

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:40A.M. on January 23, 2008 in Room 123-S of the Capitol.

All members were present except:
Senator Jay Emler - excused

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes
Kristen Clarke Kellems, Assistant Revisor of Statutes
Audrey Dunkel, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research
Jarod Waltner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:

Neville Kenning, National Director, State Government Consulting Practice, Hay Group
Carol Foreman, Deputy Secretary, Kansas Department of Administration
Senator John Vratil
Tom Krebs, Governmental Relations Specialist, Kansas Association of School Boards
Diane Gjerstad, Wichita Public Schools

Others attending:
See attached list.

Bill Introductions

Senator Steineger moved, with a second by Senator Wysong, to introduce a conceptual bill regarding KACIR and intergovernmental relations. Motion carried on a voice vote.

Senator Wysong moved, with a second by Senator Kelly, to introduce a conceptual bill on behalf of AARP regarding personal identification protection for senior citizens. Motion carried on a voice vote.

Senator Wysong moved, with a second by Senator Schodorf, to introduce a conceptual bill regarding an AARP version of amber alert. Motion carried on a voice vote.

Chairman Umbarger welcomed Neville Kenning, National Director, State Government Consulting Practice, who presented a briefing on the State Employee Pay Plan Study (Attachment 1). Mr. Kenning noted that this was the largest group he had ever worked with in all the years he had been doing these studies. They looked into the pay where the employee was in regarding to the step process. In some cases the employee pay was behind the market place. Kansas was on the average about ten percent below the market.

The Chairman welcomed Carol Foreman, Deputy Secretary, Kansas Department of Administration, who spoke concerning the State Employed Compensation Oversight Committee. She explained that the Commission started with the pay plan study. Two groups were created, a task force and a commission. Ms. Foreman noted that the recommendations for today are just for classified employees. The task force came out with a philosophy to have a fair and flexible system to attract best and brightest in Kansas within the marketplace.

Ms. Foreman further explained that the commission was created with legislative, executive, judicial and Board of Regents on the commission. They reviewed the current system, compared the Kansas system with comparable states. They took testimony from many areas as to current, what was not working, what was working, and suggestions. The commission provided the Hay Group with guidelines on what a new pay plan should look like for the State of Kansas. The recommendations submitted by the Hay Group were adopted immediately. The Joint Committee also adopted them and was sent immediately to the Legislature. They came up with a plan that would address the future in Kansas. Recommendations were detailed in the written

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on January 23, 2008 in Room 123-S of the Capitol.

testimony. In closing, Ms. Foreman noted that she was proud to be involved in the process.

The Chairman acknowledged Mr. Kenning who concentrated on five pay plans that are listed on on page two of his testimony: Management Pay Plan, Professional Individual Contributor Pay Plan, Protective Services Pay Plan, Basic Vocational Pay Plan and General Classified Pay Plan. He noted that they kept the steps because of the transition to the new system and explained that it is a possibly could do away with steps down the road. He explained that none of the five plans will work without a Performance Management Process. Mr. Kenning noted that It is about managing, coaching, feed back in a cycle, not a form. Their hopes are to have a plan in place by July 1, 2008.

Attachment IV is the proposed implementation schedule (Attachment 2). Chairman Umbarger expressed his thanks for all the work from both Carol and Neville. He also expressed his thanks to those that served on the commission.

The Chairman opened the public hearing on:

SB 425—Direct investments by school districts

Staff briefed the Committee on the bill.

Chairman Umbarger welcomed the following conferees:

Senator John Vratil explained that the language in **SB 425** would enable Kansas school districts to invest idle funds in securities issued by federal agencies (Attachment 3). A Kansas school district would be able to invest idle funds in securities issued by federal agencies if and only if the school district has a written investment policy that was previously approved by the local municipal pooled money investment board.

Tom Krebs, Governmental Relations Specialist, Kansas Association of School Boards, reported that **SB 425** broadens the ability of school districts to better invest their idle funds (Attachment 4).

Diane Gjerstad, Wichita Public Schools, explained that **SB 425** would give school districts investment authority similar to that granted to cities and counties (Attachment 5).

The Chairman closed the public hearing on **SB 425**.

Senator Wysong moved, with a second by Senator Teichman, to recommend SB 425 favorable for passage. Motion carried on a roll call vote.

The meeting adjourned at 11:55 a.m. The next meeting was scheduled for January 24,2008.

**SENATE WAYS AND MEANS
GUEST LIST**

Date January 23, 2008

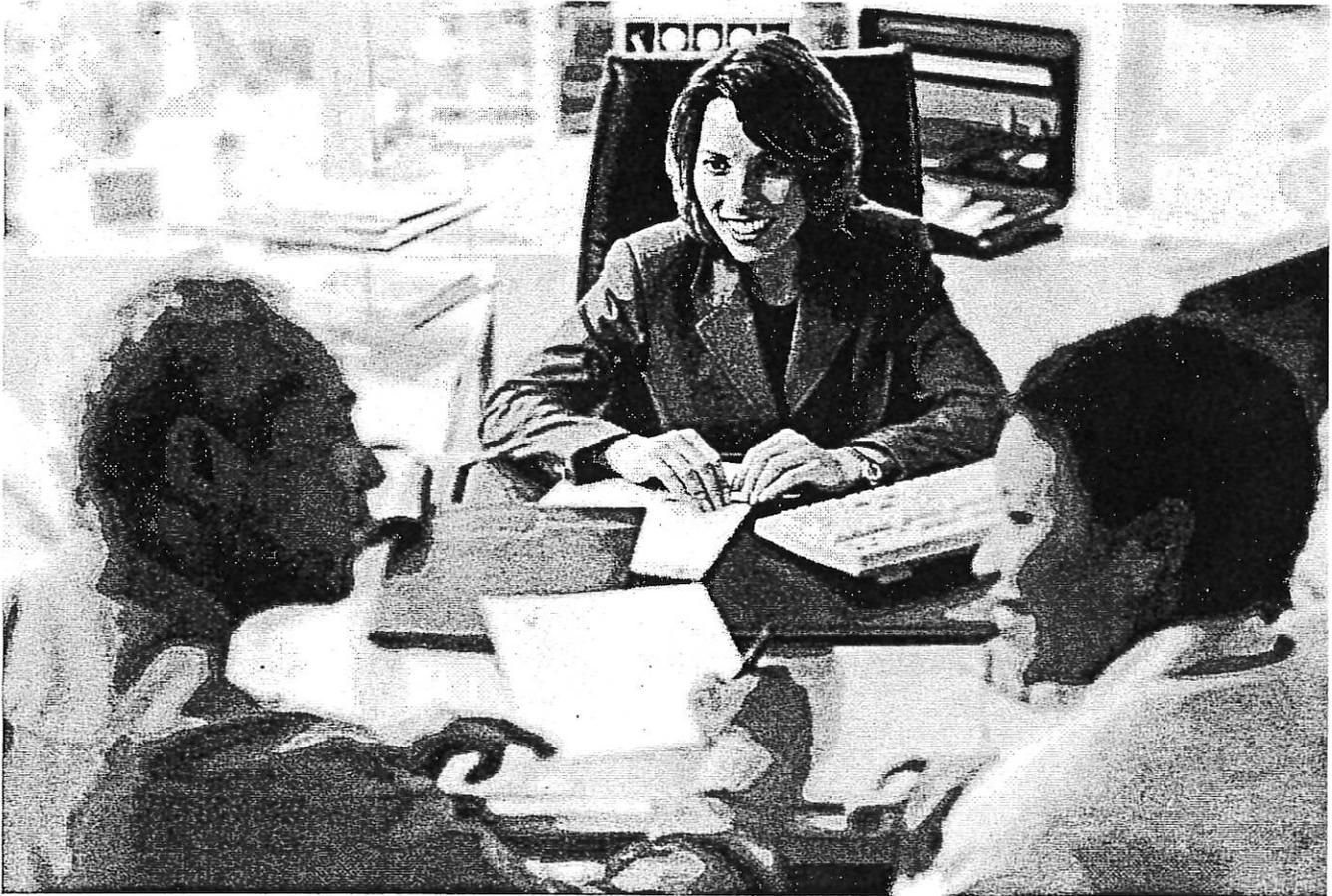
NAME	REPRESENTING
Patricia Henshall	OJA
Stacey Woolington	KDA
Deane Gierstad	USD 259
Tom Kutz	KASB
Carolyn M. Lindberg	Ks St No Assn
Dwayne Talbot	KOSE
Jane Carter	KOBE (KS org. of state employees)
HOWARD SMITH	PITTSBURG STATE UNIVERSITY
JUE PETERSON	K STATE
JEREMY S BARCLAY	KDOC
Rebekah Mueller	SOS
ERIC SEXTON	WSU
ETHAN ERICKSON	KDOT
Junie Rose	KCSL
JOHN DOUGHERTY	ESU
Ernie Kelly	AARP
Carol Reed	SRS
Katrina C. Kasmala	SRS
Nate Michel	Hein Law Firm
Philip A. Hurley	PATRICK J. HURLEY & CO.
RONALD RICHEY	NARFE
D. L. Cassatt	State Treasurers Office
Scott Millen	Pooled Money Investment Board

November 30, 2007

State of Kansas

Report of the Work and Outcomes of the State
Employee Compensation Oversight Commission

HayGroup®



*Neville Kenning
National Director
State Government Consulting
Practice*





Contents

1. Background	1
2. The Commission at Work	1
3. Recommended Pay Plans	2
4. Transition to and Implementation of the New Pay Plans	6
5. Summary of Outcomes of the Commission	7
Appendices	
A. Members of the Commission	8
B. Components of an Effective Classification and Compensation Plan	9
C. Compensation Philosophy	10



1. Background

The role of the State Employee Compensation Oversight Commission, as established by the Legislature in April 2007, was to develop recommendations for a new pay plan for classified employees to be presented to the 2008 Legislature. The genesis of the work of the Commission was a report on an extensive market survey that was conducted for the State by Hay Group in the latter part of 2006. This showed that the level of competitiveness of both pay ranges and actual pay lagged the market. In addition, concern was expressed by both Legislative and Executive Branch leadership of the wisdom of increasing the funding of a classified pay plan that had not been viewed as being effective due to:

- Being a “one size fits all plan;”
- Step increases not being funded;
- Internal equity issues; and
- A significant passage of time since the plan was last reviewed.

The purpose of this report is to summarize the process by which the Commission did its work and to set out the recommendations unanimously adopted by the Commission on October 15, 2007. Further details on the content of this report can be found in the Hay Group presentations made to the Commission dated September 7, 2007 and October 15, 2007.

2. The Commission at Work

The Commission’s first meeting was in May 2007 and it met at regular intervals through October 15, 2007. The members of the Commission are listed in Appendix A. Consulting services were provided to the Commission by Hay Group. The work of the Commission was guided by two key contextual elements: the model of an effective classification and compensation plan, which is set out in Appendix B, and a Compensation Philosophy adopted by the State Employee Pay Philosophy Task Force in June 2007. This is set out in Appendix C.

During the meetings of the Commission in the period June – October 2007, topics discussed included: an understanding of each of the components of the model set out in Appendix B, a definition and understanding of classification and compensation terms; a presentation on the competitiveness of the benefits plans offered by the State and the proposed compensation plan design. In addition, the Commission heard testimony from interested internal parties on compensation issues and a panel of respected business



leaders and human resources and compensation practitioners from private and public sector organizations within Kansas on their business experiences in undergoing major changes in their compensation plans.

3. Recommended Pay Plans

It was highlighted to the Commission on numerous occasions that the State is a complex employer in terms of the wide variety of the nature of work and the types of classifications in the classified service. The compensation philosophy adopted in June 2007 recognized the need for some common fundamental principles such as fairness but allowed for the flexibility to have multiple pay plans. Accordingly, five pay plans were recommended to the Commission.

Management Pay Plan

- Incumbents of the classifications assigned to this plan are involved in managerial functions of planning, leading, organizing, controlling, motivating and innovating. The actual *supervision* of various activities is largely delegated. Results are achieved through being accountable for the efforts of those they manage.
- Classifications assigned to this plan will be limited to exempt, high level managerial positions. It is estimated that 22 classifications currently with 265 employees will be assigned to this plan.
- The pay range will be based on a market target setting out the stated policy position with the range minimum being 85% of the market target and the range maximum being 120% of the market target.
- Pay movement will be solely based on performance and will also take into consideration the incumbent's position in the salary range.
- Ranges will be adjusted on a regular basis and a salary survey should be done not less frequently than every 3 years to ensure ranges are aligned with the market.

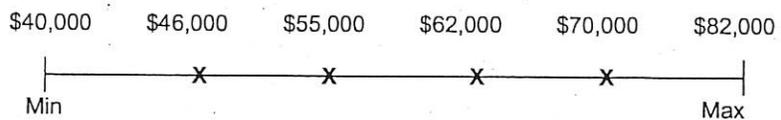
Professional Individual Contributor Pay Plan

- Classifications assigned to this plan are characterized by having the knowledge that requires an understanding of the principles and theories of a professional discipline normally gained through a college curriculum.
- The occupational groups and classifications are also characterized by the high number of PIC's relative to the number of managers in that occupational group. Based on that definition, it is estimated that 133



classifications currently with 2742 employees will be assigned to this plan.

- Pay ranges will be broad banded with market anchors within the bands to reflect different levels of work.
- An illustration of such a banded structure is set out below:



X = Market anchors for different levels of work in the job family

- Pay placement and movement will be determined by assessment against the following criteria:
 - Tenure and experience (it is important to note that the reference to experience must be related to progressive experience, not just time in position);
 - The nature of work being performed;
 - Increased independence of work and judgment exercised;
 - Achievement of pre-determined performance standards;
 - The acquisition and application of further education and training;
 - Demonstration of an increased frequency of undertaking the type and complexity of work associated with the next level in the job family; and
 - Fulfilling a leadership role.
- There will be multiple “plans” within the overall PICPP and it is recommended that Professional Development Committees consisting of representatives of each of the PIC disciplines led by staff from DPS, will provide input on the classification, performance standards and training. These PDC’s will be accountable for reviewing progression requests against the criteria set out above. They will also oversee the professional training and development plans for employees assigned to the plan and for linking training and development to career progression.



Protective Services Pay Plan

- All uniformed officers of the Department of Corrections and Juvenile Justice Authority, troopers of the Kansas Highway Patrol and all classifications that meet the definition of “police officer” or “law enforcement officer” as set out in K.S.A 74-5602 will be assigned to this plan. Based on that definition, it is estimated that 43 classifications currently with 3215 employees will be assigned to this plan.
- Pay ranges will be market based with a target market step. There will be steps on either side of the market target. Movement from entry to market target will be based on the achievement of milestone and certification events such as POST academy. Movement above the market target step will be based on time and performance.
- An illustration of a salary range for a position in this plan is set out below:

	----- ----- ----- ----- ----- ----- ----- ----- ----- -----									
Pay Step	1	2	3	4	5	6	7	8	9	10
Difference in Steps		3%	3%	3%	3%	3%	3%	3%	3%	3%
Timing of Step Movement		6 mos.	6 mos.	*1	*1	*1	12 mos.	12 mos.	12 mos.	12 mos.

*1 = To be determined in conjunction with milestones/certifications

- It is recommended that a Committee consisting of leadership of the Agencies in which the classifications assigned to this plan are employed with leadership from DPS, provide input on the administration of the plan.



Basic Vocational Pay Plan

- Classifications assigned to this plan perform structured, routine work which requires basic vocational knowledge and performance can be measured on a pass/fail basis. Based on that definition, it is estimated that 58 classifications currently with 3844 employees will be assigned to this plan.
- Pay ranges will be based on a market target with steps below and above the market target. There will be 9 steps, each 3% apart and movement through the steps below market will be more rapid than for steps above market. The hiring rate will be 88% of market and the range maximum 112% of market.
- An illustration of a salary range for a position in this plan is set out below:

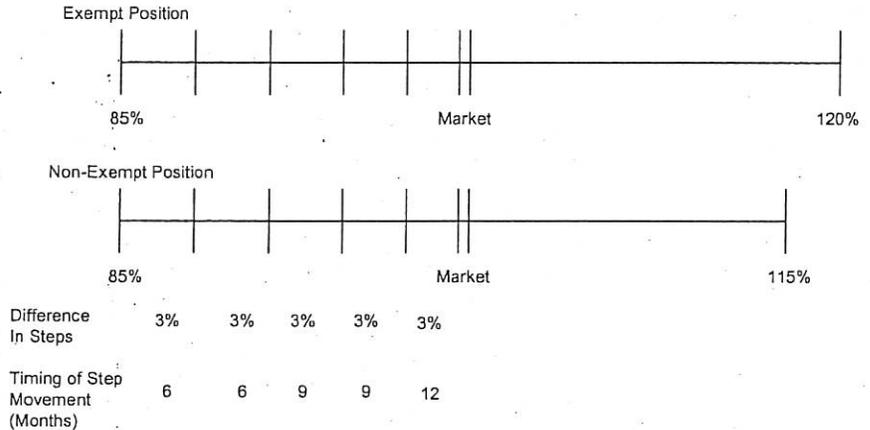
	----- ----- ----- ----- ----- ----- ----- ----- -----								
Pay Step	1	2	3	4	5	6	7	8	9
Difference in Steps		3%	3%	3%	3%	3%	3%	3%	3%
Timing of Step Movement (Months)		6	6	9	9	12	12	12	12

General Classified Pay Plan

- Classifications assigned to this plan will be those that do not fall within the definition and parameters of the other 4 plans. Based on that, it is estimated that 297 classifications currently with 11,920 employees will be assigned to this plan.
- Pay ranges for positions classified as FLSA nonexempt will be based on a market target with the minimum of the range being 85% of market and the maximum of the range being 115% of market.
- Pay ranges for positions classified as FLSA exempt will be based on a market target with the minimum of the range being 85% of market and the maximum of the range being 120% of market.
- The pay ranges will have steps below the market and an open range above the market target.



- An illustration of a salary range for a position in this plan is set out below:



4. Transition to and Implementation of the New Pay Plans

The key to the effective implementation of these plans will require the development and implementation of a State-wide performance management plan. This should be done first. The recommended steps for the development and implementation of a new performance management plan include:

- Formation of a Design Team Task Force;
- Development of the performance management process and documentation;
- Development of training material;
- Identification of trainers and conduct of train-the-trainers;
- Training of managers and supervisors; and
- Roll out of the performance management plan.

It is recommended that this plan be ready for roll out by July 2008.

To achieve the changes required for design and implementation of the new pay plans will require considerable time, resources and effort. Material sent to Commission members on October 11, 2007 from DPS set out comprehensive details on how this will be done on a multi-year basis, starting in July 2008.



During the interim years until full implementation, Hay Group strongly recommends that actions to move classified employees pay closer to market be continued. Funding pay increases in these interim years will significantly enhance the credibility that the State is “serious” about implementing more effective pay plans for classified employees.

In addition, it is strongly recommended that a Commission similar in nature and role to that of the current Commission be continued to provide oversight to the development and implementation of the new plans and the performance management process as well as, upon implementation, ensuring that the plans and processes are being managed and administered in accordance with the State’s compensation philosophy.

5. Summary of Outcomes of the Commission

At its meeting on October 15, 2007, the Commission unanimously passed a motion adopting all recommendations contained in the report to the Commission of the same date.



Appendix A

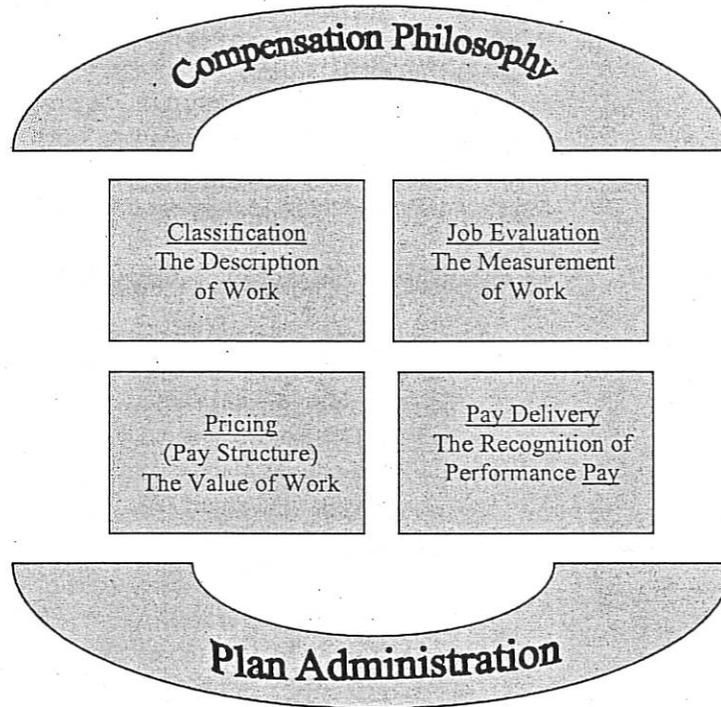
Commission Members

Carol Foreman, Chairperson, Deputy Secretary of Administration
Representative Pat George, Vice-Chairperson
Senator Laura Kelly
Senator Roger Reitz
Senator Vicki Schmidt
Representative Tom Hawk
Representative Lee Tafanelli
Secretary Jim Garner, Kansas Department of Labor
Patricia Henshall, Director of Personnel, Kansas Judicial Branch
Dr. Richard Lariviere, Prov. & Exec. Vice Chancellor, University of Kansas
George Vega, Director of Personnel Services, Department of Administration



Appendix B

Components of an Effective Classification and Compensation Plan





Appendix C

Compensation Philosophy

Umbrella Statement

The compensation program (compensation and benefits opportunity and delivery) for State employees will be designed to support the mission of the various branches of government and the agencies and departments within those branches. The foundation of the compensation program is to attract and retain quality employees with competitive compensation based on relevant labor markets. The programs will be based upon principles of fairness and equity and will be administered with sound fiscal discipline.

Compensation Philosophy Component Statements

1. The Legislature will be accountable for the adoption of the compensation philosophy and framework. The Executive Branch through delegated authority from the Governor to the Department of Administration will be accountable for the consistent administration of the program for classified employees. Agency Heads will be accountable for proper administration of the program within their Agencies. The Chief Justice, through delegated authority to the Office of Judicial Administration will be accountable for the consistent administration of the program for Judicial Branch employees. The Board of Regents, through delegated authority to the Chief Executive Officer of each campus, will be accountable for the consistent administration of the program for higher education faculty and non-classified employees. The respective appointing authorities will have accountability for the consistent administration of compensation for non-classified employees.
2. The compensation program will be based on consistent principles of fairness throughout the State, yet will be flexible to meet changing needs. This will allow for multiple pay plans to fit different needs and market variables for the different Branches of government and within those Branches.
3. Establishing the value of compensation will be primarily based on establishing the appropriate market value of the job. For positions for which a market value cannot be readily identified, the value of compensation for those positions will be based on a fair, defensible and understandable method.
4. While recognizing that service and tenure yields valued experience, pay delivery mechanisms will be based on a combination of



achievement of performance objectives, recognition of differences in job content, acquisition and application of further skill and education and pay for the achievement of team/unit or department goals.

5. All aspects of compensation (base salary, benefits, lump sum payments, allowances and other variable elements of compensation) will be considered as a total compensation package for State employees. The State's pay programs will utilize both fixed and variable compensation as well as non-cash reward and recognition programs.
6. Total compensation, as defined above, will be targeted at a competitive level when compared to the appropriate labor markets to allow the State to attract and retain the quality and quantity of employees needed to fulfill service commitments to its citizens.
7. The State is committed to ensuring that its salary structures are up to date through the conduct of market surveys at regular intervals. There will be a planned approach to ensure that the classification structure and classification of employees is kept current.
8. The compensation programs will reinforce a work culture and climate where employees are recognized and rewarded for their contribution. Any changes to compensation must be reasonable and take into consideration the needs of the State as an employer, the work culture afforded to the employees as public service providers and the citizens receiving services from the State.

Attachment VI

Proposed Implementation Schedule

	FY 2009 *	FY 2010	FY 2011	FY 2012	FY 2013
Group 1 7,758 emp. 147 classes	Preparation & Market Adjustments	Dry Run & Market Adjustments	Implement & Market Adjustments	Maintain	Maintain
Group 2 6,833 emp. 249 classes	Market Adjustments	Preparation & Market Adjustments	Dry Run & Market Adjustments	Implement & Market Adjustment	Maintain
Group 3 7,392 emp. 135 classes	Market Adjustments	Market Adjustments	Preparation & Market Adjustments	Dry Run & Market Adjustment	Implement & Market Adjustment

* FY 2009 will also involve the development and presentation of significant educational activities to inform employees, supervisors and managers of the new employee compensation system and address their questions.

Market Adjustments

Recommendations for market adjustments for jobs within any Group will be part of each year's activities. Market alignment among classes varies substantially at this time. It may take several years of providing adjustments to bring some occupations to market while others may be achieved over a much shorter time period. Employees in some classes which are in Group 2 or 3 may receive market adjustments prior to the first year of their 3-year study cycle. It is our intent to bring each class up to market, or as close to market as possible, by the time the class moves to full implementation on the new plan. Once the classes are implemented, annual market studies will be conducted to identify any need for adjustment in order to maintain market alignment.

First Year Activities

The first year of the 3-year cycle will involve preparation. The preparation will include the review and modification of current job classes; reallocation of positions to the proper job class; development of performance criteria; training on new performance standards and evaluations; and additional education for employees and supervisors. Employees will be compensated under the current system during the first year of the 3-year study for their Group.

Second Year Activities

The second year of the 3-year cycle will involve a "dry run." Employees will be evaluated under the revised performance standards and agencies will provide the Division

of Personnel Service with a report detailing the performance evaluation experience; how the agency would have allocated their annual classified employee salary budget; the results of such actions, and proposed changes they believe are needed. Agencies will identify any need for training or changes in the performance review system and make such modifications. Employees will continue to be paid under the new employee compensation system.

Third Year Activities

The third year of the 3-year cycle will involve full implementation for that Group. Employee compensation will be provided on the basis of the new employee compensation system. Jobs within this Group should be aligned with the relevant labor market. State agencies will work with the Division of Personnel Services to identify further modification and actions.

Beyond the Third Year

After jobs are implemented into the new employee compensation system, annual market studies will be conducted to identify any need for adjustments to ensure market alignment. The employee compensation system and the administration of the new system will also be reviewed and evaluated to identify any needs for change.

State of Kansas

JOHN VRATIL
SENATOR, ELEVENTH DISTRICT
JOHNSON COUNTY
LEGISLATIVE HOTLINE
1-800-432-3924



COMMITTEE ASSIGNMENTS
CHAIR: JUDICIARY
VICE CHAIR: EDUCATION
MEMBER: FEDERAL AND STATE AFFAIRS
ORGANIZATION, CALENDAR
AND RULES
SENTENCING COMMISSION
INTERSTATE COOPERATION

Vice President Kansas Senate

Testimony Presented to
The Senate Ways & Means Committee
By Senator John Vratil
February 23, 2008
Concerning Senate Bill 425

Good morning. Thank you for the opportunity to appear before the Senate Ways and Means Committee in support of Senate Bill (SB) 425. The language in SB 425 would enable Kansas school districts to invest idle funds in securities issued by federal agencies.

Currently, Kansas cities and counties are authorized to invest their idle funds in securities issued by approved federal agencies. Senate Bill 425 would add school districts to the list of entities that are so authorized and place the same constraints on the school districts that exist for cities and counties. A Kansas school district would be able to invest idle funds in securities issued by federal agencies if and only if the school district has a written investment policy that was previously approved by the local municipal pooled money investment board.

The language in SB 425 proposes to treat Kansas school districts in the same way that cities and counties are treated. If adopted, the language would enable school districts to maximize the investment potential of the districts' idle funds; therefore, reducing the burden placed on taxpayers to fund our schools.

I ask that you support SB 425 because it strengthens the ability of Kansas school districts to make the best use of the resources available to them.

A handwritten signature in black ink that reads "John Vratil".

HOME
9534 LEE BLVD.
LEAWOOD, KS 66206
(913) 341-7559
jvratil@lathropgag.com

DISTRICT OFFICE
10851 MASTIN BLVD.
SUITE 1000
OVERLAND PARK, KS 66210-2007
(913) 451-5100
FAX (913) 451-0875

STATE OFFICE
STATE CAPITOL, ROOM 281-E
TOPEKA, KANSAS 66612
(785) 296-7361
FAX (785) 296-6718
vratil@senate.state.ks.us

Senate Ways and Means
1-23-08
Attachment 3

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
785-273-3600

Testimony on **SB 425**
before the
Senate Way and Means Committee

by

Tom Krebs, Governmental Relations Specialist
Kansas Association of School Boards

January 23, 2008

Mr. Chairman and Members of the Committee;

Currently, K.S.A. 12-1677b does not include school districts when describing opportunities for governmental entities to invest idle funds. **SB 425** simply amends the statute to give school districts the same latitude. KASB is supportive of the bill.

Our members have adopted, as part of our local school finance policies, the stance that local boards be allowed to be the best stewards of the public's money by investing it in ways that maximize return yet always be secured and never invested in a speculative fashion. Amending K.S.A. 12-1677b allows school districts to better invest their idle funds as it gives them a wider array of possibilities from which to choose, including direct obligations of the federal government.

Thank you for your consideration.

Senate Ways and Means
1-23-08
Attachment 4



**Senate Ways and Means Committee
Senator Umbarger, chair**

S. B. 425 Investment of public moneys

January 23, 2008
Submitted by: Diane Gjerstad

Chairman Umbarger, members of the Committee:

Wichita Public Schools rise in support of S.B. 425. This bill would give school districts investment authority similar to that granted to cities and counties. Cities and counties have been using these instruments - such as direct obligations - without controversy. It would seem appropriate to allow Kansas public schools the same latitude.

Thank you, Mr. Chairman, for allowing me to present the shortest testimony of my career.

Senate Ways and Means
1-23-08
Attachment 5