Approved: March 14, 2008
Date

MINUTES OF THE SELECT COMMITTEE ON STATE EMPLOYEE PAY PLAN

The meeting was called to order by Chairman Pat George at 8:20 A.M. on March 7, 2008 in Room 531-N of the Capitol.

All members were present.

Committee staff present:
- Alan Conroy, Kansas Legislative Research Department
- J. G. Scott, Kansas Legislative Research Department
- Julian Efird, Kansas Legislative Research Department
- Jim Wilson, Revisor of Statutes Office
- Cyndie Rexer, Committee Assistant

Conferees appearing before the committee:

Others attending:
See attached list.

HB 2916 - State officers and employees, salaries and compensation, increases for FY 2009, certain expense allowances and multi-year market adjustments

Jim Wilson, Revisor, briefed the committee on **HB 2916.** He stated that the bill was what the Governor recommended with the addition of a 2.5% COLA and a couple of differences with respect to longevity pay. The bill calls for the design, development and implementation of the five recommended pay plans, development and implementation of new statewide employee performance management system for classified employees, perform market salary surveys on one third of the classified workforce annually, market adjustments to the job classes determined to be significantly below market salary rates and annual base pay rate increase for each person in the classified service. Mr. Wilson spoke of funding appropriations. As requested in the March 6 meeting, Staff provided for the committee with 2 documents that explain market adjustments (Attachment 1) and increases in salaries for state classified employees (Attachment 2).

Chairman George entertained motions.

Representative Tafanelli moved the Select Committee on State Employee Pay Plan recommend **HB 2916** favorable for passage. Representative Hawk seconded the motion.

Representative Hawk made a substitute motion to provide for a $50 longevity bonus for all current employees hired on or before the first pay period of the current fiscal year (June 15, 2008) and will preserve longevity in statute. This amendment would remove the rolling of longevity into base pay and would grandfather in all current employees. Representative Frownfelter seconded the motion. The motion carried.

Representative Tafanelli made a motion to amend by adding the pay philosophy that was part of the Resolution passed out of the Pay Commission and Select Committee on Pay and the guiding principle that drove the pay plan and add the formation of an Oversight Committee composed of 7 members who shall be appointed as follows: (1) One member by the President of the Senate, (2) two members by the Speaker of the House of Representatives (3) one member by the Minority Leader of the Senate, (4) one member by the Minority Leader of the House of Representatives, and (5) two members by the Governor. Representative Grange seconded the motion.

Representative Tafanelli withdrew his amendment and reoffered it with the correction that the Oversight Committee would have at least one member from each legislative body included. Representative Portoff seconded the motion. The motion passed unanimously.

Representative Tafanelli moved the Select Committee on State Employee Pay Plan pass out **HB 2916** as amended favorably. Representative Hawk seconded the motion. The motion passes unanimously.

Chairman George thanked everyone for their diligence and hard work on this bill. Representative Hawk thanked Chairman George for his leadership of the committee.

The meeting was adjourned at 8:45 a.m. On further meetings are planned.

HOUSE SELECT COMMITTEE ON
STATE EMPLOYEE PAY PLAN

GUEST LIST **DATE** March 7, 2008

Your Name	Representing
Howard Smith	Pittsburg State University
Jane Carter	ROSE
Nancy Heckert Daniels	KDOT
Kav Otte	Division of Personnel Services
Kim Fowler	Judicial Branch
Katie Gulbraith	Kearney & Associates
John Dougherty	ESO
DK Prideaux	FHSU

Explanation of Market Adjustments

House Select Committee on the State Employee Pay Plan
March 7, 2008

The process of providing market adjustments is based on the data provided by salary surveys, and the implementation must therefore reflect the methodology of the salary survey that is being used. In our case, the Hay Group's salary survey was based on the actual average wages of employees and was intended to show how the State of Kansas compared with those of other employers.

By using the average pay as the primary comparison, the data captures the pay of all employees at every level of length of service and performance. This allows for the wide range of different salary levels that occur within the relevant labor market for each job class. For example, using the average means that the salaries of brand new employees are captured as are the salaries of an employer's most seasoned or productive employee. By comparing this data to the average from the State of Kansas, which also includes all employees, the comparison can be made on an "apples to apples" basis.

Since this is a five year implementation, salaries will not be fully aligned until year three for each implementation group. In the interim, since the State is so far behind market in many positions, market adjustments are being proposed for those classes determined to be most in need. This adjustment reduces the current inequity in wages between state employees and non-state employees but it will not bring the employees' wage rates up to the market. The practice of moving entire classes preserves what little distribution we currently have within the system while providing an equal adjustment to employees performing the same or similar work. As the result of this adjustment, all employees in that class, regardless of their current position within the pay grade to which that class is assigned, will receive an increase as part of a market adjustment. This is the same methodology used for the increases provided last year.

It is important to remember that this is only the first phase of aligning to market. As additional salary surveys are completed, and more specific job data is obtained, increases will become more strategic. At this point, it is simply not feasible to provide market adjustments on an individual basis. Not only could this potentially amount to 22,000 separate pay adjustments, but it would also result in even more wage compression as employees would all be grouped around the identified market average. Pay grades and ranges provide for rates on either side of the market rate because it is expected, and in fact desirable, that there will be a natural distribution throughout the range.

While the term "market rate" is commonly used to refer to the average rate paid, it also includes those wage rates above and below the average which are competitive for both new, less than fully-proficient employees as well as those outstanding, long-term, highly valued employees. If all employees were paid a single wage rate, lower functioning new employees and highly performing long-term employees would receive the same wage rate which would not reflect the value that they bring to the organization and may in fact create high employee turnover among higher performing employees.

Division of Personnel Services
March 7, 2008

INCREASES IN SALARIES FOR STATE CLASSIFIED EMPLOYEES
FY 1987-FY 2008

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 $,1000	2.2
2001	2.5	--	2.5	$400 to $1,000	2.8
2002	--	1.5 effective 6/10/01; 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 1.25 effective 12/4/05	2.5	$400 to $1,000	3.2
2007	2.5 effective 9/10/06	1.5	4.0	$400 to $1,000	2.4 (est.)
2008	--	2.0[(h] (Plus a one-time bonus payment of $860 paid on December 14, 2007)	4.0 2.0 (4.0 average including bonus payment approved)	$500 to $1,250	2.3 (est.)

Employer Paid Health Insurance Costs

For FY 2008 the employer's paid health insurance costs in the 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	15.77%

* 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 2008 state employees receive ten paid holidays, including a discretionary day.

Select Committee On
State Employee Pay Plan
3-7-08
Attachment 2

Footnotes

* Increase is granted on the employee's anniversary of state service, assuming satisfactory performance.

** Longevity of $40 a year for each year of service for those employees that have at least ten years ($400) of service up to a maximum of 25 years ($1,000). The estimated additional salary on average translates into 1 percent additional pay. The Governor has recommended for FY 2008 an increase in the longevity bonus payment to $50 per year of service, still with the same years of required service (ten-year minimum – $500, and 25-year maximum – $1,250).

*** Consumer Price Index – All Urban Consumers.

a) In addition, salary upgrades for the clerical job series were approved beginning last six months of FY 1987. (Phase I of salary upgrade program.)

b) Plus salary upgrades for the mechanics, repairers, and operators job classes, and for registered nurses and licensed therapists; all effective mid-FY 1988. (Phase II of salary upgrade program.)

c) Plus salary upgrades for employees in direct care and other service worker classes (effective mid-FY 1989). (Phase III of salary upgrade program.)

d) Plus salary upgrades for security and law enforcement personnel. (Phase III of salary upgrade program.) The Legislature also replaced the three-year time-on-step requirement for steps above step D in each pay range with a one-year requirement and added two additional steps at the top of each pay range. An employee starting at step A should reach the top step after 13 years of elapsed time instead of the previous 23 years, assuming no changes occur in the employee's pay range assignment.

e) Plus salary upgrades for licensed practical nurses.

f) Plus salary upgrades for employees in health, scientific, and engineering job classes (effective 6/18/93), and information technology job classes (effective 12/18/93).

g) Plus salary upgrades for accountants and auditors, human resource professionals, purchasing and marketing professionals, general administrative job classes, social scientists, attorneys (effective 6/18/94), and of management classes (effective 12/18/94).

h) Plus a 5.0 percent targeted base increase, effective at the beginning of FY 2008, for classified employees who are more than 25 percent below market rate, based on the recent Hay Compensation Study. The increase will move targeted classified employees up one pay grade, remaining on the same pay step. The increase would apply to 1,533 classified employees. Job classes include: microbiologists, environmental technologists, legal assistants, graphic designers, rehabilitation support workers, storekeepers, grounds maintenance supervisors, power plant operators, plumbers, electricians, lock systems specialists, automotive drivers, computer operators, network control technicians, food service workers and supervisors, cooks, custodial workers and supervisors, and utility workers.