

Approved: April 23, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 9:30 a.m. on April 7, 1993 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Leah Robinson, Legislative Research Department
Scott Rothe, Legislative Research Department
Norm Furse, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Alan Conroy, Chief Fiscal Analyst, Legislative Research Department
Brad Avery, Executive Director, Kansas Association of Public Employees
Ted Ayres, Board of Regents

Others attending: See attached list

HB 2192 -- SALARIES AND COMPENSATION FOR STATE OFFICERS AND EMPLOYEES, INCREASES, PAY PLAN REVISIONS AND JOB RECLASSIFICATIONS

Alan Conroy distributed and reviewed Attachment 1, a summary of the provisions and costs associated with **HB 2192**. It was noted that budgets of all agencies currently provide for a 2.5% base salary increase for everyone except elected officials. **HB 2192** would provide for an additional 1.5% base salary increase beginning in FY94 for everyone except regents. The cost of providing the 1.5% increase for regents was stated to be \$5.6 million from all funds and approximately \$5 million from the SGF. If regents were included in **HB 2192**, everyone would receive a total 4% base salary increase except elected officials who would receive a 1.5% increase. Mr. Conroy, in answer to a question, stated that reclassification and the job rate study would be phased in in accordance with the Governor's recommendation. The cost of fully implementing Phase IV would be \$8.6 million from the SGF and \$20.4 million from all funds by the end of FY95.

Brad Avery appeared before the Committee on behalf of the Kansas Association of Public Employees and reviewed Attachment 2 in support of **HB 2192**. Included in his written testimony was a proposed amendment to provide for a 2.5% salary increase for those persons who are above range or at step "0" for a cost of \$373,863 from the SGF (Attachment 2-5). He stated that the 2.5% increase would be given in the form of a bonus rather than incorporating the increase into the pay plan.

Senator Salisbury expressed concern that KAPE seemed to be less supportive of the salary plan and longevity which were adopted separately in the late 1980s at that agency's request. She noted that the proposed amendment would address those persons at step "0" as well as those who would not otherwise be eligible for a step increase this year, and voiced concern about the policy of making exceptions to the plan. In answer to her question, Mr. Avery stated that KAPE basically considers only salaries when formulating recommendations for legislative consideration.

In response to the charts from the Governor's Economic & Demographic Report (Attachment 2-8 & 9), Senator Rock noted that it was his understanding that the average wage in industry has declined while the average wage for government employees has increased since 1982. He commended state employees for dedication to their jobs, but voiced his opinion that they could receive more "upbeat" information about salaries and benefits.

Ted Ayres, representing the Board of Regents, told members that the Governor had originally recommended a

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 9:30 a.m. on April 7, 1993.

1% increase in the retirement plan for regents, the House had changed that recommendation to .5% state contribution and .5% employee contribution, and the Senate had finally removed the issue in order to address it in the pay plan bill.

The Chairman expressed his opinion that if COLA is included in **HB 2192** it should be provided for all classes of employees, but suggested that the Committee recommend only the implementation of the Job Rate Study. There was discussion of the comparison between pay for state employees versus that of people in private enterprise, the retirement enhancements provided through the KPERS bill, the projected revenue shortfall in FY95 (Attachment 3), and the impact of conference committee recommendations on the revenue shortfall. Members also discussed the costs associated with implementing different versions of the pay plan.

Senator Karr moved, Senator Petty seconded, that **HB 2192** be amended by including 1% COLA for classified state employees, .5% COLA for the regents, .5% TIAA/CREF for the regents, and the bonus for those persons at step "0". The motion failed on a voice vote.

It was moved by Senator Rock and seconded by Senator Karr that **HB 2192** be amended by including 1% COLA for classified state employees, .5% COLA for the regents, and .5% TIAA/CREF for the regents. The motion failed on show of hands.

Senator Rock moved, Senator Petty seconded, that **HB 2192** be amended by including **SB 320**. The motion carried on a voice vote.

It was moved by Senator Karr and seconded by Senator Petty that **HB 2192** as amended be recommended favorable for passage.

A substitute motion, offered by Senator Brady and seconded by Senator Karr, to further amend **HB 2192** by including a 1.5% COLA for the regents failed on a show of hands.

Senator Salisbury offered a substitute motion which was seconded by Senator Lawrence to further amend **HB 2192** by providing funding for the implementation of the final four segments of the Comprehensive Classification and Job Rate Study. It was noted that the cost of implementing reclassification in FY94 is approximately \$3.3 million from the SGF and \$8.6 million from all funds. The motion carried on a show of hands.

It was moved by Senator Salisbury and seconded by Senator Lawrence that **HB 2192** as amended be recommended favorable for passage. The motion carried on a roll call vote.

The Chairman thanked members for their hard work during this legislative session and stated that he hoped this meeting would be the last regular meeting of the session. He adjourned the meeting at 10:47 A.M.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: April 7, 1993

[illegible]

HOUSE BILL NO. 2192

State Employee Pay Bill

H.B. 2192 as recommended by the Governor and as passed by the House does the following:

1. Provides for a 1.5 percent base salary increase, effective at the beginning of FY 1994 for the following state employees:
 - a. classified employees of the Executive Branch and non-judicial personnel of the Judicial Branch;
 - b. unclassified employees, **excluding** those employed by the State Board of Regents and its institutions;
 - c. legislators, elected officials of the Executive Branch, judges, and employees whose salaries are linked to judges' salaries (e.g., Board of Tax Appeals, Parole Board, and Kansas Corporation Commission).
2. Authorizes revisions to the following job classes to implement the final four segments of the Comprehensive Classification and Job Rate Study that was started in 1986:

Job Class	Effective Date
Health, Scientific, Engineering	Beginning FY 1994
Information Technology	Mid-year FY 1994
Human Resource, Social Sciences	Beginning FY 1995
Administrators	Mid-year FY 1995

For FY 1994, the bill would provide for the reclassification of approximately 5,500 positions in 13 job classes. For FY 1995, approximately 6,300 additional positions would be reclassified.

3. **COST:** The following fiscal impact is estimated to implement the proposed changes in FY 1994:

	State General Fund	All Funds
1.5% Base Salary Increase	\$ 8,153,978	\$ 14,406,310
Reclassification Study	3,286,441	8,590,032
TOTAL	\$ 11,440,419	\$ 22,996,342

The bill does not make any appropriation for the reclassification study for FY 1995. However, the estimated cost to implement the final two phases of the study are estimated to cost an additional \$3.8 million from the State General Fund and \$9.8 million from all funds, plus the cost of annualization of the Information Technology Class would be an additional \$1.6 million from the State General Fund and \$3.0 million from all funds.



1300 South Topeka Avenue Topeka, Kansas 66612 913-235-0262 Fax 913-235-8788

TESTIMONY BY BRAD E. AVERY
EXECUTIVE DIRECTOR
KANSAS ASSOCIATION OF PUBLIC EMPLOYEES
ON HB 2192

House Bill 2192 provides, among other things, a 1.5 percent increase in each step of the state pay plan and funding for the last phase of a reclassification effort that was begun in 1985 and was due to be completed last year.

KAPE is a proponent of HB 2192 because it does provide for the first full year adjustment in the step figures since FY 1990. The bill is not total compensation for the deterioration in the salaries of state employees for the last several years.

Last year the Legislature provided for an adjustment of one percent in steps of the state's salary plan for six months. The year before, there was no cost of living increase.



While teachers are entitled to what they received, state employees are properly asking the question, "What about us?" I think legislators too often tend to see state employees in terms of numbers of full time equivalent positions without considering the fact they have families to feed and bills to pay.

Their plight is exacerbated by the fact that by any measure one cares to establish, state employees' wages have declined in terms of real dollar amounts.

As measured against the Consumer Price Index, no COLA provided has matched the rate of inflation for the last four years. (see Attachment A). Even if the merit or step increases were included in the calculations, inflation would still have robbed state employees of the value of their pay checks in three out of the last four years.

As measured by growth in personal income from wages in all sectors of the Kansas economy, state employees are behind. In the private sector statewide, personal income from wages grew as fast or faster than the rate of inflation in each of the last four years. As discussed, that was not true of the wages of state employees.

Private sector growth in personal income from wages exceeded the combination of cost of living increases and step increases given state employees in three of the last four years (Attachment B). Private sector employees received increases that were 58 percent higher than state employees in the last three years.

Other public employees have done much better. Last year, according to the Department of Education, teachers received a statewide increase in wages that averaged 8 percent.

If House Bill 2192 is enacted, there will be a 1.5 percent increase in each of the steps of the state's pay plan. The steps are set at 2.5 percentage points apart, so together with step movement, state employees' wages under the governor's proposal will be increased by four percent.

However, it should be pointed out that not all state employees are eligible for step increases. Once an employee reaches the end of his or her step level, the step increases stop.

According to the Division of Personnel, there are 1,407 employees who have reached the last step of the pay plan, step "0." It is patently unfair for these employees not to get the same increase other employees will receive because the structure of the pay plan.

According to figures provided by Legislative Research, it would cost \$373,863.00 in SGF money for employees who will not receive a step increase to provide an additional 2.5 percent increase on top of the 1.5 percent now in the bill.

House Bill 2192 also completes the commitment the Legislature has made to reclassify state employees. For the purposes of my testimony, reclassification is a process by which the Department of Administration determines whether employees in various position

classifications are in the correct pay range.

It makes those determinations through surveys of comparable positions in the private and public sector. The Legislature in 1989 mandated that this work be completed prior FY '93.

For FY '94, the Governor proposes to reclassify 5,500 positions in 13 job classifications. While there may be individual flaws within the study, KAPE is supportive of the necessity of reclassification and would urge the Legislature to follow through on its initial commitment to this process.

Amendment to 2192

Following language added to Section 1(a), line 21 following
"monthly":

In addition, any employee not eligible for step movement because the employee is paid an amount equal to the last step of the pay plan or who is not eligible for step movement because the employee is not assigned a step in the state pay plan, shall receive an amount equal to 2.5 percent of their current wages, adjusted to the nearest dollar. Said amount shall not be reflected in the pay plan but shall constitute a bonus to those eligible for such.

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N – Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

March 2, 1993

To: Alan Conroy
From: Kathy Porter
Re: The Cost of Providing a 2.5 Percent Salary Increase for State
Employees Who Are Above Range or at Step "O"

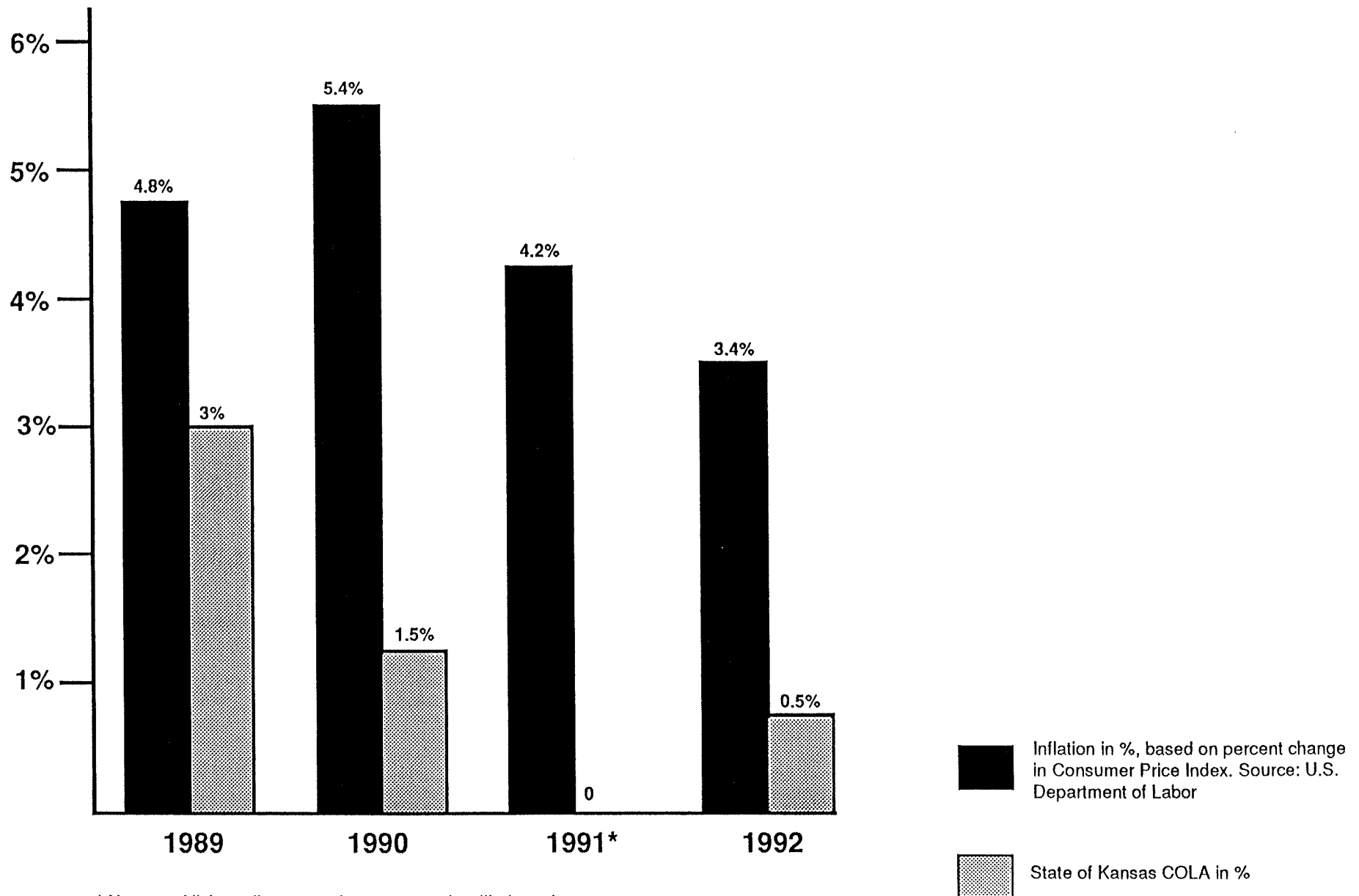
The following information is in response to your request for an estimate of the cost of providing a 2.5 percent salary increase for those state employees who are either above range on the state pay plan or who are at step "0," the final step of each range under the current pay plan. Under the pay plan, classified employees in either of these circumstances would receive no step movement.

Information on the number of employees who would be affected was obtained from the Division of Personnel Services based on data extracted from the Kansas Integrated Personnel and Payroll System (KIPPS) for the pay period ending January 17, 1993. Regents data was extracted from tapes supplied by each institution for the pay period ending December 17, 1992. As of those dates, there were a total of 1,449 employees who were either above range (42 employees) or at step "O" (1,407 employees). The aggregate salary of the 1,449 employees was \$47,816,910, and the total cost of providing a 2.5 percent salary increase would be \$1,195,423. Of that cost, \$373,863 would be from the State General Fund and \$821,560 would be from other funding sources.

It should be noted that these amounts would reflect the cost of providing a 2.5 percent salary increase as of December 17, 1992, for the Regents institutions and as of January 17, 1993, for other agencies. Presumably, additional employees would reach step "O" during the remainder of FY 1993 and during FY 1994. That number may be offset to some extent by persons retiring or separating from employment with the state.

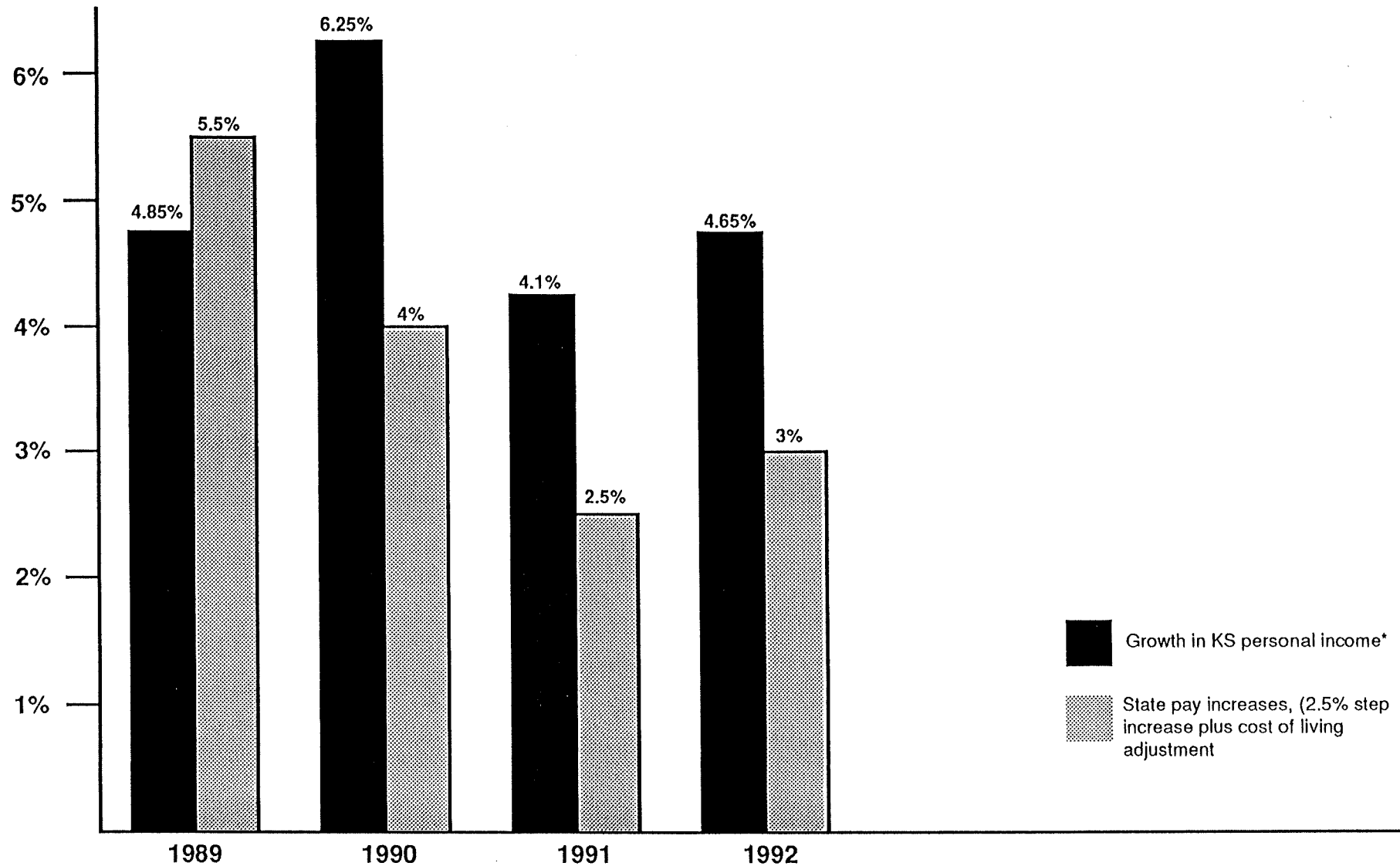
If additional information would be helpful, please feel free to contact me.

Inflation vs. Kansas State Employee Cost of Living Adjustments



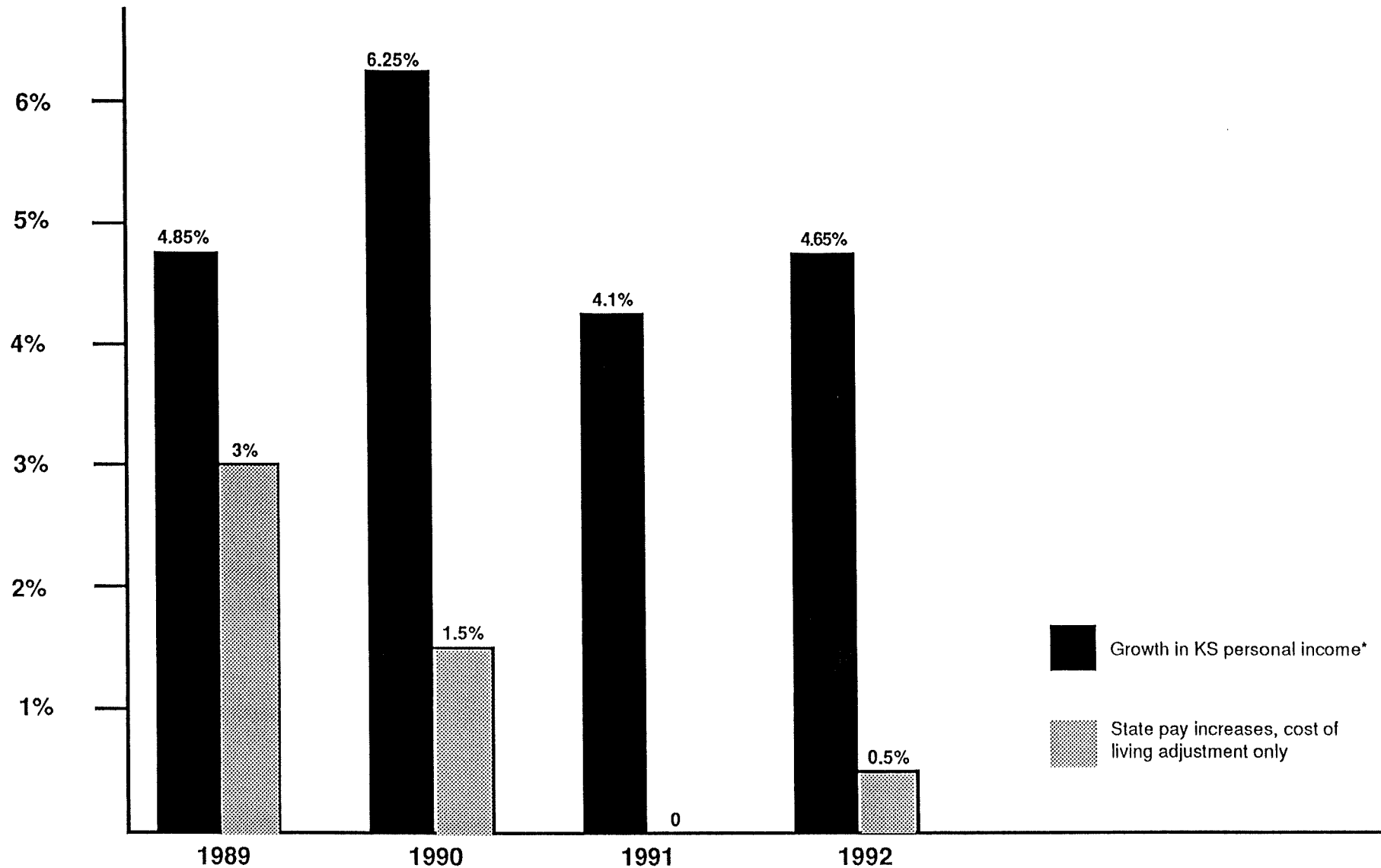
* No cost of living adjustment given to state classified employees.

Growth In Kansas Personal Income (Salary + Wages) vs. State Pay Increases (Steps + COLA)



* Source: Governor's Economic & Demographic Report

Growth In Kansas Personal Income (Salary + Wages) vs. State Pay Increases (COLA only)



* Source: Governor's Economic & Demographic Report

STATE GENERAL FUND PROFILE

(In Thousands)

	<u>Actual</u> <u>FY 1992</u>	<u>Est.</u> <u>FY 1993</u>	<u>Est.</u> <u>FY 1994</u>	<u>Projected</u> <u>FY 1995</u>
Beginning Balance	\$ 162, 236	\$ 140,475	\$ 346,312	\$ 220,947
Receipts Consensus (April, 1993)	2,465,807	2,929,640	3,031,015	3,121,946
Receipts % Increase	3.5%	18.8%	3.5%	3.0%
Expenditures Current Status	2,491,269	2,723,803	3,187,917*	3,187,917
% Change	(0.2%)	9.3%	15.9%	(0)
Ending Balance	\$ 140,475	346,312	189,537	124,558
Percent of Expenditures	5.6%	12.7%	5.9%	3.9%
Receipts in Excess of Expenditures	\$ (25,462)	\$ 205,837	\$ (156,865)	\$ (65,979)

*Does not include \$3 million SRS, \$5 million Regents or \$70 million for military retirement. Does include \$8 million pay bill passed by House. Assumes No Spending Increase in 1995! We know we'll see 2 - 3% in SRS and schools alone. Does reduce ending balances below 6% in 1994 and below 4% in 1995 - dangerously low. We must cut spending this year by over 1% or we'll have to cut next year by over 3%.

SWAM
April 7, 1993
Attachment 3