

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 8, 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 6, 2007 were distributed. Representative Stan Frownfelter moved the minutes be approved. Representative Charles Roth seconded the motion. The motion carried.

Staff distributed information on State Employee Cost Options (Attachment 1), Pay Plan Options (Attachment 2) and Proposed State Employee Pay Plan for FY 2008 (Attachment 3).

Chairman Pat George opened the floor for brief comments and/or explanations of the proposed plans.

Representative Tom Hawk expressed appreciation to the Governor for setting a dollar figure for the provision of step movement, base salary adjustment and longevity bonus which speaks to inflation. Representative Hawk feels the bonus plan has merit although he is concerned as to where that will put us a year from now and whether people will end up making less money next year, even with a raise, due to not receiving a bonus. He suggests the bonus amount be lowered and put the remaining money in to the base salary. Representative Hawk agrees with addressing the need of those employees earning below market and making an attempt to correct that with the 5 percent increase. He does not think we can afford the increase from \$40 to \$50 for longevity but suggests a compromise of \$45. The difference between the Hawk Plan 1 and the Hawk Plan 2 as stated on (Attachment 2) is that Plan 2 puts money into a step increase rather than a percentage into the base. He hears from employees that a step movement is important to them. To offset the cost of the step increase, the bonus would be decreased from \$1,000 to \$685. Plan 2 sends a message to employees that we do need to make changes in our pay plan and doesn't put us in as big a bind as one time bonus money does. Representative Hawk likes the 457 portion of the Alternative Plan No.1, which lets our employees know that we support them in their planning for the future and contributing to that plan. Hawk Plan 1 is his first choice.

Representative Stan Frownfelter stated he does not know if the bonus plan will be ongoing or just a one time occurrence, but when you give bonuses over an extended time period, employees come to expect them and therefore he tends to shy away from the bonus plan. Representative Frownfelter has heard repeatedly that the issues include retirement, longevity, and addressing the need for immediate income. In his plan, he tried to address (1) increase the longevity bonus to \$50, (2) increase the pay scale so it would help with retirement benefits, (3) addressing the need for immediate funds for young families by giving them cash up front in the form of a bonus, and (4) address the need of employees making 25 percent or more under market. This plan puts it all in the employees check where they can see it.

Representative Charles Roth moved that the committee adopt Alternative Plan No. 1, Representative Jo Ann Pottorff seconded the motion.

Representative Lee Tafanelli requested Chairman Pat George to give an explanation of the Alternative Plan No. 1 or otherwise known as the Proposed State Employee Pay Plan for FY 2008. Representative Roth stated that the part of the plan that appeals to him is the \$150 per employee 457 contribution matched dollar by dollar by the employee because some kind of 457 plan may be in the future and this is a good start.

Representative Hawk pointed out a discrepancy in regard to the amount of bonus proposed on the Proposed

CONTINUATION SHEET

MINUTES OF THE Select Committee on State Employee Pay Plan at 7:30 A.M. on March 8, 2007 in Room 519-S of the Capitol.

State Employee Pay Plan for FY 2008 (Attachment 3) and the Alternative Plan No. 1 (Attachment 2). Alan Conroy, Legislative Research, verified that the amount on both sheets should be \$1,450. The correction was duly noted and Attachment 3 reflects that correction as well as correcting the amount of the first installment payment of \$615 to \$450 as shown on the attachment.

Chairman George followed this discussion with the explanation of the Proposed Pay Plan (Attachment 3).

Representative Lee Tafanelli gave his support for the proposed pay plan. Representative Tafanelli indicated that everyone agrees that the present pay plan is broken and needs to be fixed. Representative Tafanelli feels this is a good start to that fix as it does no harm to any employees, begins to seriously address the inequities, and supports the transition to a new pay plan. This is probably going to be a long process as the pay plan did not become broken over night.

Representative Ann Mah believes this plan hurts the employees in two ways. (1) It doesn't show up in a regular payroll check that they are going to get and (2) it does not help the retirement of those employees who will be retiring in a next few years. Representative Ann Mah made a substitute motion to adopt the Hawk Plan 1 with two changes - (1) change the first bonus installment to \$450 and put the remaining \$150 into a 457 plan, (2) change the base salary increase for elected officials to 1 percent as opposed to the 1.86 percent and put the savings into an increase of base salary for all other employees. Representative Tom Hawk seconded the motion. Representative Mah explained this would solve the retirement problem and would also give more money to the employees. This would still move us toward where we want to go.

Representative Mike Burgess asked for clarification of the bonus payment and if elected officials, including judges would receive the payment.. Staff provided clarification that none of the pay proposals that included a bonus payment, would provide that bonus payment to any state-wide elected officials, legislators or judges.

The substitute motion was defeated.

Representative Joann Pottorff expressed her support of the Alternative Plan No.1 saying she knows it is not a perfect plan but it does have some good points and is a good transition. This is only one step and the committee is only one body in the whole process. The end product may not look like this but it is a good place to start.

Representative Hawk asked staff if the unclassified employees, particularly the Regents, will receive their one (1) present in a block grant as discussed in the last meeting. It is not clearly stated on the Proposed Plan (Attachment 3). Alan Conroy said it would be for all unclassified employees and the appointing authority would be given the pool of money to distribute. Research will modify the Plan to reflect how the unclassified funds would be handled.

Representative Charles Roth restated his motion to adopt the Alternative Plan No. 1 as presented on the Pay Plan Options (Attachment 2) and to make certain that the merit pool will be in the form of a block grant to go to the Regents. Representative Joann Pottorff seconded the motion.

The motion carried. Representatives Ann Mah and Stan Frownfelter voted in opposition.

The meeting was adjourned at 8:15 A.M.

State Employee Cost Options

Flat Bonus Payment for All State Employees State General Fund Cost

Flat Bonus Amount	Excluding Retirement Contributions	Including Retirement Contributions*
\$100	\$ 1,973,256	\$ 2,176,525
200	3,946,512	4,353,050
300	5,919,768	6,529,575
400	7,893,024	8,706,100
500	9,866,280	10,882,625
600	11,839,536	13,059,150
700	13,812,792	15,235,675
800	15,786,048	17,412,200
900	17,759,304	19,588,725
1,000	19,732,560	21,765,250
1,100	21,705,816	23,941,775
1,200	23,679,072	26,118,300
1,300	25,652,328	28,294,825
1,400	27,625,584	30,471,350
1,500	29,598,840	32,647,875
1,600	31,572,096	34,824,400
1,700	33,545,352	37,000,925
1,800	35,518,608	39,177,450
1,900	37,491,864	41,353,975
2,000	39,465,120	43,530,500
2,100	41,438,376	45,707,025
2,200	43,411,632	47,883,550

Base Salary Increase for All State Employees State General Fund Cost

Base Salary Increase	Cost
0.5 Percent	\$ 5,350,000
1.0 Percent	10,700,000
1.5 Percent	16,050,000
2.0 Percent	21,400,000
2.5 Percent	26,750,000
3.0 Percent	32,100,000
3.5 Percent	37,450,000
* 4.0 Percent	42,800,000

* Governor has recommended a 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees; for unclassified employees a 4.0 percent merit pool.

Longevity Bonus Payment Increase for All Classified Employees State General Fund Cost

Longevity Bonus Increase	Cost
\$1.00	\$ 150,000
2.00	300,000
3.00	450,000
4.00	600,000
5.00	750,000
6.00	900,000
7.00	1,050,000
8.00	1,200,000
9.00	1,350,000
* 10.00	1,500,000

* Governor has recommended a \$10 longevity bonus payment increase from \$40 to \$50.

Minimum 10 years of service - \$400 to \$500;
Maximum 25 years of service - \$1,000 to \$1,250.

Select State Employee Pay Plan
 3-8-2007
 Attachment 1

Select Committee On
 State Employee Pay Plan
 3/8/07
 Attachment 1

* Assumes a composite employer contribution rate of 7.9 percent and permanent positions (FTE and non-FTE).

PAY PLAN OPTIONS

Select Committee On
State Employee Pay Plan
3/8/07
Attachment 2

March 7, 2007

Initial Alternative Pay Plan:

	<u>State General Fund</u>
1.0 Percent Base Increase for All Employees Permanent, temporary, judges, elected officials.	\$ 10.7
5.0 Percent Targeted Increase for Classified Employees That Are More Than 25 Percent Below Market - 1,533 Employees	1.7
Bonus Payment of \$1,615 Paid in Two Installments One Bonus Payment of \$615 on June 29, 2007 One Bonus Payment of \$1,000 on December 14, 2007 Payment excluded from retirement calculations	31.8
Pay Plan Consultant - Phase III	0.1
Grand Total:	<u>\$ 44.3</u>

Representative Hawk Plan:

	<u>State General Fund</u>
1.86 Percent Base Salary Increase of for All Employees Permanent, temporary, judges, elected officials.	\$ 19.9
5.0 Percent Targeted Increase for Classified Employees That Are More Than 25 Percent Below Market - 1,533 Employees	1.7
Bonus Payment of \$1,000 Paid in Two Installments One Bonus Payment of \$600 on June 29, 2007 One Bonus Payment of \$400 on December 14, 2007 Payment included for retirement calculations	21.8
Pay Plan Consultant - Phase III	0.1
\$5.00 Increase in the Longevity Bonus Payment An increase from \$40 to \$45 per year of service	0.8
Grand Total:	<u>\$ 44.3</u>

Representative Frownfelter Plan II:

	<u>State General Fund</u>
2.5 Percent Step Movement for Classified Employees and 2.5 Percent Merit Pool for Unclassified Employees Effective at the Beginning of the Fiscal Year	\$ 26.8
10.0 Percent Targeted Increase for Classified Employees That Are More Than 25 Percent Below Market - 1,533 Employees	3.4
2.5 Percent Step Movement for Classified Employees and 2.5 Percent Merit Pool for Unclassified Employees Effective Mid-Year; for a total of 5.0 Percent	13.4
Pay Plan Consultant - Phase III	0.1
\$10.00 Increase in the Longevity Bonus Payment An increase from \$40 to \$50 per year of service	1.5
Grand Total:	<u>\$ 45.2</u>

Governor's Pay Plan:

	<u>State General Fund</u>
Classified - 4.0 Percent	
2.5 Percent Step Movement	
1.5 Percent Base Salary Adjustment	
Unclassified - 4.0 Percent Merit Pool Permanent, temporary, judges, elected officials	
Cost:	\$ 42.8
Increase Classified Longevity Bonus: (Increase from \$40 a year to \$50 a year)	
Cost:	1.5
Grand Total (salary increase and longevity bonus):	<u>\$ 44.3</u>

Alternative Plan No. 1

	<u>State General Fund</u>
1.0 Percent Base Increase for All Employees Permanent, temporary, judges, elected officials.	\$ 10.7
5.0 Percent Targeted Increase for Classified Employees That Are More Than 25 Percent Below Market - 1,533 Employees	1.7
Bonus Payment of \$1,450 Paid in Two Installments One Bonus Payment of \$450 on June 29, 2007 One Bonus Payment of \$1,000 on December 14, 2007 Payment excluded from retirement calculations	28.8
Pay Plan Consultant - Phase III	0.1
\$150 Per Employee 457 Plan Contribution Matched Dollar for Dollar by Employee	3.0
Grand Total:	<u>\$ 44.3</u>

Representative Hawk Plan II:

	<u>State General Fund</u>
2.5 Percent Step Movement for Classified Employees and 2.5 Percent Merit Pool for Unclassified Employees	\$ 26.8
5.0 Percent Targeted Increase for Classified Employees That Are More Than 25 Percent Below Market - 1,533 Employees	1.7
Bonus Payment of \$685 Paid in Two Installments One Bonus Payment of \$385 on June 29, 2007 One Bonus Payment of \$300 on December 14, 2007 Payment included for retirement calculations	14.9
Pay Plan Consultant - Phase III	0.1
\$5.00 Increase in the Longevity Bonus Payment An increase from \$40 to \$45 per year of service	0.8
Grand Total:	<u>\$ 44.3</u>

Proposed State Employee Pay Plan for FY 2008

- **Provide a 1.0 percent base salary adjustment for all employees** (classified and unclassified) effective at the beginning of the fiscal year.
- **Provide a ^{1,450}\$1,615 one-time salary bonus (paid in two installments)** in FY 2008 for all employees (classified) who earn a satisfactory or better performance rating. For unclassified employees, the funding would go into a merit pool for the appointing authority to actually make the decision on the exact increase.
 - **Pay ⁴⁵⁰\$615 on June 29th;** and
 - **Pay another \$1,000 on December 14th.**
 - It is noteworthy that the salary bonus would not go into the employee's base salary. However, the goal would be to work toward a new state employee pay plan for next fiscal year (FY 2009).
- **Provide \$150 for every employee for the employee's deferred compensation plan (457) that must be matched dollar for dollar by the employee to receive the funds.**
- **Provide a permanent 5.0 percent increase (in addition to the 1.0 percent base salary adjustment and the one-time salary bonus) for those job classes that were more than 25 percent behind the average market pay in the recent Hay Group Pay Study - Phase I.** This would increase each job class one pay grade or 5.0 percent. All positions in the job class would be moved upward one pay grade to the same salary step on their current pay grade. A total of 1,533 employees would receive this increase.
- **Shift the funding of \$1.5 million from the State General Fund for the recommended classified longevity bonus payment increase** (\$40 to \$50 per year) into the FY 2008 salary funding to help pay for the 1.0 percent base salary adjustment and the one-time salary bonus.
- **Create a State Employee Pay Philosophy Task Force** to establish a pay philosophy for the State of Kansas. The pay philosophy would provide the philosophical framework for the development of the new state employee pay plan. The Task Force would be required to have their work completed by no later than June 15, 2007. The 11 member task force would be composed of the following members:

- Three members from the Senate (two members appointed by the Senate President and one member appointed by the Senate Minority Leader);
 - Three members from the House (two members appointed by the Speaker and one member appointed by the House Minority Leader);
 - Three members appointed by the Governor;
 - One member appointed by the Chief Justice; and
 - One member appointed by the Chairperson of the Board of Regents.
- **Create a 9 member State Employee Pay Plan Special Committee (Senate and House members)** to begin work on the development of a new state employee pay plan for presentation to the 2008 Legislature. The Special Committee would be an interim committee appointed by the Legislative Coordinating Council. The State Employee Pay Plan Special Committee would consist of:
 - 5 members from the House of Representatives (3 from the majority party and 2 from the minority party);
 - 4 members from the Senate (3 from the majority party and 1 from the minority party);
 - The Special Committee would be required to start meeting no later than June 8, 2007;
 - The Special Committee would regularly consult with the Secretary of Administration and the various employee organizations to receive their input on the development of the new state employee pay plan.
 - The Special Committee would focus on the development of a new classified employee pay plan;
 - The Special Committee would also review classified employee fringe benefits in addition to pay, to understand the full value of total compensation provided to classified state employees.
 - Appropriate \$100,000 from the State General Fund to the Legislative Coordinating Council for consultant services to assist in determining the appropriateness and recommended level of classified employee fringe benefits. This would be Phase III of the current State Employee Pay Plan Study.
 - **The goal would be to spend the same dollar amount that the Governor has recommended for state employee pay increases** and for the classified employee longevity bonus payment increase (**\$86.5 million** from all funds, including **\$44.3 million** from the State General Fund).

One Pay Grade Increase for Classes 25% and Greater

Total Employees 1,533
Total Cost Estimate (salary only) \$2,916,752

Class Title	Pay Grade	Hay	Total Emp.
Microbiologist I (-25%)	23	X	4
Microbiologist II	25		19
Microbiologist III	28		7
Total			30
Environmental Tech. I	14		1
Environmental Tech. II (-26%)	19	X	6
Environmental Tech. III	23		57
Environmental Tech. IV (-25%)	26	X	28
Total			92
Legal Assistant (-31%)	19	X	57
Graphic Designer	20		4
Graphic Designer Senior (-26%)	23	X	19
Graphic Designer Spec.	26		9
Total			32
Rehab Support Worker I (-38%)	11	X	4
Rehab Support Worker II	13		1
Rehab Instructor	16		4
Total			9
Storekeeper	9		1
Storekeeper Senior (-25%)	13	X	56
Storekeeper Specialist	16		66
Total			123
Grounds Maint. Sprv. I (-37%)	16	X	8
Grounds Maint. Sprv. II	18		13
Total			21
Power Plant Operator (-29%)	13	X	8
Power Plant Operator Sr.	16		20
Total			28
Plumber (-32%)	16	X	9
Plumber Senior	19		34
Total			43
Electrician (-31%)	16	X	13
Electrician Senior	19		40
Total			53

Lock Systems Specialist (-28%)	16	X	4
Lock Systems Spec. Sr.	19		12
Total			<u>16</u>
Automotive Driver (-35%)	8	X	12
Computer Operator I (-18%)	18	X	17
Computer Operator II	20		39
Computer Operations Sprvr (-31%)	23	X	17
Computer Oper. Facilities Tech.	23		2
Computer Operations Mgr (-36%)	25	X	4
Total			<u>79</u>
Network Control Tech. I	22		5
Network Control Tech. II (-26%)	25	X	16
Network Control Tech. III	27		4
Network Control Supervisor (-16%)	29	X	2
Total			<u>27</u>
Food Service Worker (-11%)	9	X	74
Cook (-11%)	11	X	61
Cook Senior	13		32
Food Service Sprvr. (-16%)	15	X	38
Food Service Sprvr. Senior	17		2
Food Service Mgr (-30%)	19	X	5
Total			<u>212</u>
Custodial Worker (-20%)	9	X	149
Custodial Specialist	11		378
Custodial Crew Leader	11		31
Custodial Supervisor (-22%)	15	X	71
Custodial Supervisor Senior	17		25
Custodial Manager (-27%)	19	X	18
Total			<u>672</u>
Utility Worker (-32%)	10	X	27

Division of Personnel Services
March 2, 2007

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