

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Sharon Schwartz at 9:00 A.M. on January 23, 2008, in Room 514-S of the Capitol.

All members were except:

Representative Pat George - excused

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Reed Holwegner, Legislative Research Department
Cody Gorges, Legislative Research Department
Amy Deckard, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nobuko Folmsbee, Revisor of Statutes
Nikki Feuerborn, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

Neville Kenning, Hay Group
Carol Foreman, Department of Administration
Kathy Greenlee, Secretary, Department on Aging

Others attending:

See attached list.

- Attachment 1 2008 House Budget Committee Deadlines
- Attachment 2 Overview of Pay Plan by Hay Group
- Attachment 3 Proposed Implementation Schedule for Pay Plan
- Attachment 4 Follow-up Response to Committee Questions from Department on Aging

Introduction of Legislation

Representative Bethell moved to introduce legislation for two bills: (1) concerning the transfer of nurses aide registry from the Department of Health and Environment (KDHE) to the Board of Nursing; and (2) transfer of surveyors of long-term care units of hospitals from the Department of Health and Environment to the Department on Aging. The motion was seconded by Representative Holmes. Motion carried.

Representative Feuerborn moved to introduce legislation concerning retirement and pensions for nurses at state hospitals and juvenile justice system. The motion was seconded by Representative Bethell. Motion carried.

2008 House Budget Committee Deadlines

Reed Holwegner, Legislative Research Department, provided the Committee with copies of the 2008 House Budget Committee deadlines for submitting their respective agency budgets to the full Appropriations Committee (Attachment 1).

Review of Proposed Pay Plan

Chair Schwartz recognized Neville Kenning, Hay Group, who presented an overview of the Pay Studies performed by the Hay Group for the 2008 Legislature (Attachment 2). Mr. Kenning stated that the first phase of the project was to conduct a salary survey of private businesses and governmental agencies to analyze salary ranges and actual salaries. From these surveys, the market value of salaries was determined. Mr. Kenning noted that the survey concluded that the salaries of the classified staff were 8 - 10 percent behind the market. In addition, 33 percent of the classified staff was assigned to Step 5 of the current pay plan and not in line with the market. The Hay Group recommends the establishment of five pay plans for the State's classified staff:

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 23, 2008 in Room 514-S of the Capitol.

- Management Pay Plan
- Professional Individual Contributor Pay Plan
- Protective Services Pay Plan
- Basic Vocational Pay Plan
- General Classified Pay Plan

Responding to questions from the Committee, Mr. Kenning stated that the survey by the Hay Group did not look at unclassified staff, employee benefits or productivity. Mr. Kenning noted that the salaries of a few classified positions are above the market average.

Carol Foreman, Department of Administration and Chair of the Pay Commission, continued the discussion and explained that the charge of the Commission was to review overall compensation of state employees and make recommendations for a new pay plan to retain and attract talented workers (Attachment 2). The Commission adopted the following recommendations:

- Transfer from the current matrix to five matrixes.
- Implement the new pay plan over a 5-year period.
- Perform market studies on one-third of the classified staff each year to maintain salaries within the market.
- Develop and implement a new statewide evaluation tool.
- Identify positions as under market and bring those positions to market within the 5-year period.
- Establish a commission to oversee the implementation of the new pay plan.

The Commission presented its findings and recommendations to the Legislature's Special Committee on the State Employee Pay Plan. Ms. Foresman stated that the proposed pay plan is supported by state employees and state agencies. The cost for the base pay with benefits in the new plan will cost an estimated \$84 million over the 5-year period. Ms. Foresman indicated that future market studies are anticipated to keep the pay plan on target. The new pay plan does not address regional differences between the various parts of the State.


A copy of the Proposed Implementation Schedule for the Pay Plan was distributed to the Committee (Attachment 3).

Department on Aging

Kathy Greenlee, Secretary, Department on Aging, informed the Committee that a report resulting from a study performed by the University of Kansas on the demographics of seniors across the State and entitled "Planning for Long-Term Care Services in Kansas" is available from the University of Kansas and may be of interest to Committee members.

Ms. Greenlee introduced Bill McDaniel, Commissioner of Program and Policy, Department on Aging, who presented a follow-up response to questions of Committee members at the joint meeting of House Appropriations and Senate Ways and Means Committees pertaining to the budget review on December 17, 2007 (Attachment 4). Most of the questions were directed at the Medicaid program and included trends in nursing homes as well as home-based services, number of residents, cost trends in the waiver program and information on the Program of All Inclusive Care for the Elderly (PACE) program. Mr. McDaniel noted that there is an increase in the use of home-based services by the elderly.

The meeting was adjourned at 10:40 a.m. The next meeting of the Committee will be held on January 24, 2008.


Sharon Schwartz, Chair

House Appropriations Committee
January 23, 2008
9:00 A.M.

NAME	REPRESENTING
Darrel King	KOSE
Dewayne Tolbert	KOSE
Asst. Dir. Highways	SKIL
Jane Carter	KOSE
HOWARD SMITH	PITTSBURG STATE
Helene Kosmal	SRS
John Dougherty	ESU
Ron Seebert	Idem Law Firm
Carol Reed	SRS
Craig Knowlton	DOFA
Alex Otto	DOFA
Michael Hooper	Kearney
Stacey Worlington	KDA
Ethan Erickson	KDOT
Mike Beecht	GBBA
SUE PETERSON	K-STATE

2008 HOUSE BUDGET COMMITTEES
Agriculture and Natural Resources

Members

Larry Powell, Chair; John Grange, Vice-Chair; **Doug Gatewood, Ranking Democrat**

Clay Aurand; **Sydney Carlin**; Vaughn Flora; Carl Holmes; **Sharon Schwartz**; **Jason Watkins**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Dept. of Health and Environment - Environment	Leah Robinson	2/13/2008
Kansas Corporation Commission	Heather O'Hara	2/20/2008
Citizens' Utility Ratepayer Board	Heather O'Hara	2/20/2008
Animal Health Department	Heather O'Hara	3/6/2008
Kansas State Fair Board	Heather O'Hara	3/6/2008
Board of Accountancy	Cody Gorges	3/7/2008
State Bank Commissioner	Jarod Waltner	3/7/2008
Department of Credit Unions	Cody Gorges	3/7/2008
Securities Commissioner	Cody Gorges	3/7/2008
Board of Veterinary Examiners	Michael Steiner	3/7/2008
Department of Commerce	Reed Holwegner	3/12/2008
Kansas Inc.	Reed Holwegner	3/12/2008
Kansas Technology Enterprise Corp.	Reed Holwegner	3/12/2008
Department of Agriculture	Heather O'Hara	3/13/2008
State Conservation Commission	Heather O'Hara	3/13/2008
Kansas Water Office	Heather O'Hara	3/13/2008
Department of Wildlife and Parks	Julian Efird	3/13/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES

Education

Members

Joe McLeland, Chair; Mike O'Neal, Vice-Chair; Bob Grant, Ranking Democrat

John Faber, **Bill Feuerborn**, Lana Gordon, Deena Horst, **Ty Masterson**, **Tom Sawyer**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Fort Hays State University	Audrey Dunkel	2/21/2008
Kansas State University	Audrey Dunkel	2/21/2008
KSU - Extension Systems and Agricultural	Audrey Dunkel	2/21/2008
KSU - Veterinary Medical Center	Audrey Dunkel	2/21/2008
Emporia State University	Audrey Dunkel	2/21/2008
Pittsburg State University	Audrey Dunkel	2/21/2008
University of Kansas	Audrey Dunkel	2/21/2008
University of Kansas Medical Center	Audrey Dunkel	2/21/2008
Wichita State University	Audrey Dunkel	2/21/2008
Board of Regents	Audrey Dunkel	2/21/2008
Behavioral Sciences Regulatory Board	Aaron Klaassen	3/7/2008
Board of Healing Arts	Aaron Klaassen	3/7/2008
Department of Education	Leah Robinson	3/11/2008
State Library	Aaron Klaassen	3/13/2008
Kansas Arts Commission	Aaron Klaassen	3/13/2008
School for the Blind	J.G. Scott	3/13/2008
School for the Deaf	J.G. Scott	3/13/2008
State Historical Society	Aaron Klaassen	3/13/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES**General Government****Members**

Kevin Yoder, Chair; Kasha Kelly, Vice-Chair; **Harold Lane, Ranking Democrat**

Virginia Beamer, Tom Burroughs, Rocky Fund, Annie Kuether, Charles Roth, **JoAnn Pottorff**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Judicial Council	Reed Holwegner	2/19/2008
Judicial Branch	Reed Holwegner	2/19/2008
Kansas Human Rights Commission	Jarod Waltner	2/20/2008
Department of Administration	Julian Efird	2/22/2008
Governmental Ethics Commission	Kimbra Caywood McCarthy	2/22/2008
Office of the Governor	Leah Robinson	2/25/2008
Lieutenant Governor	Leah Robinson	2/25/2008
Attorney General	Leah Robinson	2/25/2008
Secretary of State	Leah Robinson	2/25/2008
State Treasurer	Aaron Klaassen	2/25/2008
Insurance Department	Cody Gorges	2/25/2008
Kansas Public Employees Retirement System	Julian Efird	2/26/2008
Department of Revenue	Reed Holwegner	3/3/2008
Kansas Lottery	Julian Efird	3/6/2008
Kansas Racing and Gaming Commission	Julian Efird	3/6/2008
Board of Barbering	Kimbra Caywood McCarthy	3/7/2008
Board of Cosmetology	Kimbra Caywood McCarthy	3/7/2008
Kansas Dental Board	Cody Gorges	3/7/2008
Board of Mortuary Arts	Kimbra Caywood McCarthy	3/7/2008
Kansas Board of Hearing Aid Examiners	Kimbra Caywood McCarthy	3/7/2008
Optometry Board	Heather O'Hara	3/7/2008
Board of Pharmacy	Cody Gorges	3/7/2008
Real Estate Appraisal Board	Michael Steiner	3/7/2008
Real Estate Commission	Michael Steiner	3/7/2008
Board of Tax Appeals	Reed Holwegner	3/10/2008
Department of Labor	Cody Gorges	3/12/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES**Legislative Budget****Members**

Sharon Schwartz, Chair; Jene Vickrey, Vice-Chair; Dennis McKinney, Ranking Democrat
Don Dahl, Ray Merrick, Melvin Neufeld, Eber Phelps, Jim Ward

Agency	Fiscal Analyst	Final Appropriations Committee Action
Legislative Coordinating Council	J.G. Scott	3/10/2008
Legislative Research Department	J.G. Scott	3/10/2008
Revisor of Statutes	J.G. Scott	3/10/2008
Legislature	J.G. Scott	3/10/2008
Division of Post Audit	J.G. Scott	3/10/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES**Transportation and Public Safety****Members****Lee Tafanelli, Chair; Mitch Holmes, Vice-Chair; Jerry Williams, Ranking Democrat**Paul Davis, Stan Frownfelter, Tom Moxley, Tim Owens, Jeff Whitham, **Kay Wolf**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Department of Corrections	Jarod Waltner	2/12/2008
El Dorado Correctional Facility	Jarod Waltner	2/12/2008
Ellsworth Correctional Facility	Jarod Waltner	2/12/2008
Hutchinson Correctional Facility	Jarod Waltner	2/12/2008
Lansing Correctional Facility	Jarod Waltner	2/12/2008
Larned Correctional Mental Health Facility	Jarod Waltner	2/12/2008
Norton Correctional Facility	Jarod Waltner	2/12/2008
Topeka Correctional Facility	Jarod Waltner	2/12/2008
Winfield Correctional Facility	Jarod Waltner	2/12/2008
Juvenile Justice Authority	Michael Steiner	2/18/2008
Juvenile Correctional Facilities	Michael Steiner	2/18/2008
Atchison Juvenile Correctional Facility	Michael Steiner	2/18/2008
Beloit Juvenile Correctional Facility	Michael Steiner	2/18/2008
Larned Juvenile Correctional Facility	Michael Steiner	2/18/2008
Kansas Juvenile Correctional Complex	Michael Steiner	2/18/2008
Board of Indigents' Defense Services	Reed Holwegner	2/19/2008
Kansas Department of Transportation	Julian Efirid	2/21/2008
Adjutant General	Aaron Klaassen	3/5/2008
State Fire Marshal	Aaron Klaassen	3/5/2008
Kansas Parole Board	Jarod Waltner	3/5/2008
Highway Patrol	Aaron Klaassen	3/5/2008
Kansas Bureau of Investigation	Aaron Klaassen	3/5/2008
Emergency Medical Services Board	Aaron Klaassen	3/5/2008
Sentencing Commission	Jarod Waltner	3/5/2008
Kansas Commission on Peace Officers' Standards	Aaron Klaassen	3/5/2008
Abstracters Board of Examiners	Michael Steiner	3/7/2008
Board of Technical Professions	Michael Steiner	3/7/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES

Social Services

Members

Bob Bethell, Chair; Peggy Mast, Vice-Chair, **Jerry Henry, Ranking Democrat**

Barbara Ballard, David Crum, **Pat George**, Tom Hawk, **Dick Kelsey**, Marc Rhoades,

Agency	Fiscal Analyst	Final Appropriations Committee Action
Dept. of Health and Environment - Health	Leah Robinson	2/13/2008
Kansas Guardianship Program	Cody Gorges	2/20/2008
Health Care Stabilization Fund Board	Cody Gorges	2/25/2008
Health Policy Authority	Amy Deckard	3/4/2008
Social and Rehabilitation Services	Amy Deckard	3/4/2008
Board of Nursing	Aaron Klaassen	3/7/2008
Commission on Veterans Affairs	Cody Gorges	3/10/2008
Kansas Neurological Institute	Kimbra Caywood McCarthy	3/11/2008
Larned State Hospital	Kimbra Caywood McCarthy	3/11/2008
Osawatomie State Hospital	Kimbra Caywood McCarthy	3/11/2008
Parsons State Hospital	Kimbra Caywood McCarthy	3/11/2008
Rainbow Mental Health Facility	Kimbra Caywood McCarthy	3/11/2008
Department on Aging	Amy Deckard	3/13/2008

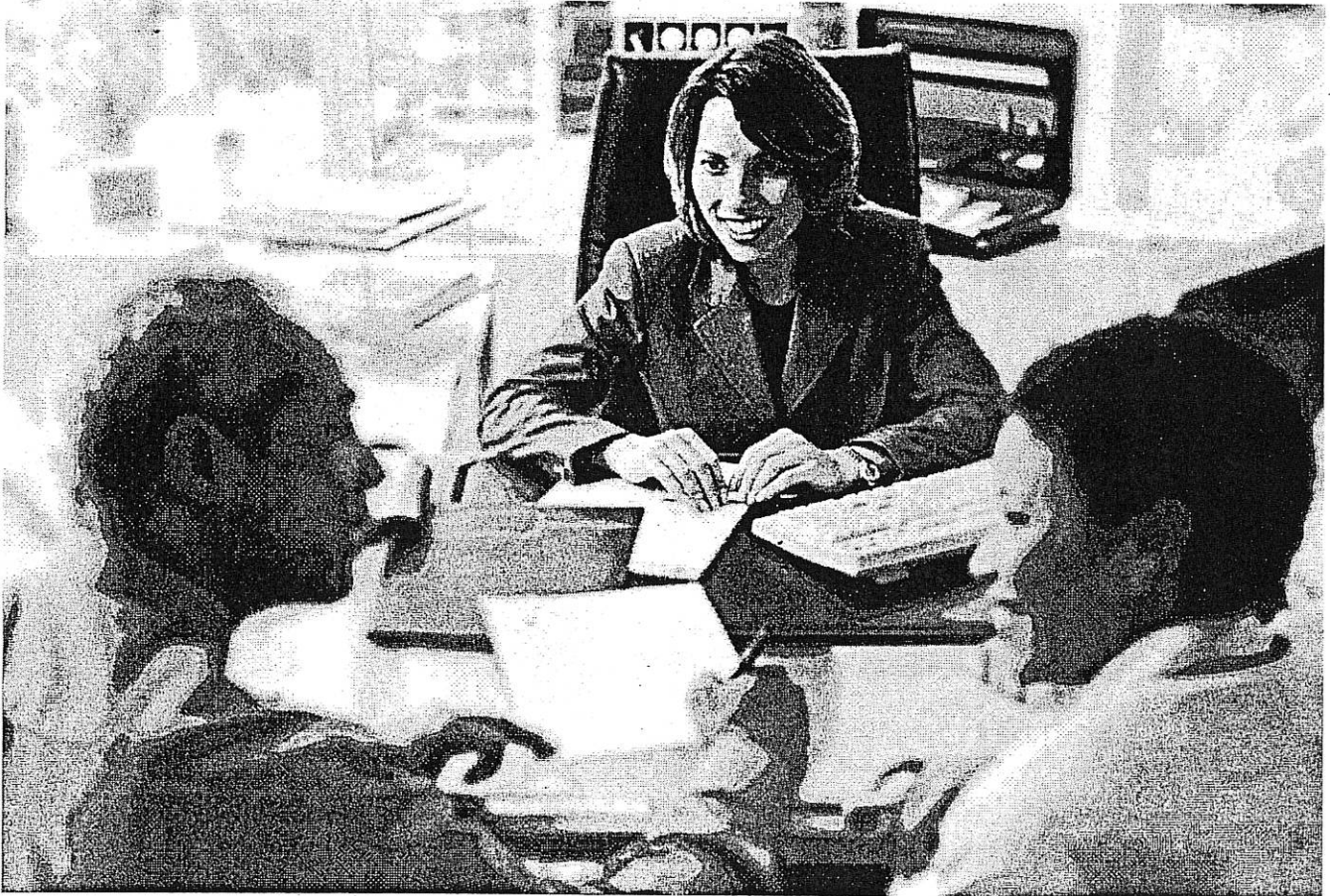
Note: Appropriations Committee members shown in bold.

November 30, 2007

State of Kansas

Report of the Work and Outcomes of the State
Employee Compensation Oversight Commission

HayGroup®



*Neville Kenning
National Director
State Government Consulting
Practice*



HOUSE APPROPRIATIONS

DATE 1-23-2008

ATTACHMENT 2



Contents

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1. Background

The role of the State Employee Compensation Oversight Commission, as established by the Legislature in April 2007, was to develop recommendations for a new pay plan for classified employees to be presented to the 2008 Legislature. The genesis of the work of the Commission was a report on an extensive market survey that was conducted for the State by Hay Group in the latter part of 2006. This showed that the level of competitiveness of both pay ranges and actual pay lagged the market. In addition, concern was expressed by both Legislative and Executive Branch leadership of the wisdom of increasing the funding of a classified pay plan that had not been viewed as being effective due to:

- Being a “one size fits all plan;”
- Step increases not being funded;
- Internal equity issues; and
- A significant passage of time since the plan was last reviewed.

The purpose of this report is to summarize the process by which the Commission did its work and to set out the recommendations unanimously adopted by the Commission on October 15, 2007. Further details on the content of this report can be found in the Hay Group presentations made to the Commission dated September 7, 2007 and October 15, 2007.

2. The Commission at Work

The Commission’s first meeting was in May 2007 and it met at regular intervals through October 15, 2007. The members of the Commission are listed in Appendix A. Consulting services were provided to the Commission by Hay Group. The work of the Commission was guided by two key contextual elements: the model of an effective classification and compensation plan, which is set out in Appendix B, and a Compensation Philosophy adopted by the State Employee Pay Philosophy Task Force in June 2007. This is set out in Appendix C.

During the meetings of the Commission in the period June – October 2007, topics discussed included: an understanding of each of the components of the model set out in Appendix B, a definition and understanding of classification and compensation terms; a presentation on the competitiveness of the benefits plans offered by the State and the proposed compensation plan design. In addition, the Commission heard testimony from interested internal parties on compensation issues and a panel of respected business



leaders and human resources and compensation practitioners from private and public sector organizations within Kansas on their business experiences in undergoing major changes in their compensation plans.

3. Recommended Pay Plans

It was highlighted to the Commission on numerous occasions that the State is a complex employer in terms of the wide variety of the nature of work and the types of classifications in the classified service. The compensation philosophy adopted in June 2007 recognized the need for some common fundamental principles such as fairness but allowed for the flexibility to have multiple pay plans. Accordingly, five pay plans were recommended to the Commission.

Management Pay Plan

- Incumbents of the classifications assigned to this plan are involved in managerial functions of planning, leading, organizing, controlling, motivating and innovating. The actual *supervision* of various activities is largely delegated. Results are achieved through being accountable for the efforts of those they manage.
- Classifications assigned to this plan will be limited to exempt, high level managerial positions. It is estimated that 22 classifications currently with 265 employees will be assigned to this plan.
- The pay range will be based on a market target setting out the stated policy position with the range minimum being 85% of the market target and the range maximum being 120% of the market target.
- Pay movement will be solely based on performance and will also take into consideration the incumbent's position in the salary range.
- Ranges will be adjusted on a regular basis and a salary survey should be done not less frequently than every 3 years to ensure ranges are aligned with the market.

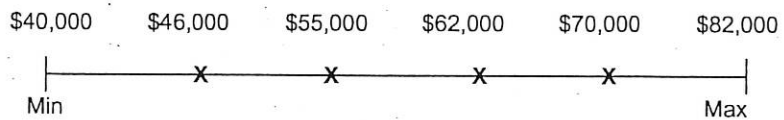
Professional Individual Contributor Pay Plan

- Classifications assigned to this plan are characterized by having the knowledge that requires an understanding of the principles and theories of a professional discipline normally gained through a college curriculum.
- The occupational groups and classifications are also characterized by the high number of PIC's relative to the number of managers in that occupational group. Based on that definition, it is estimated that 133



classifications currently with 2742 employees will be assigned to this plan.

- Pay ranges will be broad banded with market anchors within the bands to reflect different levels of work.
- An illustration of such a banded structure is set out below:



X = Market anchors for different levels of work in the job family

- Pay placement and movement will be determined by assessment against the following criteria:
 - Tenure and experience (it is important to note that the reference to experience must be related to progressive experience, not just time in position);
 - The nature of work being performed;
 - Increased independence of work and judgment exercised;
 - Achievement of pre-determined performance standards;
 - The acquisition and application of further education and training;
 - Demonstration of an increased frequency of undertaking the type and complexity of work associated with the next level in the job family; and
 - Fulfilling a leadership role.
- There will be multiple “plans” within the overall PICPP and it is recommended that Professional Development Committees consisting of representatives of each of the PIC disciplines led by staff from DPS, will provide input on the classification, performance standards and training. These PDC’s will be accountable for reviewing progression requests against the criteria set out above. They will also oversee the professional training and development plans for employees assigned to the plan and for linking training and development to career progression.



Protective Services Pay Plan

- All uniformed officers of the Department of Corrections and Juvenile Justice Authority, troopers of the Kansas Highway Patrol and all classifications that meet the definition of “police officer” or “law enforcement officer” as set out in K.S.A 74-5602 will be assigned to this plan. Based on that definition, it is estimated that 43 classifications currently with 3215 employees will be assigned to this plan.
- Pay ranges will be market based with a target market step. There will be steps on either side of the market target. Movement from entry to market target will be based on the achievement of milestone and certification events such as POST academy. Movement above the market target step will be based on time and performance.
- An illustration of a salary range for a position in this plan is set out below:

Pay Step	1	2	3	4	5	6	7	8	9	10
Difference in Steps		3%	3%	3%	3%	3%	3%	3%	3%	3%
Timing of Step Movement		6 mos.	6 mos.	*1	*1	*1	12 mos.	12 mos.	12 mos.	12 mos.

*1 = To be determined in conjunction with milestones/certifications

- It is recommended that a Committee consisting of leadership of the Agencies in which the classifications assigned to this plan are employed with leadership from DPS, provide input on the administration of the plan.



Basic Vocational Pay Plan

- Classifications assigned to this plan perform structured, routine work which requires basic vocational knowledge and performance can be measured on a pass/fail basis. Based on that definition, it is estimated that 58 classifications currently with 3844 employees will be assigned to this plan.
- Pay ranges will be based on a market target with steps below and above the market target. There will be 9 steps, each 3% apart and movement through the steps below market will be more rapid than for steps above market. The hiring rate will be 88% of market and the range maximum 112% of market.
- An illustration of a salary range for a position in this plan is set out below:

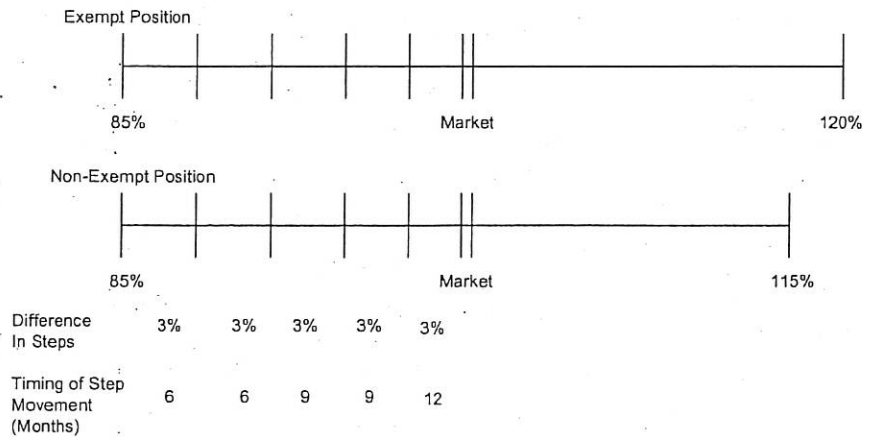
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Pay Step	1	2	3	4	5	6	7	8	9
Difference in Steps		3%	3%	3%	3%	3%	3%	3%	3%
Timing of Step Movement (Months)		6	6	9	9	12	12	12	12

General Classified Pay Plan

- Classifications assigned to this plan will be those that do not fall within the definition and parameters of the other 4 plans. Based on that, it is estimated that 297 classifications currently with 11,920 employees will be assigned to this plan.
- Pay ranges for positions classified as FLSA nonexempt will be based on a market target with the minimum of the range being 85% of market and the maximum of the range being 115% of market.
- Pay ranges for positions classified as FLSA exempt will be based on a market target with the minimum of the range being 85% of market and the maximum of the range being 120% of market.
- The pay ranges will have steps below the market and an open range above the market target.



- An illustration of a salary range for a position in this plan is set out below:



4. Transition to and Implementation of the New Pay Plans

The key to the effective implementation of these plans will require the development and implementation of a State-wide performance management plan. This should be done first. The recommended steps for the development and implementation of a new performance management plan include:

- Formation of a Design Team Task Force;
- Development of the performance management process and documentation;
- Development of training material;
- Identification of trainers and conduct of train-the-trainers;
- Training of managers and supervisors; and
- Roll out of the performance management plan.

It is recommended that this plan be ready for roll out by July 2008.

To achieve the changes required for design and implementation of the new pay plans will require considerable time, resources and effort. Material sent to Commission members on October 11, 2007 from DPS set out comprehensive details on how this will be done on a multi-year basis, starting in July 2008.



During the interim years until full implementation, Hay Group strongly recommends that actions to move classified employees pay closer to market be continued. Funding pay increases in these interim years will significantly enhance the credibility that the State is "serious" about implementing more effective pay plans for classified employees.

In addition, it is strongly recommended that a Commission similar in nature and role to that of the current Commission be continued to provide oversight to the development and implementation of the new plans and the performance management process as well as, upon implementation, ensuring that the plans and processes are being managed and administered in accordance with the State's compensation philosophy.

5. Summary of Outcomes of the Commission

At its meeting on October 15, 2007, the Commission unanimously passed a motion adopting all recommendations contained in the report to the Commission of the same date.



Appendix A

Commission Members

Carol Foreman, Chairperson, Deputy Secretary of Administration

Representative Pat George, Vice-Chairperson

Senator Laura Kelly

Senator Roger Reitz

Senator Vicki Schmidt

Representative Tom Hawk

Representative Lee Tafanelli

Secretary Jim Garner, Kansas Department of Labor

Patricia Henshall, Director of Personnel, Kansas Judicial Branch

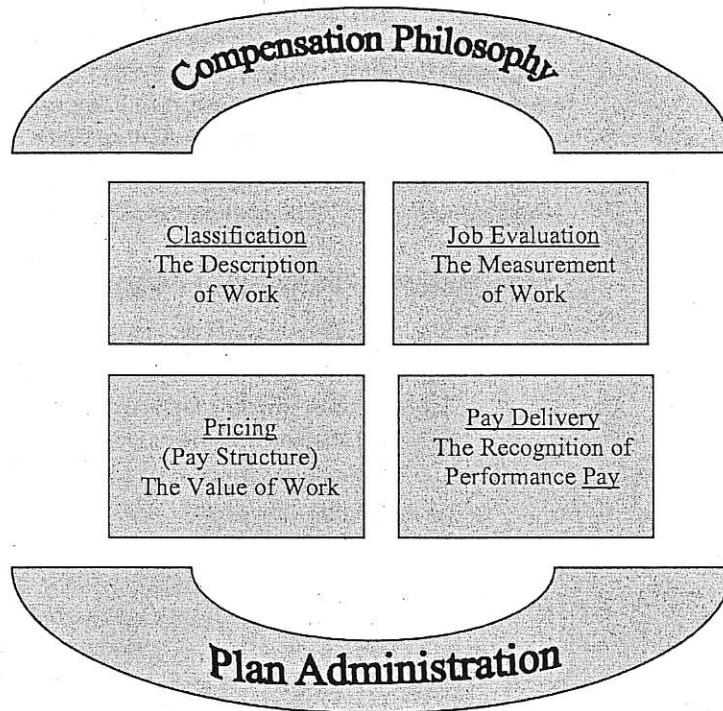
Dr. Richard Lariviere, Prov. & Exec. Vice Chancellor, University of Kansas

George Vega, Director of Personnel Services, Department of Administration



Appendix B

Components of an Effective Classification and Compensation Plan





Appendix C

Compensation Philosophy

Umbrella Statement

The compensation program (compensation and benefits opportunity and delivery) for State employees will be designed to support the mission of the various branches of government and the agencies and departments within those branches. The foundation of the compensation program is to attract and retain quality employees with competitive compensation based on relevant labor markets. The programs will be based upon principles of fairness and equity and will be administered with sound fiscal discipline.

Compensation Philosophy Component Statements

1. The Legislature will be accountable for the adoption of the compensation philosophy and framework. The Executive Branch through delegated authority from the Governor to the Department of Administration will be accountable for the consistent administration of the program for classified employees. Agency Heads will be accountable for proper administration of the program within their Agencies. The Chief Justice, through delegated authority to the Office of Judicial Administration will be accountable for the consistent administration of the program for Judicial Branch employees. The Board of Regents, through delegated authority to the Chief Executive Officer of each campus, will be accountable for the consistent administration of the program for higher education faculty and non-classified employees. The respective appointing authorities will have accountability for the consistent administration of compensation for non-classified employees.
2. The compensation program will be based on consistent principles of fairness throughout the State, yet will be flexible to meet changing needs. This will allow for multiple pay plans to fit different needs and market variables for the different Branches of government and within those Branches.
3. Establishing the value of compensation will be primarily based on establishing the appropriate market value of the job. For positions for which a market value cannot be readily identified, the value of compensation for those positions will be based on a fair, defensible and understandable method.
4. While recognizing that service and tenure yields valued experience, pay delivery mechanisms will be based on a combination of



achievement of performance objectives, recognition of differences in job content, acquisition and application of further skill and education and pay for the achievement of team/unit or department goals.

5. All aspects of compensation (base salary, benefits, lump sum payments, allowances and other variable elements of compensation) will be considered as a total compensation package for State employees. The State's pay programs will utilize both fixed and variable compensation as well as non-cash reward and recognition programs.
6. Total compensation, as defined above, will be targeted at a competitive level when compared to the appropriate labor markets to allow the State to attract and retain the quality and quantity of employees needed to fulfill service commitments to its citizens.
7. The State is committed to ensuring that its salary structures are up to date through the conduct of market surveys at regular intervals. There will be a planned approach to ensure that the classification structure and classification of employees is kept current.
8. The compensation programs will reinforce a work culture and climate where employees are recognized and rewarded for their contribution. Any changes to compensation must be reasonable and take into consideration the needs of the State as an employer, the work culture afforded to the employees as public service providers and the citizens receiving services from the State.

Attachment III

Proposed Implementation Schedule

	FY 2009 *	FY 2010	FY 2011	FY 2012	FY 2013
Group 1 7,758 emp. 152 classes	Preparation & Market Adjustments	Dry Run & Market Adjustments	Implement & Market Adjustments	Maintain	Maintain
Group 2 6,833 emp. 256 classes	Market Adjustments	Preparation & Market Adjustments	Dry Run & Market Adjustments	Implement & Market Adjustment	Maintain
Group 3 7,395 emp. 145 classes	Market Adjustments	Market Adjustments	Preparation & Market Adjustments	Dry Run & Market Adjustment	Implement & Market Adjustment

* FY 2009 will also involve the development and presentation of significant educational activities to inform employees, supervisors and managers of the new employee compensation system and address their questions.

Market Adjustments

Recommendations for market adjustments for jobs within any Group will be part of each year's activities. Market alignment among classes varies substantially at this time. It may take several years of providing adjustments to bring some occupations to market while others may be achieved over a much shorter time period. Employees in some classes which are in Group 2 or 3 may receive market adjustments prior to the first year of their 3-year study cycle. It is our intent to bring each class up to market, or as close to market as possible, by the time the class moves to full implementation on the new plan. Once the classes are implemented, annual market studies will be conducted to identify any need for adjustment in order to maintain market alignment.

First Year Activities

The first year of the 3-year cycle will involve preparation. The preparation will include the review and modification of current job classes; reallocation of positions to the proper job class; development of performance criteria; training on new performance standards and evaluations; and additional education for employees and supervisors. Employees will be compensated under the current system during the first year of the 3-year study for their Group.

Second Year Activities

The second year of the 3-year cycle will involve a "dry run." Employees will be evaluated under the revised performance standards and agencies wi

of Personnel Service with a report detailing the performance evaluation experience; how the agency would have allocated their annual classified employee salary budget; the results of such actions, and proposed changes they believe are needed. Agencies will identify any need for training or changes in the performance review system and make such modifications. Employees will continue to be paid under the new employee compensation system.

Third Year Activities

The third year of the 3-year cycle will involve full implementation for that Group. Employee compensation will be provided on the basis of the new employee compensation system. Jobs within this Group should be aligned with the relevant labor market. State agencies will work with the Division of Personnel Services to identify further modification and actions.

Beyond the Third Year

After jobs are implemented into the new employee compensation system, annual market studies will be conducted to identify any need for adjustments to ensure market alignment. The employee compensation system and the administration of the new system will also be reviewed and evaluated to identify any needs for change.

January 23, 2008

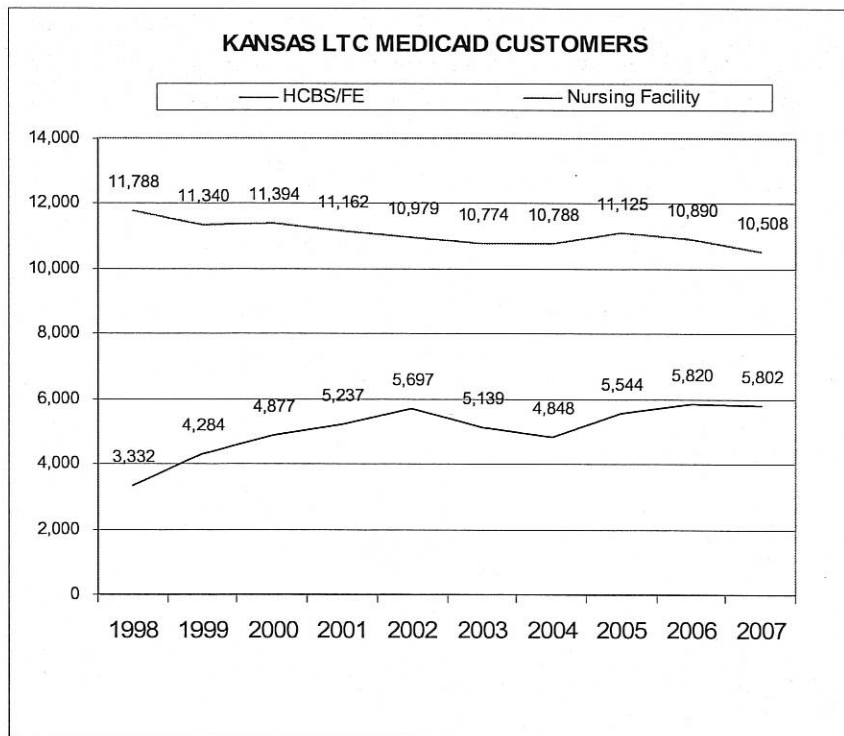
TO: House Appropriations
FROM: Secretary Kathy Greenlee
Bill McDaniel, KDOA Commissioner of Program and Policy
RE: Follow-up Response to the Joint Meeting of House Appropriations and Senate Ways and Means

The following information is provided in response to questions asked during the Dec. 17 joint meeting of the House Appropriations and Senate Ways and Means committees.

Trends over the past 10 years in:

- Number of NF placements
- Number of HCBS-FE recipients

The chart below shows the average number of nursing home residents and HCBS-FE participants from state fiscal year (SFY) 1998 through 2007. In SFY 2003 and 2004, the HCBS-FE caseload dropped while the nursing home caseload increased. This was the result of implementing a waiting list for HCBS-FE services. The program has been fully funded since that time and there have been no waiting lists.

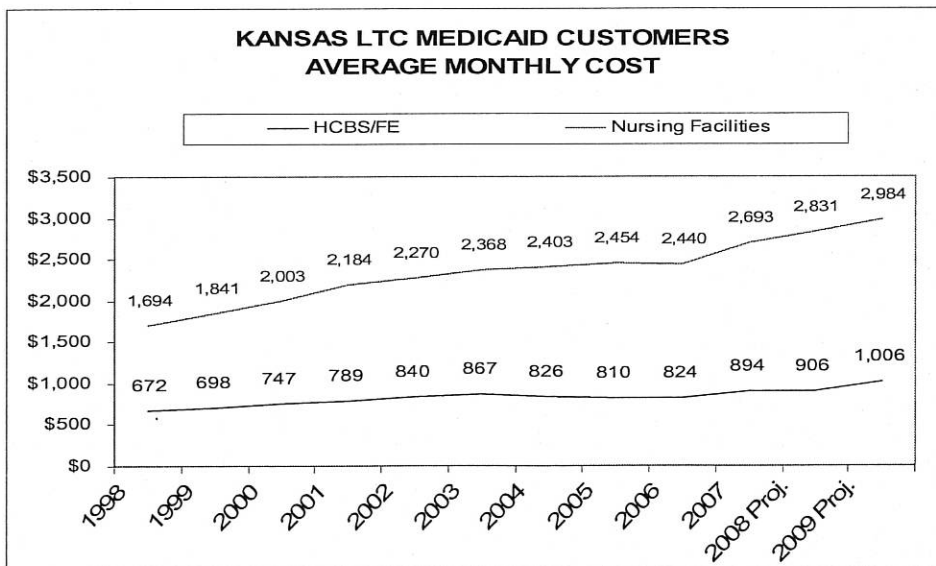


State Fiscal Year	Annual NF Expenditures	Percent	Annual HCBS-FE Expenditures	Percent
1998	\$239,672,873	89.9%	\$26,884,055	10.1%
1999	250,548,241	87.5%	35,898,475	12.5%
2000	273,874,014	86.2%	43,707,935	13.8%
2001	292,510,306	85.5%	49,585,203	14.5%
2002	299,032,025	83.9%	57,459,600	16.1%
2003	306,121,773	85.1%	53,474,142	14.9%
2004	311,088,473	87.3%	45,076,565	12.7%
2005	327,814,229	85.9%	53,877,188	14.1%
2006	318,884,833	84.7%	57,562,192	15.3%
2007	339,593,261	84.5%	62,264,557	15.5%
2008 Proj.	352,500,000	84.3%	65,804,513	15.7%
2009 Proj.	365,000,000	82.4%	77,894,261	17.6%

Provide information on the per/person costs associated with KDOA's Enhancement #1. What is saved per/person?

KDOA Enhancement #1 – Expand Attendant Care Services to (a) include an increase to support 12 hrs of care in the community and (b) provide non-medical/companion assistance to functionally and/or cognitively impaired adults.

The attached chart on the following page shows the actual average monthly Medicaid payment for nursing home care and HCBS-FE services from SFY 1998 through 2007 and the projections through 2008 and 2009. In SFY 2007, the HCBS-FE program saved \$125.3 million by serving seniors in the community versus nursing homes. Based on projections for SFY 2009, the savings increase to \$153.1 million, even while including the cost of the enhancements for the additional four hours of attendant care per day and adding companion services.



Potential Nursing Home Cost Savings in SFY 2007

	Monthly	Annual
Nursing Home Average Cost Per Resident	\$2,693	\$32,316
HCBS-FE Average Cost Per Customer	894	<u>10,728</u>
Average Annual HCBS-FE Savings Per Customer		21,588
Average HCBS-Caseload in SFY 2007		<u>5,802</u>
Total Potential Annual Savings		\$125,253,576

Potential Nursing Home Cost Savings in SFY 2009 with 12 Hours of Care and Companion Services

	Monthly	Annual
Nursing Home Average Cost Per Resident	\$2,984	\$35,808
HCBS-FE Average Cost Per Customer	1,006	<u>12,072</u>
Average Annual HCBS-FE Savings Per Customer		23,736
Average HCBS-Caseload in SFY 2007		<u>6,452</u>
Total Potential Annual Savings		\$153,144,672

Note: All HCBS-FE customers are eligible for nursing home services. The potential savings above are realized because customers are choosing to remain in the community versus moving to a nursing facility. The additional attendant care hours and adding companion services may result in more seniors choosing to remain in their homes utilizing HCBS-FE services rather than go to a nursing facility. The impact is a further reduction in the nursing home caseload and associated costs.

Does the agency have a mechanism to assure the money allocated for increases in provider rates are paid to the staff actually doing the work? Does KDOA track the hourly wage paid to providers?

The approved HCBS-FE waiver has three distinct attendant care services and rates. The services are Level 1 attendant care services, Level 2 attendant care services and self-directed attendant care services. Provider-directed Level 1 services are non-hands-on such as housekeeping, cooking, shopping etc. Provider-directed Level 2 services are hands-on such as bathing, feeding, toileting, etc. Self-directed services may include both Level 1, non hands-on services, and Level 2, hands on service.

The provider directed Level 1 attendant care services has a maximum hourly rate of \$13.24. The provider directed Level 2 attendant care services has a maximum hourly rate of \$14.64. The self-directed attendant care services have a maximum hourly rate of \$12.44. Again, the lower maximum hourly rate for self-directed attendant care is for both hands-on and non hands-on services. A family member providing hands on care is only going to receive the maximum of \$12.44 versus \$14.64 that an agency directed provider can receive. The KDOA pays the attendant care rates based on the services received by the HCBS-FE customer.

Please provide additional information on the Program of All Inclusive Care for the Elderly (PACE), i.e., trends growth, cost/client.

The chart on the next page shows the PACE growth and the average Medicaid monthly participant payment since the inception of the first program in September 2002. Via Christi opened the first PACE site to serve Sedgwick County. The original number of slots for Via Christi was 200. The 2006 legislature approved an additional 75 slots for Via Christi and 75 slots

for a new PACE site in Topeka operated by Care Connections. Care Connections began serving participants in Topeka/Shawnee County and the six surrounding counties in February 2007.

The PACE programs receive Medicaid capitated rates and Medicare pays based on each participant's risk score. The Medicaid capitated rates are negotiated at no more than 95% of what would have paid through fee for service or other reimbursement provisions. PACE can be viewed as a managed long-term care payment methodology.

The PACE services are based on a wellness model in which the program attempts to keep participants in the community. PACE must provide all Medicaid and Medicare services. For example, the Medicaid rate covers the cost of nursing home services if that level of care is needed.

Both KDOA and the Kansas Health Policy Authority (KHPA) participate in the PACE program. The KDOA is responsible for PACE participants aged 65 or older and KHPA is responsible for those aged 55 through 64. The KDOA pays for approximately 70% of the Medicaid cost and the KHPA pays approximately 30%. Please note the monthly Medicaid cost dropped in 2006 with the implementation of the Medicare Part D pharmacy program.

State Fiscal Year	PACE: Participants Enrolled	PACE: Average Monthly Medicaid Cost per participant	HCBS-FE Average Monthly Medicaid Cost per participant	NF: Average Monthly Medicaid Cost per participant
2003: Via Christi	62	\$2,376	\$867	\$2,368
2004: Via Christi	116	\$2,440	\$826	\$2,403
2005: Via Christi	162	\$2,381	\$810	\$2,454
2006: Via Christi	199	\$2,129	\$824	\$2,440
2007: Combined Via Christi and CARE Connections	213	\$1,913	\$894	\$2,693

Will a PACE model of care fit in a very rural environment? Are there plans to issue an RFP for a rural PACE pilot?

There have been past discussions about a PACE site serving Northwest Kansas. However, there has been no formal request to consider funding a project. Five of the seven counties served by Care Connections (excluding Douglas and Shawnee counties) are rural in nature.

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