

Approved: February 26, 2009
Date

MINUTES OF THE HOUSE GOVERNMENT EFFICIENCY AND FISCAL OVERSIGHT
COMMITTEE

The meeting was called to order by Chairman Jim Morrison at 3:30 p.m. on February 16, 2009, in Room 535-N of the Capitol.

All members were present except:

Representative Brenda Landwehr- excused
Representative Tom Sloan- excused

Committee staff present:

Renae Jefferies, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Hank Avila, Kansas Legislative Research Department
Mary Galligan, Kansas Legislative Research Department
Gary Deeter, Committee Assistant

Conferees appearing before the committee:

Chuck Simmons, Deputy Secretary for Facilities Management, Kansas Department of Corrections
Jane Carter, Executive Director, Kansas Organization of State Employees
Representative Mike Burgess,
Derrick Sontag, State Director, Kansans for Prosperity
Barb Hinton, Legislative Post Audit

Others attending:

See attached list.

The Chair opened the hearing on **HB 2316 - State employees; requiring an equal furlough plan across state agencies; effect on employee benefits.**

Chuck Simmons, Deputy Secretary for Facilities Management, Kansas Department of Corrections, suggested an amendment to the bill, substituting the term *services* for the term *officer* on page 2, line 1 (Attachment 1).

Jane Carter, Executive Director, Kansas Organization of State Employees, testified as an opponent to the bill (Attachment 2). She provided other documentation to illustrate that Kansas state employees fare poorly in salaries and benefits in national rankings (Attachments 3 and 4). Answering questions, Ms. Carter said that unclassified employees constitute 46% of the Kansas workforce. A member requested staff to ascertain what percent of the workforce is administrative. To another question Ms. Carter replied that many employees move from classified to unclassified solely to obtain increased salaries, not because they are gifted supervisors.

Gary Adkins, Executive Director, State Employees Association of Kansas, commended the legislature for implementing a new pay plan last year, but stated that the present bill was a step backward (Attachment 5).

The Chair closed the hearing on **HB 2316** and opened the hearing on **HB 2320 - State finance, state budget**

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Minutes of the House Government Efficiency And Fiscal Oversight Committee at 3:30 p.m. on February 16, 2009, in Room 535-N of the Capitol.

stabilization reserve fund in state treasury.

Staff Daniel Yoza briefed the Committee on the bill, saying that the bill authorizes the Secretary of the Kansas Department of Administration to use the April consensus estimating figure for the state budget's ending balance as a baseline and in August, if revenues exceed the estimate, 2% of the excess above the ending balance is to be set aside in a budget stabilization fund. Members discussed the difference between the 2% and the statutory ending balance of 7.5%. Staff stated that the two are separate and not interrelated.

Representative Burgess spoke in favor of the bill, saying that if such a fund were in place this year, the recession bill would have been less onerous.

Derrick Sontag, State Director, Kansans for Prosperity, also spoke as a proponent for the bill, commenting that Kansas is one of five states that does not have a stabilization fund (Attachment 6). Responding to questions, Mr. Sontag said other states' stabilization funds vary widely in process and policy. Several members commented that the fund seemed irrelevant for addressing budget issues. Another member, in support of the bill, referenced the Health Care Stabilization Fund, which has assisted physicians in obtaining affordable insurance.

Revisor Jim Wilson explained further the mechanics of the bill. Answering a question, he said that the 2% was not assessed in relation to the total budget, but only on authorized expenditures and transfers from the previous fiscal year.

The hearing on **HB 2320** was closed, and the Chair opened the hearing on **HB 2265 - Post audit, financial compliance audits, new state treasurer transition audits, periodic audits of state treasurer and pooled money investment board financial management practices.**

Barb Hinton, Legislative Post Audit, explained that the bill changes certain reporting requirements from one year to three years, saving the state about \$40,000 over a period of three years. (Attachments 7 and 8). A member commended Post Audit for its work.

The hearing was closed.

The Chair suggested consideration of **HB 2219 - Kansas performance measurement commission; extend sunset; other.** A motion was made, seconded, and passed unanimously to recommend HB 2219 as favorable for passage. (Motion, Representative Ruiz; seconded by Representative Burgess)

The Committee considered **HB 2265.** A motion was made by Representative Roth and seconded by Representative Spalding to recommend the bill as favorable for passage. The motion carried unanimously.

A motion was made and seconded and passed to reconsider HB 2219 (Motion by Representative Burgess, seconded by Representative Ruiz) Revisor Renae Jefferies noted that some technical changes needed to be

CONTINUATION SHEET

Minutes of the House Government Efficiency And Fiscal Oversight Committee at 3:30 p.m. on February 16, 2009, in Room 535-N of the Capitol.

made in the bill. Representative Ruiz made a motion, seconded by Representative Burgess, to amend the technical language into the bill and recommend the bill as favorable for passage. The motion passed.

The meeting was adjourned at 5:06 p.m. The next meeting is scheduled for February 17, 2009.

HOUSE GOVERNMENT EFFICIENCY AND FISCAL OVERSIGHT COMMITTEE

GUEST LIST

DATE: FEBRUARY 16 2009

NAME	REPRESENTING
Jessica Abel	KDHE
Patricia Woodcock	KDHE
Kev Otte	DPS
Cooki Rieje	DPS
Robbie Blum	SKS
Alice Barney	KDOT
Jane Carter	KOSE
Wit Leiker	Ks. AFL-CIO
Leah Pugh	X5 Inc.
Gary Adams	SEAK
Chip Wheeler	HCSE
Jeff Brandow	KBI
Andy Sanchez	KS AFL-CIO
Andy	Inter Luis Ruiz
Charles Simmons	Department of Corrections
Barb Hinton	Post Audit
Dennis Peernboom	Dept. of Agriculture
Denise Gordon	MFP
Sherrylene Jones-Sontag	Ad Astra Media
Sheena Snyder	KSOS
Sue Peterson	K-State

KANSAS

KANSAS DEPARTMENT OF CORRECTIONS
ROGER WERHOLTZ, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony on HB 2316
to
The House Government Efficiency and Fiscal Oversight Committee

By Roger Werholtz
Secretary
Kansas Department of Corrections
February 16, 2009

HB 2316 sets out ratios of employees to be furloughed based upon pay rates and exempts from its application essential public safety agencies. HB 2316 defines "Essential public safety agency" as "any state agency which provides fire protection, law enforcement, emergency management services, public works, or corrections officers." While HB 2316 defines agencies that are excluded from the application of the bill by agency function, the department questions the language used relative to the department since that reference refers to a job classification rather than a function. Therefore, the department recommends that at page 2, line 1 the term "officer" be amended to "services".

The department is a law enforcement agency which provides essential public safety services in the execution of the sentence imposed upon convicted felons. The department notes that in defining the exclusion provided for an "essential public safety agency", HB 2316 utilizes a job classification only in regard to "corrections officers" in contrast to referring to an agency's function relative to excluding fire protection, law enforcement, emergency management services, and public works agencies. While "corrections officers" are an essential component of the department's public safety mission, that limited job classification does not include all uniformed and non uniformed staff which provide correctional services on a twenty-four hour basis essential to the daily operation of the department. Utilization of a job classification in defining the scope of the exclusion applicable to the Department of Corrections would be detrimental to the public safety mission of the department and would be analogous to limiting an exception to HB 2316 to only patrol officers of a police department but not its sergeants, detectives and emergency dispatchers.

The department has implemented numerous cost saving measures including suspending operations at some facilities through the transfer of offenders. Those measures were possible since they did not involve disruption of the correctional services provided through the integrated efforts of staff in various job classifications.

A balloon incorporating the proposed amendment is attached.

HOUSE BILL No. 2316

By Committee on Government Efficiency and Fiscal Oversight

2-6

9 AN ACT concerning state government; providing for a furlough equality
10 plan for certain executive branch positions.
11

12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. (a) If the governor implements a furlough plan to reduce
14 payroll costs for executive branch state agencies which deviates from the
15 standard workweek, as provided by rules and regulations adopted by the
16 secretary of administration, the agencies shall implement the furlough
17 plan in accordance with this section.

18 (b) Essential public safety agencies shall be exempt from this section.

19 (c) In determining the amount of time that state employees shall be
20 furloughed:

21 (1) All state employees shall be divided into four groups according to
22 salary. The highest paid 25% shall be the first group, the second highest
23 paid 25% shall be the second group, the third highest paid shall be the
24 third group, and the lowest paid 25% shall be the fourth group.

25 (2) The first group shall be furloughed in relation to the fourth group,
26 at a time ratio of four to one. The second group shall be furloughed in
27 relation to the fourth group, at a time ratio of three to one. The third
28 group shall be furloughed in relation to the fourth group, at a time ratio
29 of two to one.

30 (d) Group health care benefits and costs, the accrual of vacation and
31 sick leave, social security and Kansas public employees retirement plans
32 shall not be affected by a furlough. The employing state agency shall pay
33 the employee contribution for the Kansas public employee retirement
34 payments attributable to a furlough. An employee's pay shall be affected
35 under a furlough but all other benefits shall continue. A furlough shall
36 not affect the employee's continuous service, length of service, pay in-
37 crease anniversary date, or eligibility for authorized holiday leave or pay.

38 (e) The secretary of administration is authorized to adopt rules and
39 regulations deemed necessary for the proper administration of this act.

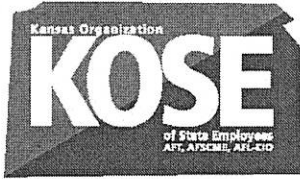
40 (f) For the purposes of this section: (1) "Furlough" shall be defined
41 as leave without pay for a predetermined amount of time.

42 (2) "Essential public safety agency" means any state agency which
43 provides fire protection, law enforcement, emergency management serv-

HB 2316

2

1 ices, public works, or corrections ~~officers~~ ^v _____ services
2 Sec. 2. This act shall take effect and be in force from and after its
3 publication in the statute book.



A New Day... A Better Way... For State Employees

TO: Chairman Morrison and Members of the Government Efficiency and Fiscal Oversight Committee

FROM: Jane Carter, Executive Director

DATE: February 16, 2009

RE: Opposition to HB 2316 - State employees; requiring an equal furlough plan across state agencies; effect on employee benefits

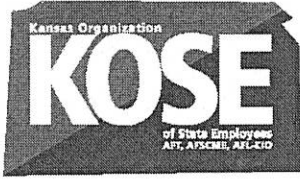
On behalf of the 11,000 executive branch employees represented by the Kansas Organization of State Employees I am here today to provide the employees' side to a furlough, and in effect, the budget crisis we are facing today. As the only certified, State recognized employee organization for state employees in the executive branch, we appreciate this opportunity to address issues that affect our members.

We all understand that times are tougher than ever. Elected representatives have tough decisions in front of them this session, and there are sure to be cuts everywhere. However, cuts to state employees or attempts to shift costs to employees is a wrong path to walk.

This proposal has lasting effects on state employees, and ultimately will add additional costs to an already disappointing benefit plan. Past practice has proven that state employees bear the burden of any crisis in the budget. For years, state employees have been the last to be funded and the first to be cut. Neither COLAs nor adjustments were budgeted or approved from 2001 to 2007, resulting in severe underpayment for the employees and the work they do. According to the Hay Group, one in three State employees are more than 25% below market. We got to that severe lag by not funding a step increase for six years. According to the Central States Survey, Kansas ranks 26th out of 26 states for benefits, charging employees more than any other state for the benefits they receive. State employees have helped balance this budget in the past – they continue to work with unacceptable benefits and strikingly low salaries. Again, times are tough, but even during relatively good years, the budget has always been balanced on the back of state workers.

KOSE appreciates the target of the salary furlough, and commends Rep. Neufeld for attempting to fix a system that is already top heavy. However, KOSE opposes HB 2316 due to definition of essential employees. With caseloads on a sharp rise, unemployment skyrocketing, and the needs of Kansas increasing becoming more dependent on the state, now is not the time to furlough employees. Social workers have had a hiring freeze, although caseloads have nearly doubled. Most state hospitals average 26% over capacity, with nearly a 30% staff deficiency. Sadly, many employees will ultimately end up seeking financial help from the state with such a furlough. Additionally, KOSE opposes HB 2316 for the simple fact that state employees are already bleeding, and there is really no where to cut classified service any more. Classified employees have helped balance the State's budget in the past. Again, we're being asked to do it again.

In fact, Kansas can't afford to target state employees, either for cuts, furloughs, or lay offs. Statewide, turnover is an avoidable cost that is harming the state. State employees are leaving their positions due to an

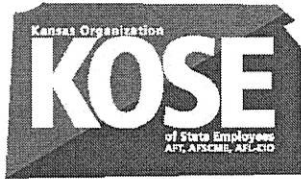


A New Day... A Better Way... For State Employees

overwhelming work load, insufficient benefits, and embarrassing low wages. Information from national independent organizations and the US Department of Labor 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*

Again, state employees are well aware of the budget crisis across the nation, and the full impact to the state of Kansas. Balancing the budget once again on the back of state employees is not fair. Because of the low pay and poor benefits, state employees have actually helped balance the budget in the past.



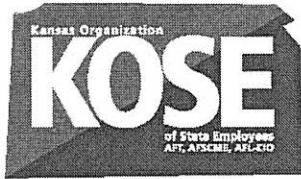
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**Increases in Salaries for State Classified Employees
FY 1994 to FY 2008**

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 of 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.



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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.

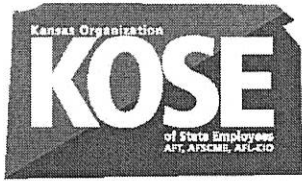
Special Salary Adjustments									
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Corrections Officers				2.5%					2.5% ⁴
Highway Patrol Troopers				5.0%		10.0%	7.5%	7.5%	
KBI Special Agents								7.5%	
Larned State Hospital									2.5% step increase for hazard pay
Building Trades									\$.30 per hour
Fire Protection Inspector								up to 15.8%	
Capital Area Security Police (KHP)								10% to 15%	

¹ Bureau of Labor Statistics.

² Estimate according BLS.

³ Step increase not effective till 9/10/2006

⁴ Step increase of 2.5% and hiring rate increase to step 6 (5%) higher rate.



A New Day... A Better Way... For State Employees

Motor Carrier Inspector III (KHP)								10% to 15%	
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**Number, Salary, Age and Years of Service of Unclassified Employees by Agency
Fiscal Year 2008**

Agency Name	Number of Unclass Emp	Average Salary	Average Age	Average Yrs of Service
Accountancy, Board of	1	\$67,693	54.72	10.78
Adjutant General	145	\$35,475	47.44	09.35
Administration, Department of	25	\$73,248	46.31	13.48
Aging, Department on	8	\$72,745	52.62	18.60
Agriculture, Department of	12	\$62,373	46.48	04.82
Animal Health Department	3	\$69,205	51.63	06.57
Arts Commission, Kansas	1	\$74,672	47.96	01.11
Atchison Juvenile Correctional Fac	1	\$69,677	37.17	05.99
Attorney General	84	\$50,596	42.79	08.19
Banking Department	17	\$69,506	43.47	13.50
Barbering, Board of	1	\$37,304	60.63	19.54
Behavioral Sciences Regulatory Board	3	\$47,632	46.69	07.67
Beloit Juvenile Correctional Facility	1	\$67,106	45.86	10.82
Blind, School for the	59	\$44,428	48.08	13.43
Citizen's Utility Ratepayer Board	3	\$78,098	47.64	12.28
Commerce, Department of	12	\$79,784	48.06	12.02
Conservation Commission	7	\$63,245	51.76	13.57
Corporation Commission	59	\$59,464	48.47	12.06
Corrections, Department of	16	\$77,726	52.96	18.61
Cosmetology, Board of	1	\$57,783	55.82	23.70
Credit Unions, Department of	1	\$76,500	69.63	13.81
Deaf, School for the	102	\$43,078	47.04	14.27
Dental Board	1	\$57,222	60.25	13.32
Education, Department of	28	\$90,131	53.91	14.66
El Dorado Correctional Facility	1	\$55,251	42.47	14.04
Emergency Medical Services	1	\$81,600	35.81	08.66
Emporia State University	433	\$56,242	48.22	10.20
Ethics Commission, Kansas Gov	8	\$45,674	50.64	23.17
Fair, Kansas State	1	\$53,795	45.14	06.28
Fire Marshal	2	\$66,641	57.35	13.38
Fort Hays State University	444	\$54,024	46.99	10.82
Governor, Office of the	32	\$61,846	38.35	07.51
Healing Arts, State Board of	7	\$64,694	45.65	11.19
Health & Environment, Department of	11	\$86,531	45.94	09.05
Health Care Stabilization Fund, Bd of Gov	9	\$55,676	50.09	11.38
Health Policy Authority, Kansas	115	\$55,008	45.82	08.46
Highway Patrol	7	\$75,545	52.33	14.58
Historical Society, State	1	\$85,309	55.16	21.94
Housing Resources Corp, Kansas	39	\$47,085	40.68	04.17
Human Rights Commission, Kansas	4	\$64,985	55.07	20.71
Indigents Defense Services Board	104	\$52,495	40.21	07.14
Insurance Department	102	\$49,468	48.02	12.62
Investigation, Kansas Bureau of	7	\$91,662	53.21	20.52
Judicial Branch	1849	\$44,732	47.03	11.94
Judicial Council	7	\$55,148	47.76	14.06
Juvenile Correctional Complex	2	\$69,047	44.12	16.04
Juvenile Justice Authority	8	\$69,631	41.49	09.24
Kansas Inc	2	\$48,946	36.00	09.58
Kansas Public Employees Retirement System	17	\$83,099	45.21	11.40
Kansas State University	2565	\$71,931	47.73	12.79
Labor, Department of	30	\$77,069	53.98	11.29
Lansing Correctional Facility	1	\$45,854	38.29	09.17
Lamed Correctional Mental Health Fac	1	NA	NA	NA
Lamed Juvenile Correctional Facility	2	\$75,237	59.06	03.62
Lamed State Hospital	20	\$104,170	55.91	06.13

*Attachment 3
GEFO 2-16-09*

**Number, Salary, Age and Years of Service of Unclassified Employees by Agency
Fiscal Year 2008**

Agency Name	Number of Unclass Emp	Average Salary	Average Age	Average Yrs of Service
Legislative Coordinating Council	11	\$49,138	52.62	13.58
Legislative Research Department	38	\$62,530	47.25	15.51
Legislature	38	\$47,373	45.63	07.47
Library, State	1	\$69,437	59.55	11.28
Lieutenant Governor, Office of the	4	\$47,530	40.92	04.17
Lottery, Kansas State	40	\$44,930	51.15	12.64
Mortuary Arts, Board of	1	\$69,400	53.08	26.78
Neurological Institute, Kansas	3	\$106,821	58.61	12.24
Norton Correctional Facility	1	NA	NA	NA
Nursing, Board of	3	\$61,622	51.91	07.79
Osawatomie State Hospital	21	\$100,433	57.68	12.54
Parole Board, Kansas	3	\$116,654	53.78	15.37
Parsons State Hospital & Trng Center	5	\$103,776	58.57	22.71
Peace Ofcrs. Std & Trng	3	\$71,800	59.38	04.41
Pharmacy, Board of	1	\$73,440	50.07	14.63
Pittsburg State University	457	\$67,330	49.21	12.58
Post Audit, Legislative Div of	24	\$63,852	41.27	12.62
Racing & Gaming Commission	21	\$58,706	48.48	12.49
Rainbow Mental Health Facility	6	\$91,020	48.27	02.52
Real Estate Appraisal Board	1	\$60,083	48.18	17.45
Real Estate Commission	2	\$63,750	47.70	04.49
Regents, Board of	41	\$74,233	46.19	09.71
Revenue, Department of	28	\$62,855	47.06	10.71
Revisor of Statutes	30	\$66,040	50.20	19.87
Secretary of State	49	\$42,149	40.46	10.32
Securities Commissioner, Office of the	9	\$69,644	44.69	10.40
Sentencing Commission, Kansas	9	\$41,875	46.74	06.67
Social & Rehabilitation Services, Dept of	31	\$76,120	49.12	17.08
Tax Appeals, Board of	10	\$78,731	46.56	08.97
Technical Professions, State Board of	2	\$57,088	57.55	19.14
Technology Enterprise Corp, Kansas	10	\$90,341	47.11	09.35
Topeka Correctional Facility	1	NA	NA	NA
Transportation, Department of	12	\$85,662	49.10	16.66
Treasurer, State	32	\$45,070	46.94	10.81
University of Kansas	4925	\$56,505	46.94	11.33
University of Kansas Medical Center	2513	\$57,896	43.44	08.20
Veterans Affairs, Commission on	5	\$67,599	59.64	10.29
Veterinary Examiners, Board of	3	\$43,178	49.96	13.56
Water Office, Kansas	3	\$75,480	50.09	13.56
Wichita State University	1062	\$63,093	48.60	13.18
Wildlife & Parks, Department of	6	\$68,857	53.33	20.71

Source: SHARP (FY 2008); Excludes Legislators, classified, temporary and student employees.

B- Kansas

Governor Kathleen Sebelius holds a master's degree in public administration, and it shows. Where preceding governors tended to ignore the everyday workings of the state bureaucracy—and allowed some segments of it to fall into general disrepair—Sebelius has involved herself in managerial detail and forced agencies to collaborate on everything from water policy to training for state personnel. Kansas is just small enough for this kind of approach to be feasible. "This ship is like a medium-sized cruise boat," says Burdett Loomis, a professor of political science at Kansas University. "It's not easy to turn around, but it's possible."

That's the good news. The bad news is that there's quite a bit to turn around. Among the most significant challenges is a \$5.4 billion pension liability—proportionally one of the largest in the country. An education funding settlement is also putting fiscal pressure on the state. At the insistence of the Kansas Supreme Court,

The Kansas personnel system has no real way to reward government employees who excel at doing their jobs.

the legislature increased education funding by \$466 million over three years. The state relies on conservative revenue estimates and large ending balances in lieu of a rainy day fund, and this year, it's spending down that balance to meet the school-funding obligations.

The state's workforce is in pretty dire shape, thanks to an inconsistent pay system that can't compete in the labor market and sometimes compensates veteran employees little more than new hires. "Anyone who's worth their weight in salt, we lose them to private industry," says state Senator Dwayne Umbarger, who chairs the Ways and Means Committee. "We need to do what we can to retain high-quality workers." Given this reality, the absence of a meaningful workforce plan is particularly troubling.

There's a comprehensive pay-plan redesign up for debate this spring. It has a significant pay-for-performance component, and would better align salaries with the market rate. This would be a significant change, because the state currently has little way to reward employees who excel. If it passes—and right now, that seems likely—Kansas also will dramatically change its performance-review system to a more centralized, mandatory model. Supervisors and managers would receive training on how to fairly assess employees.

Kansas' current job-classification system is set up on formalized career ladders, charting rigid routes for state employees as they move from title to title, and requiring them to become supervisors in order to receive significant raises. The new pay plan would simplify the labyrinth of classifications and allow more flexibility for employees to map their own careers. It would create a dual path so that employees wouldn't have to take on managerial responsibilities in order to move forward in their careers. "You can lose a great employee and get a bad supervisor by promoting them into a supervisory class," says Kraig Knowlton, manager for personnel policies and regulations. "Now, they won't be topped out from a pay perspective."

These changes are much needed. The current system isn't particularly helpful or well enforced. Because there's been pay compression, or a lack of salary separation between new and more seasoned employees, there's a tendency to give "exceptional" ratings for average work.

The Sebelius administration has intentionally strengthened and streamlined the power of the public-employee organizations by consolidating bargaining units and reducing the number of them from 42 to 17. Some of the smaller units were poorly represented and so were left behind. This is being embraced as an important step in the state, a sign that the administration is more responsive to its employees.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B-

Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People C+

Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure C+

Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information B

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 2,764,075 (33)
Average per capita income (rank): \$23,818 (26)
Total state spending (rank): \$12,553,494,000 (34)
Spending per capita (rank): \$4,542 (37)
Governor: Kathleen Sebelius (D)
First elected: 11/2002
Senate: 40 members: 10 D, 30 R
Term Limits: None
House: 125 members: 47 D, 78 R
Term Limits: None

Attachment 4
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For almost a decade, the Pew Center on the States, Governing Magazine and a group of academic experts have collaborated on this project to assess the quality of management in state government.

CHARTING THE COURSE FOR EXCELLENCE IN GOVERNMENT PERFORMANCE

Kansas

B-

Amid growing concerns among Americans about job stability, health care and education, there is a new demand for government to work better and cost less. Innovative solutions, particularly at the state level, are driving reform and progress. For Kansas to make significant management gains, the state needs to find a better balance between centralized control and agency flexibility.

In some areas, such as transportation planning, the legislative and executive branches have disagreed on how to adapt to diverse and changing needs. In other areas, such as workforce planning, strategic planning and asset management, resistance to consolidating some functions has kept the state from making far-reaching improvements.

Executive Summary

The Kansas Legislature is considering a comprehensive pay plan overhaul that would increase the focus on employees' performance and bring salaries more in line with the market—an important step for a state with acute employee-retention challenges. Hiring already is improving. Agencies now lead recruitment and hiring efforts, which has sped up the process. Individualized recruitment campaigns are helping the state target key candidate groups. The state has implemented a branding campaign called "Making Big Things Happen."

Kansas does not have a formal statewide strategic plan, though the governor's budget helps set a strategic direction. Governor Kathleen Sebelius outlines her priorities and performance measures and, where possible, includes progress toward achieving results in the budget document. Agencies must submit their own strategic plans along with their biennial budget requests.

The Legislative Division of Post Audit's performance audit function has improved in recent years, with more ambitious audits and increased cost-analysis capabilities aiding the division's efforts. The public can easily access key government services on the state's Web site, and credible information about the performance of key state programs is readily available.

TAKING ACTION

Key Recommendations

The Government Performance Project's team of management analysts offers the following suggestions. State policy makers and business leaders may wish to consider:

People

- Developing a statewide workforce plan that includes training and development
- Implementing a competency management system
- Developing an online job application feature and an e-recruitment and selection system to help increase the number of applications per job opening

Information

- Focusing on strategic planning at the statewide and agency levels
- Ensuring that plans look beyond the current budget cycle and incorporate performance measures that will help assess progress in achieving statewide and agency goals
- Updating and improving coordination among information technology systems

Money

- Continuing to strengthen the pension system
- Expanding opportunities for citizen input in the budget process
- Advancing the creation and use of cost data across branches of government to strengthen performance

Kansas faces significant fiscal challenges, including a \$5.4 billion pension liability that is proportionally one of the nation's largest such obligations. In addition, an education funding settlement is applying fiscal pressure, and in order to meet that obligation, the state is currently spending down its ending balance from the past fiscal year. At the insistence of the Kansas Supreme Court, the legislature increased education funding by \$194.5 million in school year 2006-2007, \$149 million in school year 2007-2008 and \$122.7 million in school year 2008-2009. The state relies on conservative revenue estimates and large year-end balances in lieu of a rainy-day fund.

Kansas does not calculate the accumulated value of deferred maintenance and lacks a statewide capital plan for general infrastructure. Instead, it relies on five-year agency plans. A legislatively mandated ten-year Comprehensive Transportation Program has reduced the policy flexibility of the Department of Transportation. A fixed ten-year list of projects contained in legislation limits resources and inhibits the department's ability to address major changes in infrastructure needs.

THE PEW CENTER ON THE STATES' Government Performance Project

The Pew Charitable Trusts applies the power of knowledge to solve today's most challenging problems. Pew's Center on the States identifies and advances effective policy approaches to critical issues facing states.

The mission of the Government Performance Project, an initiative of the Pew Center on the States, is to improve service to the public by strengthening government policy and performance. The Project evaluates how well states manage employees, budgets and finance, information and infrastructure. A focus on these critical areas helps ensure that states' policy decisions and practices actually deliver their intended outcomes.
www.pewcenteronthestates.org

TAKING ACTION

Key Recommendations (continued)

Infrastructure

- Linking funding for infrastructure maintenance to the information collected by condition assessments for general infrastructure and transportation infrastructure
- Prioritizing funding of maintenance and calculating deferred maintenance
- Reviewing the transportation planning process to encourage periodic updates
- Developing a statewide capital plan that prioritizes agency five-year capital plans

PEOPLE

C+

Strategic Workforce Planning

The state has no workforce plan or human capital plan, though data are compiled into an annual statewide workforce report. The central human resources (HR) agency uses this report to identify areas of high turnover where it could assist agencies with recruiting. HR also provides statistical analyses to agencies to support workforce planning efforts and consults with agencies in developing or updating workforce plans, which exist in most midsized and larger agencies.

The state's HR management information technology system is better than average, offering such components as compensation management, demographics, job classifications, performance management and recruitment. Kansas does not have a competency management system.

Hiring

Agencies are responsible for their own hiring, and the state doesn't track the percentage of acceptances. Although time-to-hire is well below the national average, Kansas also receives fewer applications per classified job opening than other states. The state has worked well with agencies to identify successful employees and develop recruiting strategies and interview questions designed to attract those with similar traits. As in most states, nurses and some "skilled trades" tend to be the most difficult positions to fill, and Kansas does not offer referral or signing bonuses. Fewer new hires are fired during their probationary period than the national average, but more new hires than average quit during that same period.

Kansas has a decent e-recruitment system but lacks an online application feature. The state has strong feeder programs. College sophomores majoring in engineering are eligible for tuition assistance from the Department of Transportation, and Child Protective Services has instituted a paid practicum for social workers. Kansas officials believe a pending pay-plan reform would improve its ability to recruit talented employees. The plan awaits legislative approval and funding.

PERFORMANCE

- Strategic Workforce Planning
- Hiring
- Retaining Employees
- Training and Development
- Managing Employee Performance

○ weakness ● mid-level ● strength

TAKING ACTION

Suggestions that state policy makers and business leaders may wish to consider:

- Developing a statewide workforce plan that includes training and development
- Implementing a competency management system
- Developing an online job-application feature and an e-recruitment and selection system to help increase the number of applications per job opening

Retaining Employees

The pay plan would likely boost retention as well, as pay compression has become severe. Voluntary turnover is above the national average for classified employees, and overall voluntary turnover has been increasing.

The total average compensation is well below the national average, and employees use more annual leave and sick leave than average. Employee benefits per dollar of salary are the worst in the nation. On the plus side, grievances and appeals per 1,000 employees are well below the national average, and discrimination charges are almost nonexistent.

Training and Development

The quality of Kansas agencies' training varies. The state does not track overall training data. A cross-agency Statewide Training Action Team regularly meets to share innovations, but Kansas lacks a statewide training and development plan, as do the agencies surveyed.

A new pay plan would streamline the state's grade-classification system and build career paths through which employees could gain raises without becoming supervisors. The statewide promotion rate is among the nation's highest. Agencies have leadership programs tied to succession planning, and a partnership with the University of Kansas provides other opportunities. Mentoring and cross-team training help to ensure the knowledge is retained when employees leave.

Managing Employee Performance

The pay-plan overhaul would provide Kansas with a better way to reward top performers, though the performance review system may need to follow a more standardized model and be applied regularly. Currently, appraisals are not always conducted on time, and the review process is not well enforced.

Awards of up to \$1,000 are given for exceptional performance and separately for innovations that are implemented, but only 1 percent of employees receive such bonuses. The employee suggestion program offers no such rewards and is used infrequently. Agency surveys are common, and Kansas has used them in drawing up the pay-plan redesign. The state's discipline and termination policy appears to work efficiently and effectively.

PEOPLE

Perspectives on this area of state performance:

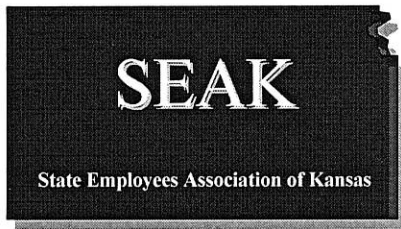
People form the living core of any organization.

To assess state performance in the People category, the Government Performance Project team examined how well a state manages its employees. Among many other factors, the team reviewed how states hire, retain, develop and reward high-performing employees.

Given the challenges of an aging workforce, new expectations of younger workers and competition for top performers with the private and nonprofit sectors, the ways in which a state conducts business in this crucial area are vital to its ability to serve the public.

Grades in the People category ranged from A in Virginia to D in New Hampshire and Rhode Island. The national average among the 50 states for the People category was C+, and ten states received that grade. Twenty-three states earned grades above the national average (grades of B- and above), and 17 states received grades below the national average (C and below).

A number of promising new practices in recruitment strategies and leadership development emerged from this year's study. The Project will provide additional detail on these practices in the coming months.



**Written Testimony Provided to the
Kansas House Committee on Government
Efficiency and Fiscal Oversight
February 16, 2009**

Mr. Chairman and Members of the Committee:

On behalf of the membership and Board of Directors of the State Employees Association of Kansas (SEAK), thank you for the opportunity to present written testimony today. SEAK, in existence since 1994, represents state employees at all levels, both active workers and retirees. My name is Gary Adkins and I am SEAK's Executive Director and Chief Lobbyist. Our testimony today is in opposition of House Bill 2316.

Our opposition to the bill is based on our opinion that it sets bad public policy. I worked in government service for 38 years and one of my mentors once share with me a wise axiom that you should never use a shotgun when a rifle is indicated. This bill sets an overall policy that will actually tie administrator's hands behind their backs as they try to deal with the budget shortfall. It is better to set overall funding targets, and then trust the administrative process to determine best where personnel actions must be taken. Administrators are much closer to the day-to-day problems and are better equipped to make decisions regarding where cuts best serve the public interests.

Another concern I have is that the Kansas Legislature made great strides in establishing trust last year in passing the new state pay plan. This bill would erode much of the trust established through the efforts of last year's Legislative body. While I am speaking of the new pay plan, SEAK feels it is essential that the Legislature fund Phase II of the new pay plan. Failure to do so will result in excessive turnover and erosion in service to the public, not to mention decreased employee morale.

Our position, in a nutshell, is that for many years the Kansas Legislature has waited until the paperclips and rubber bands are paid for before taking up the issue of public

Attachment 5
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employees pay. When times are bad, public employees suffered because there weren't enough funds to go around. When times were good, other priorities always seemed to overshadow the issue of public employee pay. Our hope that the efforts of the 2008 Kansas Legislature reversed this trend, but HB 2316 seems to show that maybe our trust was misplaced.

Again, thank you for this opportunity to testify on behalf of the hard-working men and women that make up the state's workforce. I will be happy to address any questions you may have. Additional concerns or questions may be addressed to:

Gary Adkins, Executive Director
State Employees Association of Kansas
P. O. Box 4091
Topeka, KS 66604

(785) 554-5156
gdadkins@sbcglobal.net



February 16, 2009

House Bill 2320

Mr. Chairman and members of the committee,

On behalf of the more than 30,000 AFP members in Kansas, I want to thank you for the opportunity to testify in favor of HB 2320.

HB 2320 would enact much needed budget stabilization legislation. Legislation that would better position the state for financial difficulties, such as those being realized with the fy 2009 and fy 2010 budget shortfalls.

Budget Stabilization Fund

- The principle of a budget stabilization fund is that a state government saves money in prosperous years for use during a recession or down-turn years in tax revenue.
- Budget stabilization funds are common in most states. Only Arkansas, Colorado, Illinois, Kansas and Montana operate without such fund.
- Building reserves during times of tax revenue increases are crucial to weathering the next drop in state revenue. Building reserves takes time but states that have disciplined themselves into doing so will greatly help avoid tax increases or program cuts in the future.

- FY 2007 Budget Stabilization Fund* (Surrounding States / Plain States)

- Nebraska \$516 million**
- Missouri \$268 million**
- Oklahoma \$572 million**
- Iowa \$535 million**
- South Dakota \$133 million**
- Kansas / Colorado \$0**

*Source: National Association of State Budget Officers, Fiscal Survey 2008.

** Does not include states ending balance requirement.

- FY 2007, Total Budget Stabilization Fund Balance for all states

- \$28 billion, up from \$12 Billion Dollars in FY 2005.

- Reserve funds helped states during the 2001 fiscal down-turn (starting in 2001).
 “The primary reason reserve funds played an important role in balancing state budgets is that states did a better job of saving during the years leading up to the most recent fiscal crisis than they did in the previous down-turn of the early 1990’s. In fact, state balances stood at 10.4 % of spending at the end of 2000 and only 4.8% in the early 1990’s.” (National Association of State Budget Officers.”)

Policies to consider when creating or improving a Budget Stabilization Fund.

- Eliminate fund caps or increase cap to 15% of Budget
 Some states place limits on how large the fund can grow, typically measured as a percent of the budget. If rainy day funds are statutorily or constitutionally capped at an inadequate level, such as 10% of budget or less, then the state is going to have difficulty accumulating adequate reserve balances.

- Deposit Rules

In order to place a high priority on saving tax revenue, integrate the rainy day fund into the overall budget process. If projected revenues exceed projected expenditure needs, a portion of that surplus should be appropriated as a transfer into the rainy day fund.

- Eliminate onerous replenishment rules.

Some states have created rules that require rainy day funds, after they are used, to be quickly replenished, even if economic conditions have not improved. Thus, creating a disincentive to use the funds or creating an environment to increase taxes to replenish the fund.

The Governor and Legislature should implement a budget stabilization fund that can work to cushion the states budget during the next economic downturn. This is a win-win situation. Taxpayers win because the likelihood of a tax increase to pay for government services during a downturn is reduced. Those who rely on government programs also win because they know that a pool of money has been set aside to ensure their program is cushioned during difficult economic times.

Derrick Sontag
 State Director
 Americans for Prosperity-Kansas



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**Testimony for the
House Government Efficiency and Fiscal Oversight Committee
On House Bill 2265
February 16, 2009**

Mr. Chairman and members of the Committee, thank you for giving me the opportunity to testify on behalf of the Legislative Post Audit Committee and my office on HB 2265.

This audit would make two changes to current law:

- change the statutory requirement for annual performance audits of the State Treasurer's Office and the Pooled Money Investment Board from once a year to once every three years
- require there to be a transition audit (essentially a cash count) within two weeks after a new treasurer takes office

The first change was one my office recommended to the Legislative Post Audit Committee.

As described on the attached page, these audits are contracted through this office, paid for by the two agencies, currently cost the State about \$20,000 per year, and have been conducted for about 10 years.

These audits haven't found any major problems. Further, significant financial-management areas of the two offices already are addressed during the annual Statewide financial audit. In our opinion, using a more risk-based approach for these two audits would be appropriate, and would represent a cost-effective use of the State's resources.

Moving to a three-year cycle would save the State an estimated \$40,000 every three years, with minimal impact on overall audit coverage.

The second change was recommended by the Post Audit Committee, and we think it would be good public policy.

Attachment 7
GEFO 2-16-09

**STATE TREASURER'S OFFICE AND POOLED MONEY INVESTMENT BOARD:
PROPOSAL TO REQUIRE PERFORMANCE AUDIT WORK LESS FREQUENTLY**

To make the most cost-effective use of the State's limited resources by using a risk-based approach, Legislative Post Audit is proposing that the statutory requirement for annual performance audits of the State Treasurer's Office and Pooled Money Investment Board be changed from once a year to once every three years.

The Legislative Post Audit Act requires annual performance audits of the Treasurer's Office and Pooled Money Investment Board. These audits focus on selected financial-management practices, and the audit of the Board includes a comparative investment performance review and an analysis of the investment program. The work is done by an audit firm under contract with Legislative Post Audit, with the Treasurer's Office and the Board each paying for the cost of their audit work. This requirement has been in place for almost 10 years, and was initiated at the request of the State Treasurer at the time.

These audits currently cost the State about \$20,000 a year. The cost of the Treasurer's Office audit is \$13,900, and the cost of the Pooled Money Investment Board audit is \$6,080.

The performance audits haven't found any major problems. Problems identified by the three most recent audits are presented below.

Fiscal Year	Treasurer's Office	Pooled Money Board
2006	The interest rate charged to one lender under the Agricultural Loan Deposit Program didn't match the approved rate.	No deficiencies
2007	In the unclaimed property area, the inventory list of items didn't match the items actually in three boxes. In the Kansas Investments Developing Scholars Program, the Office didn't distribute State matching dollars until the month after the deadline.	No deficiencies
2008	In the unclaimed property area, some items received had not been recorded on the inventory listing, and some abandoned property received had not been sold within the statutorily required time frame.	No deficiencies

Significant financial-management areas of the Treasurer's Office and Pooled Money Investment Board already are addressed during the annual Statewide financial audit. Given that, having performance audits of those operations once every three years instead of annually would reduce audit costs by about \$40,000 every three years, with minimal impact on overall audit coverage. This change would require an amendment to K.S.A. 46-1106 so that, beginning with the audits covering fiscal year 2008 (those most recently completed), separate performance audit reports on the State Treasurer's Office and Pooled Money Investment Board are required once every three years.

*Attachment 8
GEFO 2-16-08*