

March 14, 2016

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 501 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 501 is respectfully submitted to your committee.

SB 501 would effectively implement Performance Review–Recommendation #1 from the *Kansas Statewide Efficiency Review* by Alvarez & Marsal.

The bill directs the Department of Administration to establish criteria for a non-discretionary performance based bonus program for state employees in all branches of government. Agencies wishing to implement a non-discretionary performance based bonus program must submit the program to an approval committee prior to implementation. Committee membership would consist of a staff member from the Governor’s Office, the head of the agency submitting the proposed program, the Director of the Budget, the Director of the Office of Personnel Services in the Department of Administration, and the Chairperson of the State Civil Service Board.

Bonuses provided to employees would be subject to taxes in accordance with federal regulations. However, the bonuses would not be included as compensation for the purposes of calculating KPERS benefits.

No dollar amounts associated with establishing a non-discretionary performance based bonus program were included in the *Kansas Statewide Efficiency Review*. However, the report assumes that the costs and administrative burden could be handled within current state resources. Also, this recommendation is tied to implementing a Performance Based Budgeting process (Budget Process and Review—Recommendation #12).

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The Department of Administration indicates that the bill would have a fiscal effect in the form of staff time that would be spent developing the criteria, adopting rules and regulations, establishing new earnings codes for bonuses, and serving on the approval committee. However, the Department estimates that these activities could be performed with existing Department resources.

Agencies that choose to implement a non-discretionary performance based bonus program would incur additional expenditures from bonus payouts. However, the fiscal effect on agencies cannot be estimated until criteria for the programs are established.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Colleen Becker, Department of Administration