Approved: February 10, 2005
Date

# MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on January 20, 2005 in Room 123-S of the Capitol.

All members present.

Committee staff present:
Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Matt Spurgin, Kansas Legislative Research Department
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:
Duane Goossen, Director, Division of the Budget, Kansas Department of Administration
Jack Rickerson, Director, Division of Personnel Services, Kansas Department of Administration

Others attending: See attached list

Examples of Senate subcommittee reports from the 2004 Legislative Session were given to the committee members for information.

Chairman Umbarger welcomed Duane Goossen, Director, Division of the Budget, Kansas Department of Administration, who presented an overview of the twenty-seventh payroll period in FY 2006 (Attachment 1). He mentioned that the Governor's budget includes this expense. The cost will total $65.1 million from all funding sources, of which $32.6 million will be from the State General Fund. Mr. Goossen explained that although the cost a 27th paycheck must be paid out in one budget year, it is the result of an 11-year buildup. Due to that, the Governor's budget proposes to finance the State General Fund portion of the cost over eleven years. The amount of $32.6 million would be transferred from the Pooled Money Investment Board (PMIB) to the State General Fund in FY 2006 and then approximately $3.0 million would be transferred back to the PMIB each year for eleven years. Committee questions and discussion followed regarding options to deal with the 27th paycheck now and in future years. Director Goossen offered that he would come back to the committee to discuss logistics, problems and issues relating to converting to alternative ways to pay for the 27th paycheck and he would research how other states have handled it.

Mr. Goossen provided an overview of the FY 2006 Governor's budget 2.5 percent general salary increase for all state employees. The cost of the increase is $49.8 million from all funding sources, of which is $23.8 million is from the State General Fund (Attachment 2). He detailed additional information regarding the FY 2006 Salary Plan in his written testimony. Committee questions and discussion followed.

The Chairman welcomed Jack Rickerson, Director, Division of Personnel Services, Kansas Department of Administration, who presented an overview of the State Employee In-Grade Pay Increase and the Direct Care Study (Attachment 3). Mr. Rickerson explained that in-grade increases may be permanent or temporary, depending on the reason for the action. In order to receive an in-grade pay increase, an employee's circumstance must meet established criteria and Mr. Rickerson provided some examples. Regarding the Direct Care Recommendations, Mr. Rickerson explained that the Governor included within her FY 2006 budget recommendations for the reclassification and adjustment of wages for direct care employees in five Kansas Department of Social and Rehabilitation facilities and at the veteran's facilities in Winfield and Dodge City. He noted that the Governor recommended this action to correct long-standing pay inequities and is further explained in his written testimony. Committee questions and discussion followed.

The meeting adjourned at 11:40 a.m. The next meeting is scheduled for January 21, 2005.

**SENATE WAYS AND MEANS**
**GUEST LIST**

Date January 20, 2005

| NAME | REPRESENTING |
|---|---|
| Stephanie Buchanan | DOB |
| Julie Thomas | DOB |
| Duane Goossen | DOB |
| Lisa Becker | SRS |
| Janice Magathan | DOA |
| Dale Brunton | " |
| Karen Watney | DOA |
| Jack Dickerson | DOA |
| Jim Conant | KDOR |
| Bob Haynes | HCSF |
| Keith Haxton | SEAK |
| Don M Rezac | SEAK |
| Kim Fowler | Judicial |
| Jerry Sloan | " |
| Jackie Montfort Paige | KCC |
| Mike Huttles | KGC |
| Alan Burt | SOS |
| Gavin Young | DofA |
| Marla Goodrich | PMIB |
| Andy Sloan | Kearney & Associates |
| | |
| | |
| | |

To: Senate Ways & Means Committee
From: Duane Goossen
Date: January 20, 2005

# 27th Paycheck

- State employees have been paid on a bi-weekly basis since FY 1995. In a normal fiscal year, the state writes 26 paychecks.

- 26 bi-weekly pay periods only cover 364 days each year (26 pay periods X 14 days per period) which means that every eleventh fiscal year, 27 paychecks must be written and budgeted for.

- In FY 2006, the first pay date will be July 1, 2005, and a 27th pay date will occur on June 30, 2006.

- The Governor's budget includes this expense in FY 2006. The cost will total $65.1 million from all funding sources, of which $32.6 million will be from the State General Fund. The cost is distributed throughout the budget and is shown in the salary expenses of every agency.

- Although the cost of a 27th paycheck must be paid out in one budget year, it is the result of an 11-year buildup. Because of that, the Governor's budget proposes to finance the State General Fund portion of the cost over eleven years. $32.6 million would be transferred from the Pooled Money Investment Board to the State General Fund in FY 2006 and then approximately $3.0 million would be transferred back to the Pooled Money Investment Board each year for eleven years. In that way, the effect of the 27th paycheck on the State General Fund would be spread over 11 years, rather than concentrated in one year.

- About half of the total cost of the 27th paycheck will be paid by a wide spectrum of special revenue funds. Most of these funds will have sufficient balances to finance this one-time increase in FY 2006.

- A few special revenue funds will have difficulty bearing the additional cost, so the Governor's budget proposes a transfer from the State General Fund to these funds. However, these transfers together total only $128,431.

Senate Ways and Means
1-20-05
Attachment 1

To: Senate Ways & Means Committee
From: Duane Goossen
Date: January 20, 2005

# FY 2006 Salary Plan

- Funds for a 2.5 percent general salary increase for all state employees are included in the Governor's budget. The cost of the increase is $49.8 million from all funding sources, of which $23.8 million is from the State General Fund. This cost assumes the Regents will provide a 2.5 percent increase to all of their employees. Funds for a salary increase at the universities have been included as part of an operating grant. The Regents have discretion over the amount of increase that is granted to their unclassified personnel.

- In addition, $2.4 million from all funding sources has been included to address salary issues for direct care service workers at state hospitals and Veterans' nursing homes. Significant inequalities between the beginning pay grades for state hospital employees and similar direct care positions at state and private employers have led to high employee turnover which has been costly in terms of training and recruitment.

- The Highway Patrol portion of the budget contains funding to increase trooper salaries an extra 7.5 percent in addition to the COLA. FY 2006 will be the final year for special trooper salary increases approved by a 2003 memorandum of agreement.

- Funds are also included to pay 1.0 percent of salaries into the KPERS Death and Disability Fund. In FY 2005, the state contribution rate into this fund is 0.6 percent, but for FY 2006, the rate must be raised to 1.0 percent in order to maintain the same level of benefits and adequate fund balances.

- KPERS employer contribution rates will also rise by 0.4 percent in FY 2006. The rate increases are part of a long term plan to reduce the KPERS unfunded liability. In FY 2007, the rate increase will be 0.5 percent, and in FY 2008 and beyond, the rate increase will be 0.6 percent. The FY 2006 rate increase is fully covered in the Governor's budget.

- The Governor's recommendations also provide for longevity bonus payments and other normal fringe benefits that are part of the state employee salary package.

Senate Ways and Means
1-20-05
Attachment 2

# Testimony to the
# Senate Committee on Ways and Means
# By
# Jack Rickerson, Director
# Division of Personnel Services
# January 20, 2005

## Overview of the State Employee In-Grade Pay Increase Program and Direct Care Study

Good morning Mr. Chairman and members of the committee. My name is Jack Rickerson. I am the Director of the Division of Personnel Services, a division of the Department of Administration. I am here today to give you an overview of the state's In-Grade Pay Increase program and the Governor's proposal for a Direct Care Study.

On June 28, 2004, Governor Sebelius signed Executive Directive 04-353 implementing a program to allow a classified employee in the Executive Branch to receive an in-grade pay increase at the discretion of the employee's appointing authority, if the employee's circumstance meets established criteria. These increases offer agencies the option to move employees from one-step to another step on the same pay grade. In my 30 years with the State of Kansas, this is undoubtedly the most important new compensation capability I have seen. My belief and hope is that it is just the first step in the process of retooling our compensation and classification systems.

In-grade pay increases may be permanent or temporary, depending on the reason for the action. In order to receive an in-grade pay increase, an employee's circumstance must meet established criteria. Some examples of reasons an individual may receive a permanent in-grade pay increase are to:

- Correct pay inequities
- Counter a documented offer by another employer, but not another state agency.
- Retain a valued employee who would otherwise retire.
- Adjust salaries to, or close to, "market" without the need for a protracted study.
- Compensate an employee for obtaining a license, certification, or other type of credential critical to the agency's operation.
- Compensate an employee for stepping up to more challenging responsibilities.

Some examples of reasons an individual may receive a temporary in-grade pay increase are to:

- Compensate an employee for temporarily stepping up to more challenging responsibilities.
- Compensate for conditions of employment that may create a hardship for an employee, such as travel.
- Provide geographic or language pay differentials.

Senate Ways and Means
1-20-05
Attachment 3

Agencies must fund in-grade pay increases from within their existing budget. Examples of how agencies could pay for these increases include:

- Leaving positions open or eliminating positions as they become vacant.
- Downgrading vacant positions.
- Using monies saved by filling vacant positions at a lower salary step.

I would like to give you some statistics on the use of the program to date. I will then give you some examples of requests we have approved and requests we have not approved.

As of Tuesday, January 18, 2005, we had approximately 23,855 classified regular state employees. As of that date, we had received 56 requests for an in-grade pay increase since June 28, 2004. Of those requests, 37 have been approved and 19 have not been approved. The total number of requests we have approved impacts about one-tenth of one percent of the classified regular workforce.

Most of the increases approved have been as a result of employees stepping up and taking on additional responsibilities, which save agencies money. As an example, we approved a request from a small agency for an employee that assumed all duties and responsibilities of a co-worker that retired. The employee moved from step 6 to step 10 within her pay grade. The annual cost for the in-grade pay increase is $3,598.40. However, by not having to hire a replacement for the retired employee, the agency saved $21,216 in base salary.

We also approved the request submitted by a larger agency in November in which two of their Administrative Specialists expanded their roles and accepted an increased workload created by another Administrative Specialist vacancy, allowing the agency to not hire a new Administrative Specialist at step 4, saving the agency approximately $23,608 in base salary annually.

Some requests presented to us simply do not meet the criteria for an in-grade pay increase. One agency had requested an in-grade pay increase on an employee who was performing increasingly complex duties. The agency leadership felt that this increase in responsibility warranted a pay increase. After closely looking at the duties the individual was performing, we concluded along with the agency, that a re-classification of the position was more appropriate.

While this capability was approved to apply for all classified regular employees in the Executive Branch, not all employees are eligible for these increases. A significant number remain ineligible until we can come to an agreement with the employee organizations that represent them. We have reached agreements with some of those organizations. However, discussions with other employee organizations continue, and it looks like it will be some time before we have agreements.

In-grade pay increases have proven to be a valuable compensation capability and in the greatest majority of instances have saved or will save agencies money. Thank you for the opportunity to share this information. I welcome any questions you may have.

**Direct Care Recommendations**

I would now like to discuss the Governor's recommendation for a Direct Care Employee study.

Governor Sebelius included within her FY 2006 budget recommendations for the reclassification and adjustment of wages for direct care employees in five SRS facilities and at the veteran's facilities in Winfield and Dodge City. Direct Care employees are those individuals who serve on the "front line" of those facilities.

The Governor recommended this action to correct long-standing pay inequities. The types of work and working conditions of the employees who provide direct care in these facilities are comparable with that performed by employees within our juvenile correctional and adult correctional facilities. The minimum qualifications for job applicants, the amount of training these employees receive, and the hazardous work environments within which they work are all comparable. Currently, direct care positions at SRS facilities begin at pay grade 10 and direct care positions at the veteran's facilities begin at pay grade 12, whereas Juvenile Corrections Officers and Corrections Officers begin at pay grade 17 - 25% to 35% higher.

Attached are charts that compare wages and workers compensation costs, and that show turnover rates for direct care positions. The average rates paid by hospitals and long-term care facilities for comparable work ranges from $11.13 to $12.75 per hour, 18.5% to 36.8% higher than direct care workers in SRS and Veterans facilities. Kansas simply cannot recruit qualified job applicants and retain good employees when the hiring rates are 10% to 40% below market.

The working conditions these employees must face day-in and day-out can be formidable. We measure the inherent hazards of these occupations through a comparison of workers compensation costs. Costs for workers compensation are greater for direct care employees in SRS facilities and veterans care facilities than for Corrections and Juvenile Corrections Officers. We base workers compensation assessment costs to state agencies on the number and severity of overall workers compensation costs. The average workers compensation assessment for SRS hospitals is 32.8% greater than the average workers compensation costs for Department of Corrections institutions and 35.8% greater than the average for juvenile correctional facilities. The average workers compensation assessment for Veteran's facilities is 11.7% greater than the average workers compensation costs for Department of Corrections institutions and 14.2% greater than the average for juvenile correctional facilities.

Employee turnover among direct care workers is excessive. Between Fiscal Year 1999 and Fiscal Year 2004 annual employee turnover rates among all state employees ranged between 11.8% to 13.7%. During this same period, employee turnover among direct care workers within SRS hospitals has ranged from 42% to 91%, and employee turnover for direct care workers in veterans facilities has ranged from 28% to 85%. The U. S. Department of Labor conservatively estimates that the cost of employee turnover is equivalent to approximately one third of an employee's annual wages. At the time the Governor requested data on direct care turnover, we calculated the cost of that turnover using FY 2003 data. The cost for SRS direct care positions, in excess of the average statewide turnover is $1,464,567. The cost of turnover in the veterans' facilities was $85,030.

The Governor recommends funding of $2,448,552 to reduce the number of job classes and bring the entry-level wages for these jobs in line with those similar to those of comparable jobs within the state and those provided by private sector care providers. Of this amount, $1,491,493 would come from the Sate General Fund and the balance is from hospital fee funds. We request your support of this much needed study.

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| Comparison of Wage Rates with Private Sector | | | |
|---|---|---|---|
| | | | |
| | Average Rate of Pay | | |
| **Class Title** | **State Employees** | **Nurse Assistant in Hospitals** | **Long Term Care Certified Nurse Assistant** |
| Developmental Disability Technician Trainee (DDTT) | $8.06 | $12.75 | $11.13 |
| Mental Health Trainee (MHT) | $8.41 | $12.75 | $11.13 |
| Health Care Assistant (HCA) | $9.08 | $12.75 | $11.13 |
| | | | |
| | | | |
| | Average State Rate as a Percent of Survey Average | | |
| **Class Title** | **Average State Rate** | **Nurse Assistant in Hospitals** | **Long Term Care Certified Nurse Assistant** |
| DDTT Hiring Rate as a % of Market Rate | $8.06 | 63.2% | 72.4% |
| MHT Hiring Rate as a % of Market Rate | $8.41 | 66.0% | 75.6% |
| HCA Hiring Rate as a % of Market Rate | $9.08 | 71.2% | 81.6% |
| | | | |
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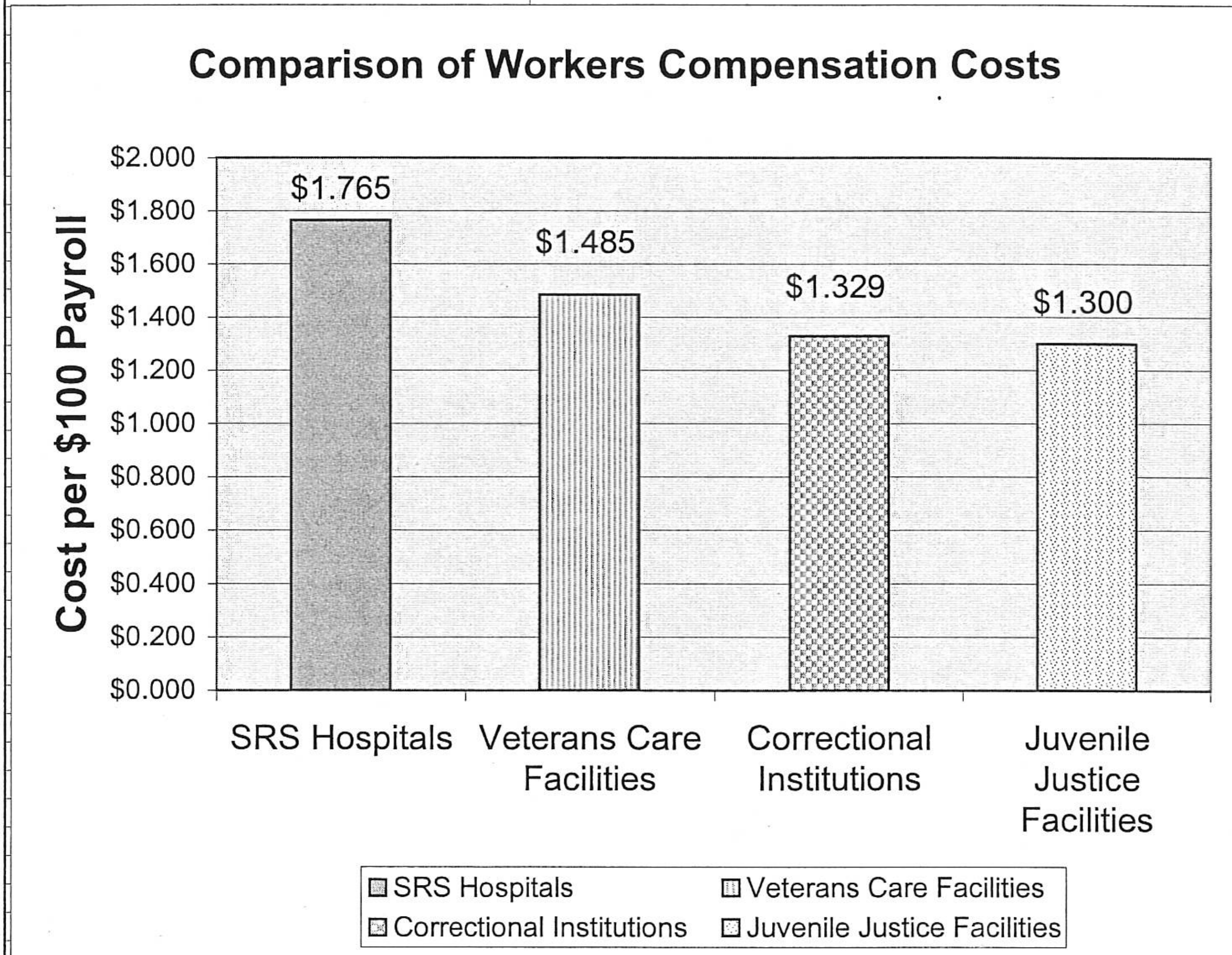
| | | | |
| **Comparison With Comparable State Jobs** | | | |
| | | | |
| **Class Title** | **Pay Grade** | **Pay Grade Minimum** | **Pay Grade Maximum** |
| Developmental Disability Technician Trainee (DDTT) | 10 | $8.06 | $10.83 |
| Mental Health Trainee (MHT) | 10 | $8.06 | $10.83 |
| Health Care Assistant (HCA) | 12 | $8.90 | $11.93 |
| Juvenile Corrections Officer I | 17 | $11.36 | $15.23 |
| Correctional Officer IA | 17 | $11.36 | $15.23 |
| | | | |

Source: Health Alliance of Midamerica 2004 Compensation Levels Survey
Department of Administration
Division of Personnel Services
January 20, 2005

## Comparison of Workers Compensation Costs

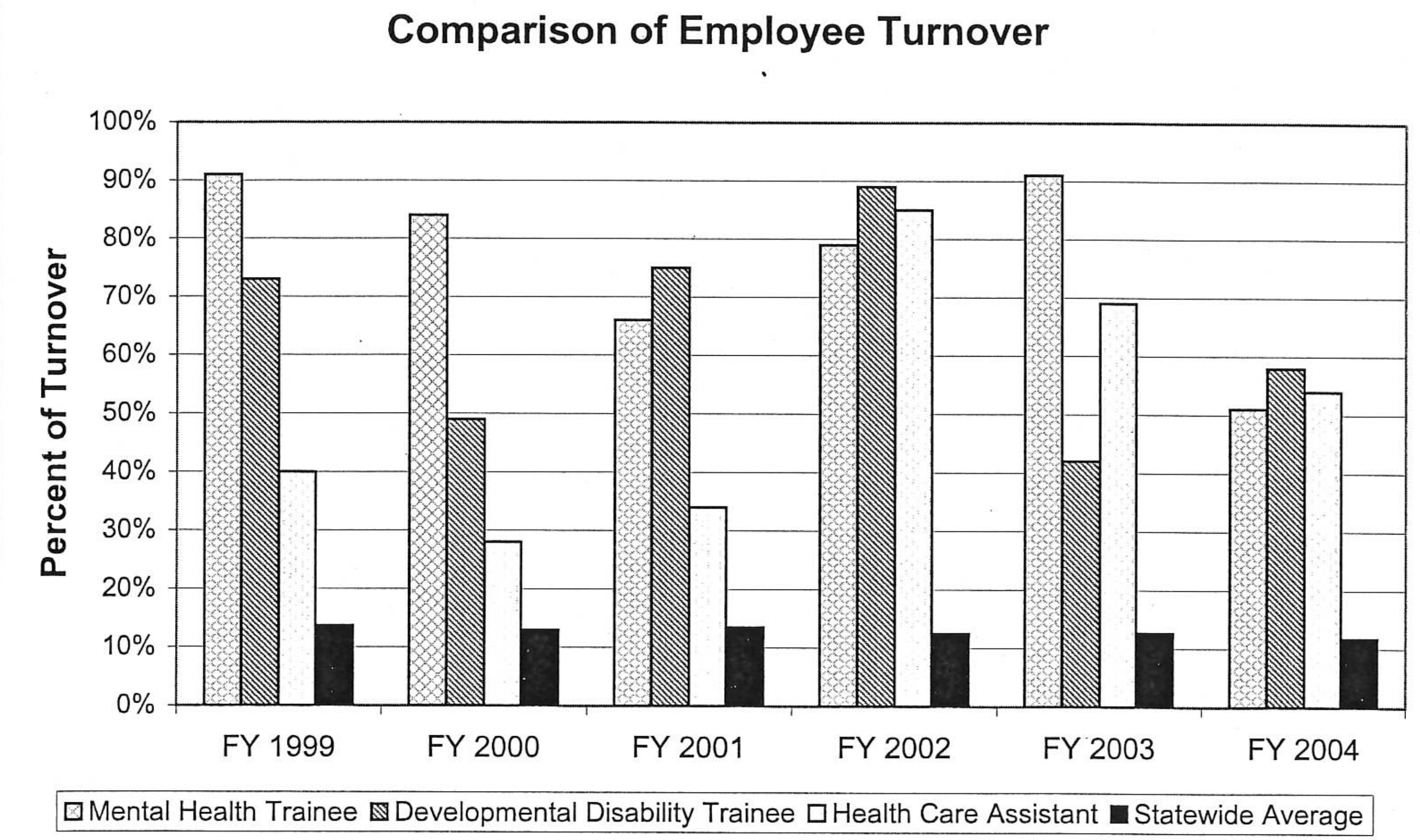
| Agency Averages | Cost per $100 of Payroll |
|---|---|
| SRS Hospitals | $1.765 |
| Veterans Care Facilities | $1.485 |
| Correctional Institutions | $1.329 |
| Juvenile Justice Facilities | $1.300 |




Department of Administration
Division of Personnel Services
January 20, 2006

## Employee Turnover: FY 2000 Through FY 2004

| | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 |
|---|---|---|---|---|---|---|
| Mental Health Trainee | 91% | 84% | 66% | 79% | 91% | 51% |
| Developmental Disability Trainee | 73% | 49% | 75% | 89% | 42% | 58% |
| Health Care Assistant | 40% | 28% | 34% | 85% | 69% | 54% |
| Statewide Average | 14% | 13% | 14% | 13% | 13% | 12% |




Department of Administration
Division of Personnel Services
January 20, 2006