

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:07 a.m. on April 29, 2009, in Room 143-N of the Capitol.

All members were present except:

Representative Mitch Holmes
Representative Kasha Kelley
Representative Harold Lane

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
Jim Wilson, Office of the Revisor of Statutes
Christina Butler, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Kelly Cure, Chief of Staff
Kathy Holscher, Committee Assistant

Conferees appearing before the Committee:

None

Others attending:

See attached list.

Representative Kleeb requested the introduction of legislation regarding the transparency and accountability of the State Spending Act. Representative Watkins made a motion to introduce legislation as presented by Representative Kleeb. The motion was seconded by Representative Watkins. Motion carried.

Kraig Knowlton, Division of Personnel Services, presented an overview of Considerations Regarding Furloughs, (Attachment 1). The duration of a furlough consists of either a set number of hours taken over the course of a fiscal year or during a pay period. Issues regarding the Fair Labor Standards Act (FLSA) were reviewed, especially in respect to exempt employees. The US Department of Labor stance is that exempt employees that are furloughed should be converted to non-exempt status for the entire duration of the furlough. Other concerns regarding furloughs included: job classifications and duties; employee moral; and the current pay plan.

Mr. Knowlton responded to questions from Committee members. He stated that employees wages paid in part by federal dollars would need to be considered, and he expressed the need for flexibility within agencies.

George Vega, Director of Personnel Services, presented information on the Management of Reduced Budgets, (Attachment 2). He discussed layoffs and closures, and the increased demands on agencies and staff members in response to increased needs. The department's position is to allow agency managers to use their knowledge and expertise to manage their agency, while focusing on ways to cut costs with the least amount of impact to services and programs.

Mr. Vega responded to questions from Committee members. He stated that furloughed employees could not use vacation or sick leave during this time. Agencies have the flexibility to implement furloughs and layoffs. As of FY 2008, a total of 139 employees have been effected by layoffs, resulting in increased staff work loads. He noted that the legislature would have the authority to roll back salaries.

Jim Wilson, Office of Revisor of Statutes, reviewed the Kansas Constitution regarding State Officer Compensation, (Attachment 3). Executive officers, justices and judges compensation, established by law, shall not be diminished during their terms of office unless by general law applicable to all salaried officers of the state. Members of the legislature receive compensation as provided by law or as determined according to law.

Mr. Wilson responded to questions from Committee members. He stated that a general bill would be required to reduce compensation for officers of the state. Other considerations included contractors, employee wages paid by federal grant dollars, and federal laws that may govern policies.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:07 a.m. on April 29, 2009, in Room 143-N of the Capitol.

The meeting recessed at 9:55 a.m.

Committee Meeting Reconvened at 10:55 a.m.

Don Jordan, Secretary of Social and Rehabilitation Services, presented information on the Department of Social and Rehabilitation Services State Employee Furloughs, ([Attachment 4](#)). Anticipating revenue shortfalls in FY 2008, the agency began taking measures to address staffing issues by reducing overtime and holding vacant positions open. 44 percent of salaries are from SGF, while other salaries are funded in part or fully by federal dollars. Since April, 2009 there are 925 vacant positions and caseloads have increased. Over 58 percent of the workforce provides direct services, and the challenges furloughs would create was discussed.

Secretary Jordan responded to questions from Committee members. He stated that total budget cuts to date represent \$44 million in SGF, which does not include reductions for FY 2010. Overtime issues for non-exempt employees was reviewed.

Secretary Jordan reviewed the Omnibus List of Potential SRS/Hospitals FY 2010 Reductions, ([Attachment 5](#)), and the FY 2010 SRS Governor's Budget Recommendations, ([Attachment 6](#)). This information reflects agency reductions at 2.5, 3.0 and 5.0 percent. He noted that salaries have not been cut as staff vacancies have off-set this reduction, while staff work loads have increased. The mission of this agency was reviewed and it was recommended that agency heads should have the discretion to manage any reductions to budgets. All vacancies were due to attrition, and efforts are on-going to monitor staffing issues, budget cuts and minimizing the impact on programs.

Jane Carter, Executive Director, Kansas Organization of State Employees (KOSE), presented testimony in opposition to the State Employee Furlough Proposal, ([Attachment 7](#)). The impact of furlough and reduction in wages on employees was emphasized. State of Kansas employees rank 26th out of 26 states for benefits, according to the central States Survey. One in three state employees are more than 25 percent below market in wage comparisons and caseloads have substantially increased. Low wages, poor benefits and employee morale continues to be a concern in the state workforce.

Jane Carter responded to questions from Committee members regarding preferred options to address budget reductions. Suggestions included an analysis of the State's pay structure, the preference of furloughs over layoffs and input from employees to identify cost cutting areas. Ms. Carter gave a brief overview of (KOSE).

Meeting adjourned at: 12:00 p.m.

Next meeting on call of the Chair.



Kevin Yoder, Chairman

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 4-29-09

NAME	REPRESENTING
SEAN MILLER	CAPITOL STRATEGIES
Jan Brant	KSC
Larry R. Baser	LKM
Marilyn Spack	DPA
Ligh Keck	Hein law firm
Pat Kuester	KOHE
Kraig Knowlton	Dept of Admin
Bill Schopf	KDOL
Dan Jode	SRS
Sara Belfry	Kansas Chamber
Nancy Bryant	KSOS
Mark Tallman	KASB
Jane Carter	KOSB
C. Wheelen	HCSF

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 4-29-09

NAME	REPRESENTING
R Clements	Child Welfare Center
Steve Solomon	TFI Family Services
Dusty Buell	Yocethville
Matt Casey	GBA
Jen Bruning	KsBio
Sherrylene Jones-Sontag	AAMS
Lindsay Holwick	Kansas Bioscience Authority
Jim Conant	KSOR
JEREMY S BARCLAY	KDOC
Marie Desetti	KNEA
LA Mat	KEMER & Assoc.
Bud Stauffer	Carter Group
Amy Campbell	KMH

Considerations Regarding Furloughs

Before the House Committee on Appropriations
April 29, 2009

By Kraig Knowlton
Division of Personnel Services
Department of Administration

Definition of furlough - Pursuant to K.A.R. 1-14-11, "furlough" is defined as leave without pay for a preset number of hours during each pay period covered by the furlough plan.

General Issues

- A furlough can be of whatever duration best fits the needs of the enterprise, but generally take one of two forms:
 - A set number of hours of furlough required to be taken over the course of a fiscal year (i.e., one day per pay period or month); or
 - Requiring all hours of a furlough be taken in a relatively short period of time (i.e., reduce all employees to half time for a set number of pay periods, or even completely eliminating hours in pay status for a workweek or pay period).
- The impact on employees' annual pay is the same, but the timing can have tremendous impact.

FLSA Issues

- It is important to note that we have been notified that the United States Department of Labor (US DOL) will be paying very close attention to the way that the State of Kansas administers any furlough.
- As a result, the biggest issue with respect to furloughs are the FLSA issues that result from the furlough of exempt employees
- Exempt employees are those employees who are not eligible for overtime compensation due to the nature and type of duties that they perform and receive a bi-weekly salary as opposed to hourly compensation.
- Pursuant to Federal regulations, exempt employees must receive the full salary for any week in which the employee performs any work without regard to the number of days or hours worked.
- After speaking with staff from US DOL in Washington D.C. and then confirming the information with the Regional office in Kansas City, due to the number of potential pitfalls and the close scrutiny of US DOL, the safest way to proceed during a furlough is to convert exempt employees to non-exempt (i.e., hourly employees who are eligible for overtime) for the entire duration of the furlough.
- US DOL specifically informed us that flipping an employee from exempt to non-exempt over the course of a furlough would not be tolerated.
- This makes a long-term furlough (i.e., one day furlough per pay period or month) very difficult as exempt employees would be required to be non-exempt the entire time.
- This essentially means that employees who are regularly expected to work more than 40 hours to complete the duties assigned to them must either stop working when they reach the allotted number of hours or earn overtime if they are required to complete the work.

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Essential vs. Non-Essential Staff

- Due to the unique nature of services provided by government agencies, it is simply not feasible to furlough all employees.
- It is recognized that employees considered essential will not be included as part of a furlough, but it is vital that it be determined which employees are to be considered essential, or at least who will be responsible for making that decision.
- If furloughs are to be required in FY2010, it is imperative that the issue of which employees are to be considered essential is determined in advance of implementation.
- This determination can be made on a classification basis, by particular position responsibilities (dependent on the timing of the furlough) or can be left to the discretion of agencies.
- It is also important to remember that the distinction between “essential” and “nonessential” employees is likely to have a significant impact on employee morale.
- This is due to the fact that one group would be forced to endure a reduction in compensation while the other group is essentially untouched and in many cases, these employees will be working side-by-side on non-furlough days.

Furlough for Non-Exempt/Reduction in pay for Exempts

- One proposal the Committee explored last week was to furlough non-exempt employees and simply reduce the pay of exempt employees in a comparable amount.
- While this would certainly address the FLSA issues mentioned above, the limitations of the current pay plan could cause problems.
- Since classified employees must be paid within a particular pay range, and many of the State’s employees are at the beginning (i.e. Steps 4 or 5) of their pay range due to the lack of step movement, there is only a limited amount of reduction of pay possible with the current pay plan.
- In order to accommodate a reduction of pay for exempt employees in concert with a furlough of non-exempt employees, additional steps would have to be added to the beginning of each pay grade to allow employees to be “slid down” to accommodate the reduction in pay.
 - NOTE – An across the board reduction of the pay matrix would accomplish a reduction for all employees, exempt and non-exempt, which would alleviate the need for a furlough.
- Given the findings of the Hay Group and the recent work toward the new pay plans for State employees, this would be a significant step backward.
- This would also be a potential source of morale problems as a pay reduction would require employees to work the same hours and have the same duties, just for a lower rate that, in many cases, has already been found to be significantly below market.
- In the event of a combination approach where furloughs would be required of non-exempt employees and exempt employees would have their salaries reduced, this could also be a potential morale issue as exempt employees would be required to continue to work their same duties (likely exceeding 40 hours per week) while non-exempt employees would have their hours and duties reduced, all to the same monetary effect.

- Such an arrangement could also be problematic from an FLSA standpoint as it could result in exempt employees who are required to take on duties of their non-exempt coworkers could have their overall duties so altered that they would be considered non-exempt as well.
- For unclassified employees, a salary reduction would NOT require any modification to the system as they are not required to be paid on a pay range or step.

Branches of Government

- The regulations regarding furlough pertain to all classified employees in the Executive Branch, including Regents employees.
- With respect to the FLSA, the Executive and Judicial Branches are covered by the Federal FLSA rules as discussed above and are considered to be one employer by US DOL.
- However, given the differences between the Executive and Judicial Branches, we would not presume to speak for them with respect to furloughs for their employees.
- The Legislature is not covered by the FLSA, so could furlough employees without this concern.

Management of Reduced Budgets

Before the House Committee on Appropriations
April 29, 2009

By George Vega, Director
Division of Personnel Services
Department of Administration

Mr. Chairman, members of the committee, my name is George Vega and I am the Director of the Division of Personnel Services of the Department of Administration. Thank you for the opportunity to appear before you today.

I'm here because you are discussing a mandatory, across-the-board furlough for state employees. A furlough is a reduction of hours of work of employees for a preset number of hours over a particular period of time covered. For the State, the reduction of hours is measured per pay period.

While a furlough is most certainly one of the tools available to the State of Kansas at this time, it is important to remember that is not the only tool available and, is in fact one that we would only consider as a choice of last resort.

There are three primary reasons why furloughs are a choice of last resort for the State of Kansas. First, while the private sector may suffer because of a loss of demand for products and services during a weak economy, demand for services actually grows for many state agencies in a weak economy.

Second, no matter what savings are produced as a result of a furlough, it is imperative to remember that by its very nature, a furlough will result in reduced services to the State's customers. When taken into consideration with the point above, by implementing mandatory furloughs, the State would be reducing the availability of services to its customers when the need for those services was actually growing.

The third reason why furloughs are a choice of last resort is that managing furloughs without violating Federal labor laws can be an awkward and complicated undertaking. We work closely with the US Department of Labor and we are aware they are watching the application of furloughs by State governments very closely. The steps that have to be taken to safeguard against violations of the Fair Labor Standards Act (FLSA) during a furlough are risky, to say the least.

Even with these concerns, we are aware that some State agencies and managers have considered implementing a furlough. As noted above, a furlough is one of many tools and like all tools, it is better for some situations than it is for others. In the right circumstances, a furlough can be a very effective tool for a particular agency, office or program but an across the board furlough is a rather blunt instrument compared to more precise tools available to managers.

Since last spring, when Governor Sebelius ordered State agencies to cut their '09 budgets by a total of three percent, managers have used many of the tools available to them to cut costs.

Examples of other tools that have been implemented include:

- Limitations on hiring of employees to certain essential and mission-critical positions (e.g., direct service positions, security, positions to maintain key systems, or positions that carry out

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the agency's core purpose or responsibilities that are statutorily required.) For most agencies today, hiring is done by exception.

- A complete "hiring freeze," which is the complete cessation of hiring employees altogether.
- Elimination of temporary positions (e.g., the Department of Revenue eliminated temporary positions during the height of the tax season and employees from non-tax divisions have been used to make up the difference.)
- Move employees from their normal positions to mission-critical positions.
- Consolidation of duties with vacant positions.
- Halt or reduce travel or stop paying travel and per diem to employees who travel to certain meetings.
- Elimination or delay of activities and meetings.
- Termination of certain contracts.
- The closure of facilities or the termination of programs.

All of these are cost cutting tools available to State agencies and managers, and all of them are being contemplated or have been implemented. For example, along with furloughs, layoffs are the other cost-cutting tool that is focused on most often with respect to the State workforce.

Since the beginning of FY2008, there have been a total of 139 employees impacted by layoff in a total of ten agencies. Of particular note, JJA closed its Atchison facility and KDOC has closed three facilities at Osawatomie, Stockton and Toronto. We know that additional budget cuts will be made in FY 2010 and we anticipate other layoffs as a consequence.

My point here today is for the Committee to remember that there are many options available for State agencies to utilize in reducing costs, and that certain options fit better for certain agencies. For example, an agency can decide to layoff one high-paid employee in order to keep two lower-paid employees available to deliver services. Conversely, in another situation, a manager can use a furlough as a tool to keep certain employees rather than lay them off if the need for savings is temporary and the program will remain intact.

An across the board approach is quite simply not in the best interests of the State. Kansas government employees and managers have responded to the challenge of reduced budgets and increased demand for services magnificently thus far and we laud their performance to this end. Managers have detailed information available to them to focus the cost-cutting where savings efforts are more effective and will create the least harm to services and programs. Managers know how much money to cut in order to live within their respective budgets and they have the ability to act in precise ways to achieve the savings.

We understand the need for agency budgets to be reduced. The Department of Administration's position is this: set the budgets and allow agency managers to use their knowledge, expertise and all of the tools available to them to manage them. If you cut the budgets by the amount you determine necessary, state managers will take the necessary and appropriate actions to stay true to their mission within their respective budgets.

Thank you for this opportunity to share the position and perspective of the Department of Administration.

KANSAS CONSTITUTION
Selected Provisions Regarding State Officer Compensation

Article 1. – EXECUTIVE

§ 1. **Executive officers; selection; terms.** The constitutional officers of the executive department shall be the governor, lieutenant governor, secretary of state, and attorney general . . .

§ 15. **Compensation of officers.** The officers mentioned in this article shall at stated times receive for their services a such compensation as is established by law, which shall not be diminished during their terms of office, unless by general law applicable to all salaried officers of the state. Any person exercising the powers and duties of an office mentioned in this article shall receive the compensation established by law for that office.

Article 2.– LEGISLATIVE

§ 3. **Compensation of members of legislature.** The members of the legislature shall receive such compensation as may be provided by law or such compensation as is determined according to law.

Article 3.– JUDICIAL

§ 13. **Compensation of justices and judges; certain limitation.** The justices of the supreme court and judges of the district courts shall receive for their services such compensation as may be provided by law, which shall not be diminished during their terms of office, unless by general law applicable to all salaried officers of the state. . . .

[emphasis added]

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DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

Don Jordan, Secretary

House Appropriations Committee

April 29, 2009

State Employee Furloughs

For Additional Information Contact:
Katy Belot, Director of Public Policy
Docking State Office Building, 6th Floor North
(785) 296-3271

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House Appropriations Committee State Employee Furloughs

Chairman Yoder and members of the committee, thank you for the opportunity to testify regarding the possible furlough of state employees. Furloughs have been proposed as a way to save money across state agencies. However, for several reasons I would ask that the Legislature give agency heads discretion to manage any reductions.

SRS anticipated revenue shortfalls and began closely managing positions in January 2008. Hiring decisions received more scrutiny, positions were held open, and overtime was reduced. By spring 2008, deputy secretaries were approving all hiring decisions. In November 2008, we implemented an agency-wide hiring freeze, exempting direct care positions at the state hospitals. As of April 24, SRS has 6,428 approved positions and 925 vacancies, including state hospitals.

Since January of 2008, vacant positions at SRS have increased by more than 50%:

January 2008	June 2008	January 2009	April 2009
591	874	882	925

Federal funds finance a significant proportion of the salaries in SRS. Some positions are 100 percent federally funded, while others are paid through a mix of federal and state funds. In the aggregate, 44 percent of the salary funding in SRS is from the State General Fund.

Fifty eight percent of our workforce provide direct services. Direct services include determining eligibility for programs, distributing benefits, responding to reports of abuse and neglect, and providing direct care in the state hospitals.

- State hospitals operate around the clock, every day of the year and must meet minimum staff ratios to ensure safe and effective care.
- Child Protective Services staff must respond to reports of abuse and neglect quickly. Thirty five percent of reports require a same-day investigation and another 42 percent require an investigation within 72 hours.
- Caseworkers need to process benefits in a timely manner to ensure that families who need food or cash assistance receive it, and to comply with federal regulations. Failure to meet guidelines for accuracy and timeliness can result in penalties or the loss of federal matching dollars. These workers are dealing with a 19 percent increase in the food assistance caseload over the past year, which will further increase as unemployment benefits begin to run out. The agency also projects there will be a 15 percent increase in Temporary Assistance to Families (TAF) cases in FY 2010.

Furloughs create challenges in all of the above areas. One employee's absence greatly increases the likelihood that another will have to put in overtime because the work cannot wait. Employees working overtime choose whether to receive compensatory time or pay, at a time-and-a-half rate.

When it is not cost-effective to furlough some employees, it creates questions of equity and morale for other employees who face a mandatory five percent reduction in pay. I would ask, in lieu of furloughs, that agency heads be given the discretion to manage reductions to our budgets, including any reductions in salaries and wages. I believe this is necessary to distribute the workload and workforce in a way that ensures critical services are maintained.

Omnibus List of Potential SRS/Hospitals FY 2010 Reductions

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<i>Priority</i>	<i>Description</i>	<i>SGF</i>	<i>Federal Funds</i>	<i>All Funds</i>	<i>Average Monthly Clients Affected</i>	<i>FTE Affected</i>	<i>Cumulative SGF</i>	<i>Cumulative Percentage</i>
1	Eliminate CDDO State Aid	1,163,174	--	1,163,174	2,324		1,163,174	0.26%
2	Reduce Mental Health Grants	2,500,000	--	2,500,000	890	2,809	3,663,174	0.83%
3	Reduce Substance Abuse Grants	1,400,000	--	1,400,000	475 Annual		5,063,174	1.14%
4	Eliminate Community Medication Program	1,050,000	--	1,050,000	212		6,113,174	1.38%
5	Reduce General Assistance (GA) monthly cash grant to \$100	1,470,432	--	1,470,432	3,231		7,583,606	1.71%
6	2.5 percent salaries reduction	1,854,417	2,340,824	4,195,241		85	9,438,023	2.13%
7	Reduce DD Day & Residential and Family Support Grants	1,625,000	--	1,625,000	966		11,063,023	2.50%
<i>Everything above this line represents a 2.5 percent reduction</i>								
8	.50% salary reduction		468,165	839,048		17	11,433,906	2.58%
9	1.25% Rate Reduction on the Waivers	1,987,337	--	1,987,337	None		13,421,242	3.03%
<i>Everything above this line represents a 3.0 percent reduction</i>								
10	.75% Rate Reduction on the Waivers	1,192,402	--	1,192,402	None		14,613,644	3.30%
11	Close Rainbow; Move Clients to Osawatomie State Hospital (OSH)	370,000	--	370,000	Clients would be moved to OSH	5	14,983,644	3.39%
12	Eliminate Funeral Assistance		--	520,000	1,200 Annual		15,503,644	3.50%
13	Additional 2.0 percent salaries reduction	1,483,534	1,872,659	3,356,193		68	16,987,178	3.84%
14	Reduce DD Day & Residential and Family Support Grants	5,125,000	--	5,125,000	2,546		22,112,178	5.00%
<i>Everything above this line represents a 5.0 percent reduction</i>								

5	Reduce Mental Health Consolidated Grants	3,625,000		3,625,000	1,290		25,737,178	5.82%
16	Reduce DD Day & Residential and Family Support Grants	2,000,000	--	2,000,000	1,189		27,737,178	6.27%
17	Close Unit at KNI	567,500	4,032,976	4,600,476	80	246	28,304,678	6.40%
18	Eliminate Rehabilitation Center for the Blind and Visually Impaired	158,885	587,055	745,940	50 annual	24.12	28,463,563	6.43%
19	Reduce Family Centered Systems of Care	2,500,000	--	2,500,000	864		30,963,563	7.00%
<i>Everything above this line represents a 7.0 percent reduction</i>								
20	Eliminate Remaining General Assistance (Cash)	3,176,480	--	3,176,480	3,231	-	34,140,043	7.72%
21	Eliminate General Assistance Mental Health	4,137,618	--	4,137,618	3,231		38,277,661	8.65%
22	Eliminate Centers for Independent Living Grants	1,715,436	318,596	2,034,032	17,930		39,993,097	9.04%
23	Reduce Substance Abuse Grants	1,000,000	--	1,000,000	339		40,993,097	9.27%
24	Eliminate Keys and NAMI Grants	300,000	--	300,000	None		41,293,097	9.34%
25	Reduce Family Preservation	1,000,000	--	1,000,000	252		42,293,097	9.56%
26	Reduce Early Head Start	1,939,965	1,818,632	3,758,597	661		44,233,062	10.00%
<i>Everything above this line represents a 10.0 percent reduction</i>								

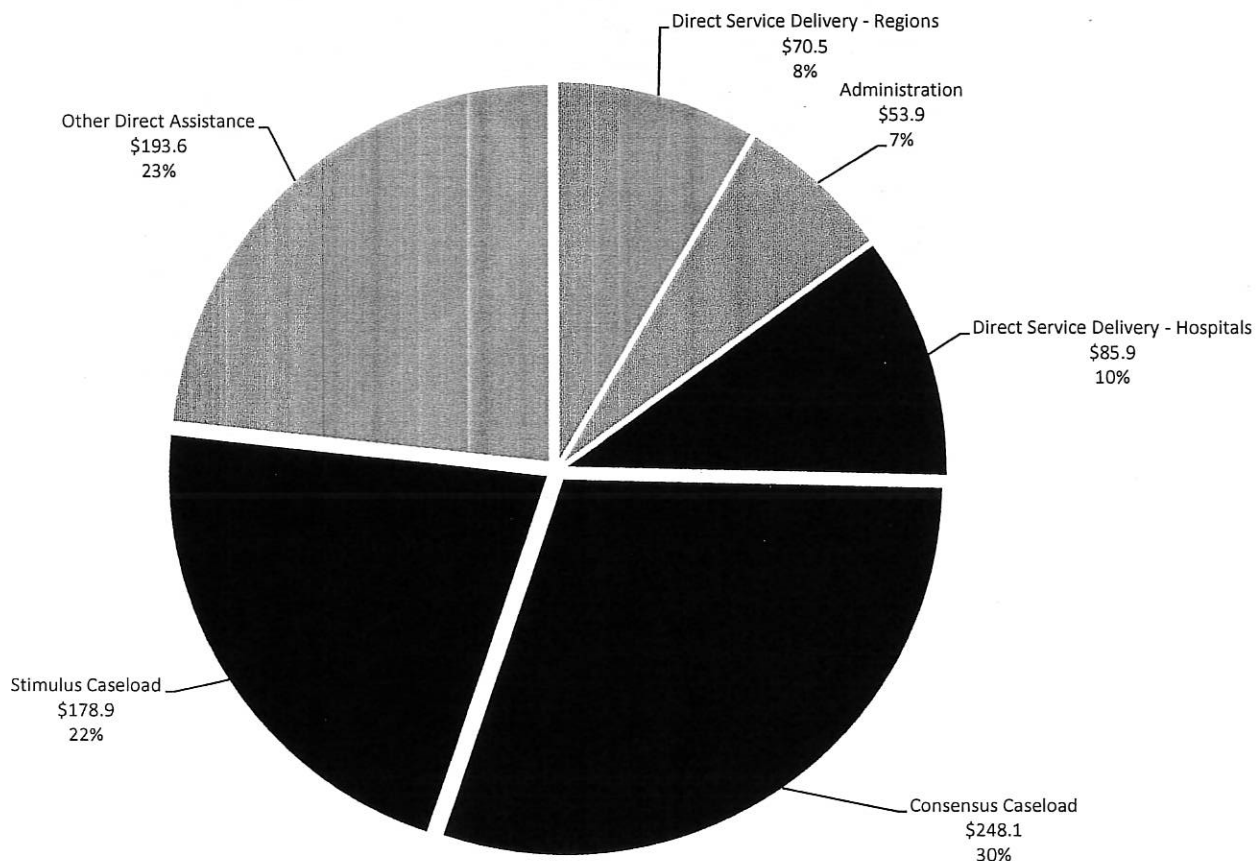
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**FY 2010 SRS Governor's Budget Recommendations including State Hospitals
State General Funds (in millions)**

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Consensus programs:

- Temporary Assistance for Families
- General Assistance
- Community Support Services
- Mental Health Services
- Substance Abuse

Stimulus programs:

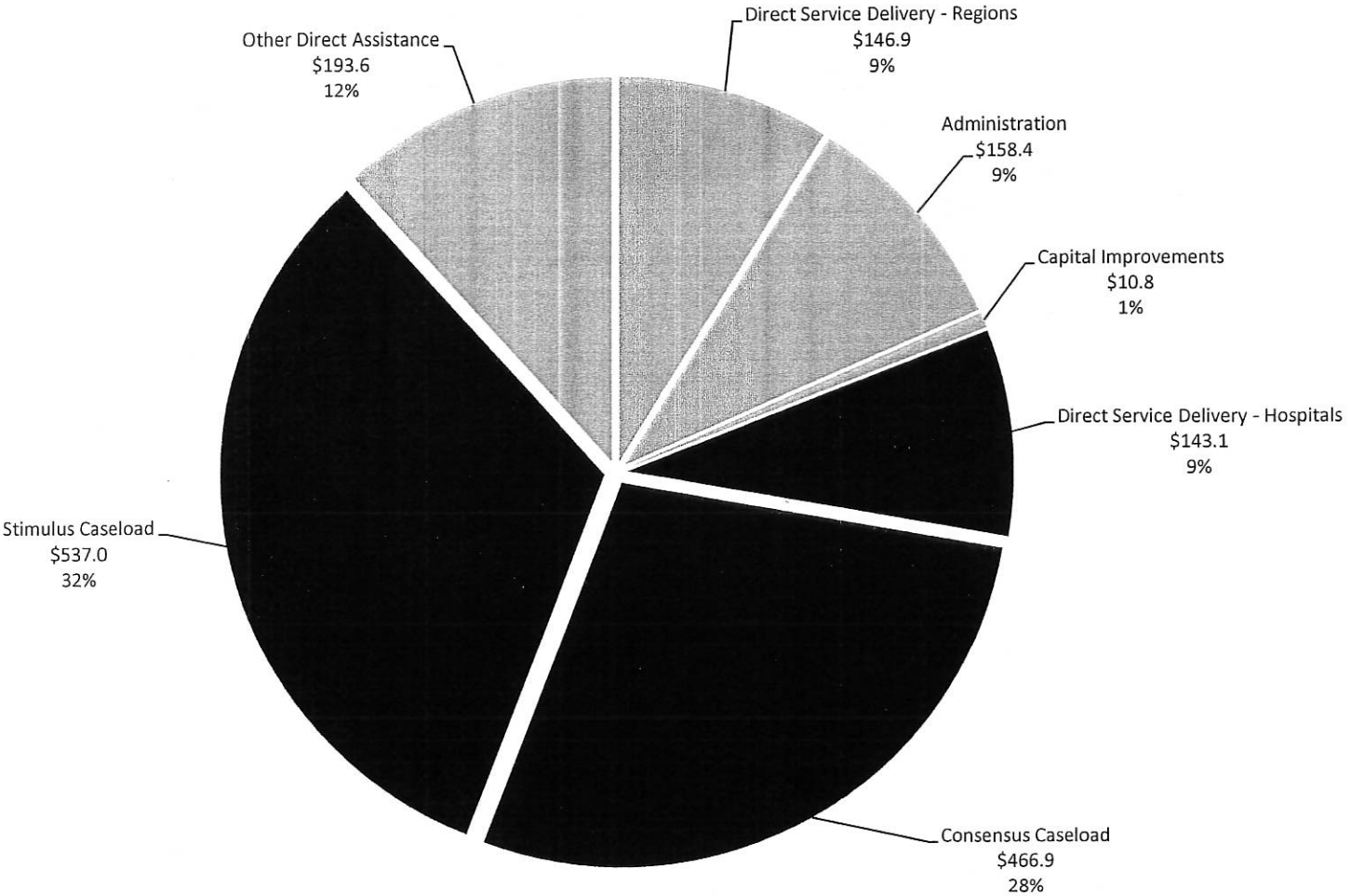
- Medicaid Waivers
- Child Care
- Early Head Start

Other programs:

- Adoption Support
- Permanent Custodianship
- Grants

Total Budget \$1,656.6
State General Funds \$723.5
 (numbers may not total due to rounding)

FY 2010 SRS Governor's Budget Recommendations including State Hospitals All Funds (in millions)



Consensus programs:

- Temporary Assistance for Families
- General Assistance
- Community Support Services
- Mental Health Services
- Substance Abuse

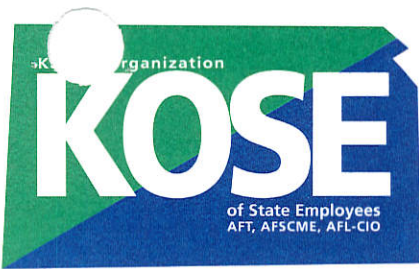
Stimulus programs:

- Medicaid Waivers
- Child Care
- Early Head Start

Other programs:

- Adoption Support
- Permanent Custodianship Grants

Total Budget \$1,656.6
(numbers may not total due to rounding)



A NEW DAY... A BETTER WAY... FOR STATE EMPLOYEES

Testimony Presented to the House Appropriations Committee: Opposition State Employee Furlough Proposal

Kansas Organization of State Employees
Jane Carter, Executive Director
April 29, 2009

On behalf of the 11,000 executive branch employees represented by the Kansas Organization of State Employees I am here today to provide the employees' side to a proposed furlough, and in effect, the budget crisis we are facing today.

As I have testified before this Committee before, we all understand that times are tougher than ever. However, cuts to state employees or attempts to shift costs to employees is a wrong path to walk. The Legislature should not settle for short-sighted solutions to the current crisis. A furlough has lasting affects on state employees, and ultimately will once again pass the burden of the budget to state employees.

Past practice has proven that state employees bear the burden of any crisis in the budget. Even when times are good, state employees rarely receive an increase or any particular benefits from state service. Neither COLAs nor adjustments were budgeted or approved from 2001 to 2007, resulting in severe underpayment for the employees and the work they do. As a result of these cuts and insufficient wages, one in three State employees are more than 25% below market.

According to the Central States Survey, Kansas ranks 26th out 26 states for benefits, charging employees more than any other state for the benefits they receive. The nationally recognized Pew Center issued its findings that "dollar per dollar, Kansas state employees have the worst benefits in the state." Times are tough, but even during relatively good years, the budget has always been balanced on the back of state workers.

With caseloads on a sharp rise, unemployment skyrocketing, and many Kansans becoming increasingly more dependent on the state, now is not the time to furlough employees. Social workers have had a hiring freeze since April 2008, although caseloads have nearly doubled. Most state hospitals average 26% over capacity, with nearly a 30% staff deficiency. Even worse, many employees will ultimately end up seeking financial help from the state with such a furlough.

A furlough of classified personnel does not save money for the state. Often times, as reported in both Maryland and California, one employee is often needed to cover another, which in turn can cost the state overtime rather the straight time. Furthermore, the significant decrease in morale among state employees during a furlough is likely to cause more employees to leave state service, which is already a problem that is costing the state. Low wages and poor benefits are currently driving employees from the state workforce. Most estimates figure that it costs an employee salary plus half to recruit, train, and retain a new employee. However, some classes are near 30% turnover,

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Kansas Organization of State Employees, AFT/AFSCME,



with some facilities close to 50%. State employees are leaving their positions due to an overwhelming work load, insufficient benefits, and embarrassing low wages.

Based on data from the KS 2008 Workforce report, there are 21,328 classified employees in Kansas. With an average salary of \$36,775 for employees in classified service, a 12 day total furlough would result in a \$1697 annual cut per employee. **This is only a savings of \$3.0 million per day of furlough.** For an employee, it is a 4.6% salary cut.

Again, I remind you that the Hay Group found that 1 in 3 state employees are more than 25% below market. Cutting salaries by an additional 5% will make KS the worst in the nation for pay and benefits both.

	Classified Service	Unclassified Service
Employees	21,328	15,888
Average Salary	\$36,775	\$61,251
# of employees making \$80k or more	38	541
Average Daily rate of pay	\$141.44	\$235
One day furlough impact	\$3.0 million day	\$3.7 million
Annual Cut to Salary	\$1697 or 4.6%	\$2028 or 4.6%

	Classified employees	Average Salary	Unclassified employees	Average Salary
Osawatomie State Hospital	366	\$32,630	21	\$100,433
Larned State Hospital	789	\$30,622	20	\$104,170
KNI	492	\$30,028	3	\$106,821
Parsons State Hospital	454	\$30,377	5	\$103,776
Rainbow State Hospital	107	\$35,661	6	\$91,020
Dept of SRS	3125	\$35,708	31	\$76,120
KDOT	2875	\$35,596	12	\$85,662
Judicial Branch	0	--	1849	\$44,732
Dept. of Commerce	222	\$39,947	12	\$79,784
Dept. of Revenue	978	\$36,698	28	\$62,855
KPERs	66	\$36,074	17	\$83,099

If correctional officers, juvenile corrections officers, and staff at 24/7 care facilities are removed from the furlough list, the state would only reap a savings of \$2.4 million per day.

An even more stark comparison is the pay of executive branch employees to those in other branches of state service.

	Entire Leg. Branch	Leg. Research	Revisor of Statutes	Leg. Post Audit	Classified Employees
Average wage rate	\$63,767	\$59,801	\$64,801	\$66,125	\$36,775
Lowest rate paid	--	\$28,000	\$24,460	\$35,665	\$15,725
# of full-time permanent emps	106	50	30	26	21328
# of emps earning > \$80,000	27	8	9	13	44
Employees earning more than \$100k	12	4	4	4	0
Employees earning \$90k to \$99,999	7	2	4	4	6
Employees earning \$80k to \$89,999	8	2	1	5	38
% earning more than \$80K	25.47%	16%	30%	50%	.21%

Simply put, state employees are bleeding, and there is really no where to cut classified service any more. As always, classified employees balance the State's budget at the end of the year.

Again, I remind you of information from national independent organizations and the US Department of Labor that reveal a poignant portrait of the current condition of state employees in Kansas:

- Employee benefits per dollar of salary are the worst in the nation - *Pew Center*
- The state's workforce is in pretty dire shape, thanks to an inconsistent pay system that can't compete in the labor market - *Pew Center*
- Kansas ranks 40th in the nation for pay - *US Bureau of Labor Statistics*
- The total average compensation is well below the national average - *Pew Center*
- One in three state employees are more than 25% below the market - *The Hay Group*

State employees are well aware of the budget crisis across the nation, and the full impact to the state of Kansas. Seeking to balance the budget, once again, on the back of state employees is unfair and ineffective. Using the employees who work in the trenches, who make the lowest salaries of any employees in the state in an attempt to balance the budget in this horrible economic climate is not only unfair, it is immoral and wont resolve the crisis facing our the state budget.

**Increases in Salaries for State Classified Employees
FY 1994 to FY 2008**

Fiscal Year	Step Movement	Base Salary Adjustment	Percent Increase CPI-U
1994	2.5%	0.5%	2.6%
1995	2.5%	1.5% effective 9/18/94	2.9%
1996	2.5%	1.0%	2.7%
1997	2.5%		2.9%
1998	2.5%	1.0%	1.8%
1999	2.5%	1.5%	1.6%
2000	2.5%	1.0%	2.2%
2001	2.5%		2.8%
2002	---	1.5% effective 6/10/01; 1.5% effective 12/9/01	1.6%
2003	---	---	2.3%
2004	---	1.5% effective 6/5/05	2.3%
2005	---	3.0%	3.4%
2006	---	1.25% effective 6/5/05; 1.25% effective 12/4/05	3.2%
2007	2.5% effective 9/10/06	1.5%	2.4%
2008	---	2.0%	2.3%

NOTES

1. Step increases are granted on the employee's anniversary of service as long as performance reviews are "satisfactory".
2. Longevity of \$40 a year for each year of service for employees 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 approximately 1% additional pay.
3. CPI-U: Consumer Price Index - All Urban Consumers
4. For FY 2008 only, the Legislature approved an increase to \$50 per year in longevity, with the same required years service(10 years: \$500, 25 years: \$1,250).
5. In FY 2008, the Legislature approved a one-time bonus payment of \$860 for receipt on December 14, 2007.

Cost of Living Versus Employee Pay Increases

From 1998 to 2008, the Cost of Living and the Consumer Price Index increased nearly 30%, however, state employee wages and pay stagnated for five years, and base pay was only slightly adjusted.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total Increase
KS CPI/Cost of Living¹	2.1%	3.4%	2.7%	1.2%	1.9%	2.4%	3.2%	2.4%	2.6%	2.8% ²	27.2%
Step Increase	2.5%	2.5%	2.5%	NONE	NONE	NONE	NONE	NONE	2.5% ³	NONE	10%

Source: Bureau of Labor Statistics, *Kansas Legislative Briefing Book*, 2008.

¹ Bureau of Labor Statistics.

² Estimate according BLS.

³ Step increase not effective till 9/10/2006