

MINUTES OF THE SELECT COMMITTEE ON STATE EMPLOYEE PAY PLAN

The meeting was called to order by Chairman Pat George at 7:30 A.M. on March 6, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Cyndie Rexer, Committee Assistant

Conferees appearing before the committee: None

Others attending:

See attached list.

The minutes of March 5, 2007 were distributed. Representative Stan Frownfelter moved the minutes be approved. Representative Tom Hawk seconded the motion. The minutes were approved.

Chairman George opened the meeting by stating the committee's intent is to move our work force from being under compensated to being a leader in pay plans and one for other states to look to as a model. This task may take an extended period of time to achieve. The committee wishes to move forward to some extent this year and therefore proposes the House Alternative Pay Plan consisting of a 1% base increase for all employees, a 5% increase for classified employees that are 25% or more below market (1,533 employees), and a flat bonus to be paid in two installments of \$2,100. This would be equal to the \$44.3 million the Governor proposed in her budget. It is important to note that the committee has worked in conjunction with the House and Senate to negotiate this figure which is more than formerly appropriated in past years. Chairman George would like for this committee to become an interim committee or task force beginning in May to develop the next phase of the pay plan so it can be given to the Governor in the fall before she begins work on her budget.

The floor was opened for committee members to discuss the proposal.

Representative Tom Hawk stated that his priorities would include keeping the dollar expenditure at the \$44.3 million amount, a block grant to be given to the Regents to be distributed among their employees at their discretion, adjust compensation for those employees at below market, increase base compensation using perhaps part of the bonus money to achieve it, award longevity, and the ultimate goal would be to have a buy-in from the state employees. He would like to continue with an interim study, and insure the state computer system is adequate to administer the new pay plan. Representative Hawk also suggests the bonus be divided and part be given in a check and the rest be added to base pay.

Representative Ann Mah expressed concern as to whether the bonus would be included in retirement calculations. Alan Conroy will check on the possibility.

Representative Lee Tafari has three (3) concerns: Do no harm to employees, address pay inequalities, and whatever is done needs to support the transition to a new pay matrix to avoid expanding greater pay differences.

Representative Stan Frownfelter suggested increasing those employees who are 25% or more below market to the next grade and all other employees to the next step within their present grade. Representative Frownfelter points out that the younger employees would prefer the bonus in their check, the older employees would prefer it to be in their base pay so it will effect retirement. You can't make everyone happy.

Representative Joann Pottroff expressed the importance of communication.

Representative Tom Hawk would like to see how the figures would look if each installment of the bonus was split, perhaps half in a check and half in base pay and the longevity bonus be raised to \$45 a year.

Representative Charles Roth likes the idea of the one time bonus because it doesn't compound that bonus in

CONTINUATION SHEET

MINUTES OF THE Select Committee on State Employee Pay Plan at 7:30 A.M. on March 6, 2007 in Room 519-S of the Capitol.

the following years. He does agree that the bonus needs to be included in the retirement calculations.

Staff was asked to figure the cost if Representatives Hawk and Frownfelter suggestions were implemented. Also how would the addition to base pay effect the cost of retirement benefits. Alan Conroy distributed copies of Draft Report House Select Committee on State Employee Pay. (Attachment 1)

The meeting was adjourned at 8:30 A.M. The next meeting will be held Thursday, March 8, 2007 at 7:30 A.M. in room 519-S.

**DRAFT Report
House Select Committee
on State Employee Pay**

Committee Overview and Activities

House Speaker Melvin Neufeld appointed the House Select Committee on State Employee Pay to address the issue of state employee pay. Speaker Neufeld and House Democratic Leader Dennis McKinney made the following appointments to the Select Committee:

- Representative Pat George, Chairperson
- Representative Lee Tafanelli, Vice-Chairperson
- Representative Tom Hawk, Ranking Minority Member
- Representative Mike Burgess
- Representative Stan Frownfelter
- Representative John Grange
- Representative Ann Mah
- Representative Jo Ann Pottorff
- Representative Charles Roth

The Select Committee held multiple meetings and received information from the Division of Personnel Services, Department of Administration, state agencies, state employee organizations, private sector employers, the Hay Group (state pay plan consultant), and staff.

Background of the Issue

Total number of approved full-time equivalent (FTE) state employees is 40,514.6 (FY 2007 approved).

- As of June, 2006 there were 21,933 classified state employees and 15,217 unclassified employees.
- Classified and unclassified employees:
 - Classified employees have civil service protection;
 - Unclassified employees are “at will” employees;
 - Classified employees are within the Executive Branch;

- Unclassified employees maybe in the Executive Branch (for example, Regents), Judicial Branch and Legislative Branch;

- The average classified state employees is:
 - 46 years of age;
 - worked for the state 13 years;
 - average annual salary of \$33,476;
 - work for either the Department of Social and Rehabilitation Services or the Department of Transportation;
 - would be classified as a Senior Administrative Assistant;
 - live in Shawnee County.

- The average unclassified state employee is:
 - 47 years of age;
 - worked for the state 11 years;
 - average annual salary of \$56,326
 - work for the University of Kansas or Kansas State University;
 - live in Douglas or Riley counties

- Current Classified Pay Plan
 - Classified pay matrix has 34 pay grades and 13 steps (see attachment);
 - Steps are approximately 2.5 percent apart;
 - Pay grades have a difference of 5 percent;
 - Step movement takes place on the anniversary of state service (at least satisfactory performance);
 - New employees would have the opportunity (assuming step movement) of having received a 5.0 percent increase at the end of their first year;
 - For state employees, after one year of service the employee starts contributing 4.0 percent of salary to the Kansas Public Employees Retirement System;
 - If there was step movement, the employee after 11 years would reach the maximum pay for their assigned job class.

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- The following information reviews the salary increases for state classified employees from FY 1987 to FY 2008 (as recommended by the Governor).

**INCREASES IN SALARIES FOR STATE CLASSIFIED EMPLOYEES
FY 1987-FY 2008 (Gov. Rec.)**

Fiscal Year	Step Movement*	Base Salary Adjustment	Base Salary Increase Excluding Longevity	Longevity Bonus Payment**	Percent Increase CPI-U***
1987	2.5% ^a	3.0%	5.5%	No	2.2%
1988	2.5 ^b	2.0 effective 12/18/87	4.5	No	4.1
1989	2.5 ^c	4.0	6.5	No	4.6
1990	2.5 ^d	3.0	5.5	\$400 to \$1,000	4.8
1991	2.5 ^e	1.5	4.0	\$400 to \$1,000	5.5
1992	2.5	--	2.5	\$400 to \$1,000	3.2
1993	2.5	1.0 effective 12/18/92	3.5	\$400 to \$1,000	3.1
1994	2.5 ^f	0.5	3.0	\$400 to \$1,000	2.6
1995	2.5 ^g	1.5 effective 9/18/94	4.0	\$400 to \$1,000	2.9
1996	2.5	1.0	3.5	\$400 to \$1,000	2.7
1997	2.5	--	2.5	\$400 to \$1,000	2.9
1998	2.5	1.0	3.5	\$400 to \$1,000	1.8
1999	2.5	1.5	4.0	\$400 to \$1,000	1.6
2000	2.5	1.0	3.5	\$400 to \$1,000	2.2
2001	2.5	--	2.5	\$400 to \$1,000	2.8
		1.5 effective 6/10/01;			
2002	--	1.5 effective 12/9/01	3.0	\$400 to \$1,000	1.6
2003	--	--	--	\$400 to \$1,000	2.3
2004	--	1.5 effective 7/20/03	1.5	\$400 to \$1,000	2.3
2005	--	3.0	3.0	\$400 to \$1,000	3.4
2006	--	1.25 effective 6/5/05	2.5	\$400 to \$1,000	3.4
		1.25 effective 12/4/05			
2007	2.5 effective 9/10/06	1.5	4.0	\$400 to \$1,000	3.1 (est.)
2008 (Gov. Rec.)	2.5	1.5	4.0	\$500 to \$1,250	2.6 (est.)

Employer Paid Health Insurance Costs

For FY 2008 the employer's paid health insurance costs in the Governor's recommended budget contains an annual single member health insurance premium of **\$4,813**, plus an annual dependent health insurance premium of **\$2,227**. The FY 2008 total budgeted health insurance premium for each state employee with dependents that the state pays is **\$7,040**.

Employer Contributions

The following employer contributions will be made for state employees in FY 2008:

Kansas Public Employees Retirement System	
(Assumes membership in KPERS- Regular)	6.37%
FICA (Composite Rate for OASDI and Medicare)	7.65
Workers Compensation Assessment*	1.08
Unemployment Insurance Assessment	0.17
State Leave Payment Assessment	0.50
TOTAL	<u>15.77%</u>

* Actual rate is experienced-based by agency.

On the average (FY2006) classified state employee's salary of \$33,476, the above employer costs for fringe benefits would total an average of **\$5,279**. These employer costs, when combined with employer health insurance (member and dependent), would bring the total fringe benefits costs for an average state employee to **\$12,319**.

Vacation and Sick Leave

State employees earn vacation leave hours based on the number of years of service with the state. For an employee with less than five years of service the individual earns 12 days a year. For an employee with 15 or more years of service the individual earns 21 days of vacation leave a year. State employees all earn 12 days of sick leave a year. Employees when they retire who have at least eight years of service and who have accumulated 100 days or more of sick leave may receive compensation for their sick leave upon retirement. The compensation ranges from 30 days to 60 days of salary depending on the years of service with the state.

Paid Vacation Days

For calendar year 2007 state employees receive ten paid holidays, including a discretionary day.

Pay Plan Study

Legislative Coordinating Council hired the Hay Consulting Group to conduct a State Employee Pay Plan Study.

- Phase I (which is completed) is a salary survey;
- Survey is a market survey of 72 public (other states, cities, counties, school districts) and private employers (including health systems and facilities);
- Survey looked to seven surrounding state governments;
- Public and private employers in Kansas;
- The survey examined 232 job classifications as the benchmark positions;
- Overall, the survey indicated that the State of Kansas salary practices lags noticeably behind both the median (six to seven percent) and average (nine to ten percent) of the market.
- The survey identified 41 benchmark positions that lagged the market median by more than 15.0 percent; and
- The survey identified 10 benchmark positions that exceeded the market median by more than 15.0 percent.
- Phase II (which is just beginning) is development of a new compensation system;
- Look at innovative components of other state's compensation plans;
- Look for opportunities to reward outstanding employee performance;
- Suggestions on key points of an effective compensation system.

Testimony

The Select Committee heard from representatives of the State Employee Association of Kansas and the Kansas Public Employees Association.

The State Employee Association of Kansas recommended that:

- Step movement (2.5 percent) for all classified employees in FY 2008;
- A 3.0 percent cost of living adjustment in FY 2008;
- Establish an legislative interim committee to develop a long-term solution to pay system issues;
- Require by statute that classifications and salaries must be reviewed at least every three years; and
- Investigate the means to fund the suggested initiatives in the short and long-term.

The Kansas Public Employees Association recommended that:

- Step movement be made statutory, increasing the number of steps from 13 to 20 and change the steps from 2.5 percent to 4.0 percent, with step movement taking place every two years;
- Incorporate an annual across-the-board base salary adjustment tied to 75.0 percent of the cost of living adjustment provided by the U.S. Social Security Administration for the previous year;
- Continue the longevity bonus payment with periodic adjustments;
- Evaluate for reclassification 25 percent of all classified positions on an annual basis;
- Conduct individual employee reclassifications every five years (to make sure what the employee is doing agrees with their position classification);
- Establish a state-wide program of professional development funding consisting of 0.3 percent of the state classified payroll;
- Establish a narrowly-defined program for an agency to reward an employee a special pay incentive of 0.2 percent for outstanding performance; and
- Provide a cash incentive bonus of 10.0 percent of the dollars saved by an agency due to efficiencies suggested or performed by an employee.

The Select Committee also heard from the Department of Labor on the concerns of the agency regarding funding, upgrading skills and maintaining technical proficiency, the aging workforce, and problems with the current classification system. The Department of Corrections (including the Ellsworth Correctional Facility) presented testimony on the difficulty in the areas of retention, recruitment, competitive salaries and benefits and employee and employer relations. The University of Kansas presented testimony on the recent implementation of legislation that permitted (with an employee vote) the movement of all employees from the classified service to the unclassified service.

The Select Committee heard from two private sector organizations, Valley Hope Association and Nueterra Health. These two organizations reviewed their human resource management information, including pay philosophy, performance evaluation, and management training activities.

Committee Conclusions and Recommendations

Kansas Civil Service Basic Pay Plan (effective June 18, 2006)
Basic Steps (Bi-Weekly Rates)

PG	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Step 11	Step 12	Step 13	Step 14	Step 15	Step 16
5													
6													
7													
8													
9													
10													
11													
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17													
18	\$ 992.80	\$ 1,017.60	\$ 1,041.60	\$ 1,067.20	\$ 1,094.40	\$ 1,121.60	\$ 1,149.60	\$ 1,176.80	\$ 1,205.60	\$ 1,236.80	\$ 1,267.20	\$ 1,296.80	\$ 1,331.20
19	\$ 1,041.60	\$ 1,067.20	\$ 1,094.40	\$ 1,121.60	\$ 1,149.60	\$ 1,176.80	\$ 1,205.60	\$ 1,236.80	\$ 1,267.20	\$ 1,296.80	\$ 1,331.20	\$ 1,361.60	\$ 1,396.80
20	\$ 1,094.40	\$ 1,121.60	\$ 1,149.60	\$ 1,176.80	\$ 1,205.60	\$ 1,236.80	\$ 1,267.20	\$ 1,296.80	\$ 1,331.20	\$ 1,361.60	\$ 1,396.80	\$ 1,430.40	\$ 1,465.60
21	\$ 1,149.60	\$ 1,176.80	\$ 1,205.60	\$ 1,236.80	\$ 1,267.20	\$ 1,296.80	\$ 1,331.20	\$ 1,361.60	\$ 1,396.80	\$ 1,430.40	\$ 1,465.60	\$ 1,503.20	\$ 1,540.00
22	\$ 1,205.60	\$ 1,236.80	\$ 1,267.20	\$ 1,296.80	\$ 1,331.20	\$ 1,361.60	\$ 1,396.80	\$ 1,430.40	\$ 1,465.60	\$ 1,503.20	\$ 1,540.00	\$ 1,575.20	\$ 1,616.80
23	\$ 1,267.20	\$ 1,296.80	\$ 1,331.20	\$ 1,361.60	\$ 1,396.80	\$ 1,430.40	\$ 1,465.60	\$ 1,503.20	\$ 1,540.00	\$ 1,575.20	\$ 1,616.80	\$ 1,656.80	\$ 1,696.00
24	\$ 1,331.20	\$ 1,361.60	\$ 1,396.80	\$ 1,430.40	\$ 1,465.60	\$ 1,503.20	\$ 1,540.00	\$ 1,575.20	\$ 1,616.80	\$ 1,656.80	\$ 1,696.00	\$ 1,739.20	\$ 1,783.20
25	\$ 1,396.80	\$ 1,430.40	\$ 1,465.60	\$ 1,503.20	\$ 1,540.00	\$ 1,575.20	\$ 1,616.80	\$ 1,656.80	\$ 1,696.00	\$ 1,739.20	\$ 1,783.20	\$ 1,826.40	\$ 1,872.80
26	\$ 1,465.60	\$ 1,503.20	\$ 1,540.00	\$ 1,575.20	\$ 1,616.80	\$ 1,656.80	\$ 1,696.00	\$ 1,739.20	\$ 1,783.20	\$ 1,826.40	\$ 1,872.80	\$ 1,916.80	\$ 1,964.80
27	\$ 1,540.00	\$ 1,575.20	\$ 1,616.80	\$ 1,656.80	\$ 1,696.00	\$ 1,739.20	\$ 1,783.20	\$ 1,826.40	\$ 1,872.80	\$ 1,916.80	\$ 1,964.80	\$ 2,012.00	\$ 2,064.00
28	\$ 1,616.80	\$ 1,656.80	\$ 1,696.00	\$ 1,739.20	\$ 1,783.20	\$ 1,826.40	\$ 1,872.80	\$ 1,916.80	\$ 1,964.80	\$ 2,012.00	\$ 2,064.00	\$ 2,112.80	\$ 2,166.40
29	\$ 1,696.00	\$ 1,739.20	\$ 1,783.20	\$ 1,826.40	\$ 1,872.80	\$ 1,916.80	\$ 1,964.80	\$ 2,012.00	\$ 2,064.00	\$ 2,112.80	\$ 2,166.40	\$ 2,220.80	\$ 2,274.40
30	\$ 1,783.20	\$ 1,826.40	\$ 1,872.80	\$ 1,916.80	\$ 1,964.80	\$ 2,012.00	\$ 2,064.00	\$ 2,112.80	\$ 2,166.40	\$ 2,220.80	\$ 2,274.40	\$ 2,331.20	\$ 2,388.80
31	\$ 1,872.80	\$ 1,916.80	\$ 1,964.80	\$ 2,012.00	\$ 2,064.00	\$ 2,112.80	\$ 2,166.40	\$ 2,220.80	\$ 2,274.40	\$ 2,331.20	\$ 2,388.80	\$ 2,447.20	\$ 2,508.00
32	\$ 1,964.80	\$ 2,012.00	\$ 2,064.00	\$ 2,112.80	\$ 2,166.40	\$ 2,220.80	\$ 2,274.40	\$ 2,331.20	\$ 2,388.80	\$ 2,447.20	\$ 2,508.00	\$ 2,567.20	\$ 2,633.60
33	\$ 2,064.00	\$ 2,112.80	\$ 2,166.40	\$ 2,220.80	\$ 2,274.40	\$ 2,331.20	\$ 2,388.80	\$ 2,447.20	\$ 2,508.00	\$ 2,567.20	\$ 2,633.60	\$ 2,697.60	\$ 2,764.80
34	\$ 2,166.40	\$ 2,220.80	\$ 2,274.40	\$ 2,331.20	\$ 2,388.80	\$ 2,447.20	\$ 2,508.00	\$ 2,567.20	\$ 2,633.60	\$ 2,697.60	\$ 2,764.80	\$ 2,831.20	\$ 2,903.20
35	\$ 2,274.40	\$ 2,331.20	\$ 2,388.80	\$ 2,447.20	\$ 2,508.00	\$ 2,567.20	\$ 2,633.60	\$ 2,697.60	\$ 2,764.80	\$ 2,831.20	\$ 2,903.20	\$ 2,973.60	\$ 3,048.80
36	\$ 2,388.80	\$ 2,447.20	\$ 2,508.00	\$ 2,567.20	\$ 2,633.60	\$ 2,697.60	\$ 2,764.80	\$ 2,831.20	\$ 2,903.20	\$ 2,973.60	\$ 3,048.80	\$ 3,124.00	\$ 3,199.20
37	\$ 2,508.00	\$ 2,567.20	\$ 2,633.60	\$ 2,697.60	\$ 2,764.80	\$ 2,831.20	\$ 2,903.20	\$ 2,973.60	\$ 3,048.80	\$ 3,124.00	\$ 3,199.20	\$ 3,282.40	\$ 3,360.00
38	\$ 2,633.60	\$ 2,697.60	\$ 2,764.80	\$ 2,831.20	\$ 2,903.20	\$ 2,973.60	\$ 3,048.80	\$ 3,124.00	\$ 3,199.20	\$ 3,282.40	\$ 3,360.00	\$ 3,444.80	\$ 3,530.40

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