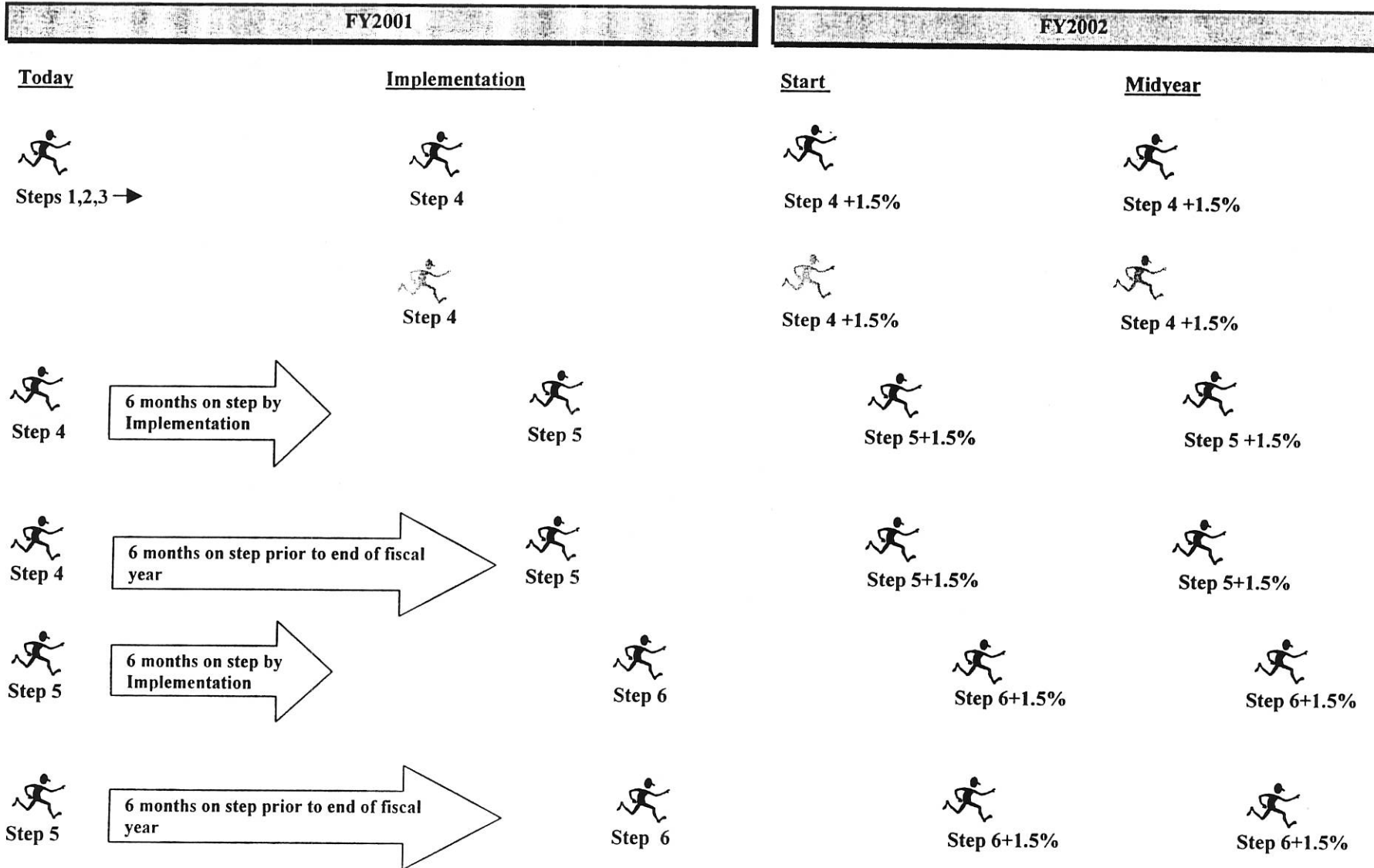
- Adjust the entire pay matrix upward by 3% in two phases. This will also increase the hiring rate, maximum rate and midpoint by 3% for market salary comparisons.
 - All employees (including those on step 15) will receive a 3% general increase in lieu of a 2.5% step movement.
 - General increase of 1.5% at the beginning of FY 2002 (June 10, 2001).
 - Additional general increase of 1.5% in the middle of FY 2002 (December 9, 2001).
 - Unclassified merit increases will be handled the same.

- Adjust the maximum rate by 2.5% by adding an additional step.
 - The new rate will be used for salary comparisons.
 - No employee will be moved to the new maximum rate in FY 2002.
- Employees in the Trooper classification will receive an additional 5% increase.
- Employees in Corrections Officer classification will receive an additional 2.5% increase and signing bonuses of \$500 in critical staffing areas.
- Employees in Juvenile Corrections Officer and Safety and Security Officers classifications at juvenile correctional facilities will receive an additional 2.5% increase.
- Longevity pay will continue as it is currently.
- Step movement will not occur in FY 2002.

Conclusion

- This is a first step to align our pay plan with the market and the employment environment within fiscal constraints.
- Essential for the State to attain a competitive market position in attracting and retaining employees within the tight labor market.

Governor's Plan Illustration for FY2001 & FY2002



6 months on step by Implementation

6 months on step prior to end of fiscal year

6 months on step by Implementation

6 months on step prior to end of fiscal year

WORKFORCE DATA

Workforce Percentages of Employees* on Selected Steps
Data from SHARP as of January 11, 2001

Step	Employees	Percent of Workforce
1	1766	7%
2	1076	4%
3	2508	10%
Subtotal	5350	22%
4	1814	7%
5	1643	7%
Subtotal	3457	14%
Total	8807	36%
15	3301	14%
Total	3301	14%

Workforce Percentages of Employees* Eligible for Longevity in FY 2002
Data from SHARP as of January 21, 2001

Step	Employees	Percent of Workforce
1	148	0.61%
2	99	0.41%
3	307	1.26%
4	371	1.52%
5	467	1.92%
Subtotal	1392	5.72%
6	483	1.98%
7	549	2.25%
8	1216	4.99%
9	1316	5.41%
10	1097	4.51%
11	1087	4.46%
12	1130	4.64%
13	1290	5.30%
14	1343	5.52%
15	3227	13.25%
Subtotal	12738	52.32%
Total	14130	58.04%

Average Longevity Paid in CY 2000: \$710.25

FY 2002 Projections - When Step Would Have Occurred

Number and Percentage of employees prior to December 9, 2001

Number: 10786 **FIRST HALF**
Percentage: 44%

Number and Percentage of employees after December 9, 2001

Number: 10576 **SECOND HALF**
Percentage: 43%

NOTE: Not all employees are eligible for Step Movement

State Workforce Total as of 1/11/2001: 24,347 employees

* Regular, Classified employees only.

Department of Administration
Division of Personnel Services

Governor's Recommended Pay Plan Adjustments FY 2002

The Governor recommends FY 2002 pay plan adjustments totaling \$59.8 million, including \$40.6 million from the State General Fund, as outlined below:

Classified Employees (\$33.0 million, including \$18.7 million from the State General Fund)

Under the Governor's recommended pay plan adjustments for classified employees:

- Classified employees at steps 1, 2, and 3 of each pay grade on the current pay matrix would be moved to step 4 effective with the pay period that begins February 4, 2001. All new hires would start at the current step 4. In addition, a 16th step would be added to the top of the matrix beginning in FY 2002, although no employee would be eligible to move to the next step until FY 2003. ***In FY 2000, of the 24,454 classified state employees, 3,298 (13.5 percent) were at step 15 of their respective pay grades, and nine were above range.***
- No classified step movement is recommended for FY 2002.
- In lieu of classified step movement, for FY 2002, the Governor recommends an annualized 3.0 percent classified base salary adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year. The FY 2002 adjustments represent an increase of 2.25 percent for the budget year. ***The cost of financing the base salary adjustment is \$18.9 million, including \$10.0 million from the State General Fund.***
- Full funding is provided for longevity bonus payments in FY 2002. ***The Governor's budget recommends \$11.3 million, including \$6.1 million from the State General Fund for longevity bonus payments.***
- **Uniformed Corrections Officers.** In addition to the pay plan recommendations for all classified employees, the Governor recommends a 2.5 percent increase to the base salary of uniformed corrections officers at correctional facilities and for juvenile correctional officers and safety and security officers in each juvenile correctional facility. This would provide a annualized 5.5 percent base salary adjustment for uniformed corrections officers (an increase of 4.75 percent for FY 2002). ***The Governor recommends funding of approximately \$1.8 million from the State General Fund for the additional base salary increase.***
- **Highway Patrol Troopers.** In addition to the pay plan recommendations for all classified employees, the Governor's recommendation includes funding to provide all sworn Highway Patrol officers a 5.0 percent base salary increase. This would result in an annualized 8.0 percent base salary adjustment (an increase of 7.25 percent for the budget year). ***The Governor's budget includes slightly less than \$1.0 million, including \$0.8 million from the State General Fund for the additional base salary increase.***

Unclassified Employees (\$26.8 million, including \$21.9 million from the State General Fund)

The Governor's recommendations for unclassified employees include the following:

- For unclassified employees, the Governor recommends an unclassified merit pool equivalent to the recommended classified base salary adjustment. ***To finance the unclassified merit pool, the Governor recommends a total of \$18.4 million, including \$13.5 million from the State General Fund.***
- **Regents Faculty.** Under funding formulas contained in 1999 SB 345, the Higher Education Reform Act, the Governor recommends additional funding equivalent to a 3.2 percent increase for teaching and research faculty at Regents institutions in addition to the unclassified merit pool increase recommended for all unclassified employees. This is the second year of the four-year initiative established in SB 345. As with merit pool funding, each university can distribute the funding to faculty members as it considers appropriate. This would provide an annualized 6.2 percent adjustment for faculty members (an increase of 5.45 percent for FY 2002). ***The Governor's recommendation includes \$8.4 million from the State General Fund to fund the additional faculty salary increase.***

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Attachment 3