

SESSION OF 2008

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2916**

As Agreed to April 3, 2008

Brief*

Senate Sub. for HB 2916 would implement a new state classified employee pay plan for Executive Branch employees and provide salary increases for all state employees in FY 2009.

The bill would provide **\$85.9 million from all funds, including \$42.7 million from the State General Fund in FY 2009** for state employee salary adjustments, that includes the following:

A 2.5 percent base salary adjustment of \$55.2 million from all funds, including \$27.1 million from the State General Fund, for all state employees (classified and unclassified), including state wide elected officials (Governor, Lieutenant Governor, Attorney General, Secretary of State, State Treasurer and Commissioner of Insurance), justices and judges, and legislators (including the non-session legislative allowance). Classified employees will receive a base salary adjustment of 2.5 percent, while the appointing authority of unclassified employees will receive a merit pool of 2.5 percent to be distributed as determined by the appointing authority. **(Staff Note:** Because the substantive law regarding elected state officials compensation has not been amended since 1998, the statutory changes in the bill reflect the cumulative approved increases since FY 1999. However, such increases have been

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approved within appropriation bills for the corresponding fiscal years since FY 1999).

A **below market salary adjustment for classified employees** of \$16.0 million from all funds, including \$8.5 million from the State General Fund, to move those individuals in the basic vocational classes (*i.e.*, Senior Administrative Assistant, Administrative Assistant, and Custodial Specialist) and isolated worst cases toward their respective market rates. It is estimated that this adjustment will impact 7,758 employees in 147 classes.

Provide \$14.7 million from all funds, including \$7.0 million from the State General Fund, for **longevity bonus pay for current classified employees**. Maintain the current "temporary" rate of \$50 per year of service for the longevity bonus pay in FY 2009 for all current classified employees. The statutory rate for longevity bonus pay is \$40 per year of service. There are 12,016 classified employees who receive an average annual longevity bonus payment of \$962. Longevity bonus pay would continue for all current state employees and be made in the same manner as the current practice. Employees are eligible for the longevity bonus payment once they have a minimum of 10 years of service and maintain a satisfactory or better job performance evaluation rating. The maximum years of service that are compensated under the longevity bonus payment is 25 years of service. Those employees who currently have less than ten years of service will be eligible to receive longevity bonus pay when they have the required number of years of service.

The bill would **discontinue longevity bonus pay for all future employees**. Those employees hired or re-employed on or after June 15, 2008 (the first payroll period chargeable to FY 2009) would not be eligible to receive longevity bonus pay. Longevity bonus payments would be discontinued for new employees beginning in FY 2009.

The bill would establish the following the recommendations of the State Employee Oversight Commission, **five basic pay plans** for classified employees. The exact provisions of the five pay plans are not specified in the bill, but there is a reference to the pay plans as recommended by the State Employee Oversight Commission. The five pay plans, as recommended by the State Employee Oversight Commission, include:

- **Basic Vocational Pay Plan** (3,844 employees in 57 classifications) that is a step plan, but with more narrow pay grades than currently exist;
- **General Classified Pay Plan** (11,917 employees in 282 classifications) that is a hybrid model with movement based on steps up to market and an open range, regulated through the use of zones, beyond market and would include such classes as Human Service Specialists and Mental Health Developmental Disability Technicians;
- **Management Pay Plan** (256 employees in 20 classifications) that has open pay grades with pay movement based in position-in-range and performance and would include such classes as public service executives and corrections managers;
- **Professional Individual Contributor Pay Plan** (2,751 employees in 130 classifications) that is an open range model with market anchors and would include such classes as nurses and scientists; and
- **Protective Services Pay Plan** (3,215 employees in 42 classifications) that is a step model and would include such classes as uniformed officers of the Department of Corrections and the Kansas Highway Patrol.

The bill would authorize a **four-year appropriation totaling \$68.0 million from all funds, including \$34.4 million from the State General Fund for below market pay adjustments** (excluding the FY 2009 appropriation). The State

General Fund appropriations of \$8.6 million annually are made in FY 2010, FY 2011, FY 2012, and FY 2013 to the State Finance Council for distribution to Executive Branch agencies. The all funds annual authorization to the State Finance Council for the below market pay adjustments is \$16.0 million.

The bill would provide \$75,000 (State General Fund) in FY 2009 for the Division of Personnel Services of the Department of Administration for **implementation costs** associated with the new pay plan.

The bill also would provide that the salaries of the statewide elected officials (Governor, Lieutenant Governor, Secretary of State, State Treasurer, Attorney General, and Commissioner of Insurance) salaries be increased by the same percentage increase for all persons in the classified service under the Kansas Civil Service Act chargeable to payroll periods commencing after June 30, 2009 (FY 2010).

In addition, the bill would provide that legislative salaries and the legislator non-session expense allowance would be increased by the same percentage increase that classified employees receive under the Kansas Civil Service Act chargeable to payroll periods commencing after June 30, 2009 (FY 2010).

The bill would codify the subsistence pay currently allowed for legislators, which is tied to the rate allowable under applicable federal law and regulations for employees of the executive branch of the federal government for *per diem* expenses in the capital city of Kansas.

The bill would also delete language that provides that the Director of the Division of Health serves a four year term of office. The change would provide the Director of the Division of Health shall serve at the pleasure of the Secretary of Health and Environment.

Further, the bill would establish the **State Employee Pay Plan Oversight Committee**. The Oversight Committee would

be composed of seven voting members and two non-voting *ex-officio* members:

- One member appointed by the President of the Senate;
- Two members appointed by the Speaker of the House;
- One member appointed by the Minority Leader of the Senate;
- One member appointed by the Minority Leader of the House;
- Two members appointed by the Governor, with at least one being a representative of a state employee labor union; and
- Two non-voting *ex-officio* members, the Secretary of Administration or the Secretary's designee, and the Secretary of Labor or the Secretary's designee.

At least one member of the Oversight Committee would be required to be a member of the Senate and one member would be required to be from the House of Representatives.

The Oversight Committee would elect the Chairperson and Vice-Chairperson from among its members. The staff of the Office of Revisor of Statutes, Division of Legislative Administrative Services, and Legislative Research Department would provide assistance as requested by the Oversight Committee and as approved by the Legislative Coordinating Council. The Oversight Committee would be required to annually report to the Legislature at the beginning of each legislative session on the progress made in the development, implementation and administration of the new pay plans and the associated performance management process. The Oversight Committee would sunset on July 1, 2014.

The bill would codify a **compensation philosophy for state employees**. The philosophy was crafted by the State

Employee Pay Philosophy Task Force and endorsed by the State Employee Compensation Oversight Commission during the 2007 interim period. The pay philosophy includes:

- The goal of attracting and retaining quality employees with competitive compensation based on relevant labor markets;
- Based upon principles of fairness and equity and to be administered with sound fiscal discipline; and
- Clarify that longevity bonus payments shall not be considered as part of the base pay for classified employees.

In summary, the bill would appropriate a total of \$38.6 million from the State General Fund to the State Finance Council for distribution to Executive Branch agencies for the various salary increases in FY 2009. The bill would also appropriate from the State General Fund to the Judicial Branch (\$3.2 million) and Legislative Branch agencies (\$0.6 million) for their proportional share of the FY 2009 state employee pay plan increases. In addition, the bill appropriates \$8.5 million from the State General Fund in FY 2010, FY 2011, FY 2012, and FY 2013 to the State Finance Council for distribution to Executive Branch agencies for below market pay adjustments. The all funds annual amount would total \$16.0 million for those same fiscal years.

Conference Committee Action

The Conference Committee agreed to insert language regarding the creation of the State Employee Pay Plan Oversight Committee. Of the two Governor's appointments, one would be required to be a representative of a state employee labor union. Two non-voting *ex-officio* members were added to the Committee, including the Secretary of Administration or the Secretary's designee and the Secretary of Labor or the Secretary's designee. A compensation philosophy for state employees also was inserted into the bill. Clarification

language also was added to provide that longevity bonus payments not be considered as part of the base pay of classified employees. Finally, longevity bonus pay would not be provided to future state employees (hired on or after June 15, 2008).

Background

HB 2916 was introduced by the House Appropriations Committee. The bill, as introduced, shifted longevity bonus payments into the base salary of classified employees and discontinued longevity bonus payments for all employees.

Proponents of the bill as introduced were Representative Pat George and a representative of the Kansas Council of Classified Senates.

Opponents of the bill as introduced included the State Employees Association of Kansas, which was opposed to the elimination of the longevity bonus payment, but was supportive of implementation of a new pay system.

The Kansas Organization of State Employees testified in favor of the Governor's FY 2009 pay plan recommendations, which includes the longevity bonus payment at \$50 per year of service.

The Deputy Secretary of Administration testified in support of the recommendations of the State Employee Compensation Oversight Commission.

The House Select Committee on State Employee Pay Plan amended the bill to continue the existing longevity bonus payment program for all current classified employees and not shift the longevity bonus payment into the base salary of the classified employees. The Select Committee did amend the bill to abolish longevity bonus payments for all future employees. The Select Committee also added language creating the State

Employee Pay Plan Oversight Committee and added language stating the compensation philosophy for state employees.

Other amendments to the bill made by the Select Committee were technical and clarifying.

The Senate Committee on Ways and Means amended the contents of SB 666 into this bill. SB 666, as introduced, would have implemented components of the Governor's pay recommendation for state employees. The Senate Committee amended SB 666 to include \$75,000 for implementation cost associated with the new pay plan, additional flexibility to provide leave and benefits to university support staff, and to provide additional compensation and travel expenses to members of the Board of Regents.

Proponents of the bill as introduced were Senator Anthony Hensley, the Deputy Secretary of Administration, and a representative of the Kansas Organization of State Employees. Representative Pat George testified in support of the state employee pay components found in HB 2916, as amended.

There were no opponents.

The Senate Committee of the Whole deleted language that the Senate Committee on Ways and Means had added regarding the Regents. The first section that was deleted related to leave and benefit amounts that the Board of Regents may grant to classified or university support staff. The second deletion related to providing travel expenses and compensation for Board of Regents members who are traveling on official business other than attending a Board meeting.

The original contents of HB 2916 contains the provisions to provide a 2.5 percent base salary adjustment; a below market salary adjustment for classified employees; the five-year appropriation for below market increases; and the recommendations of the State Employee Oversight Commission as contained in this bill. The original contents of HB 2916 also would discontinue longevity for future state

employees, establish the State Employee Pay Plan Oversight Committee, and codify a compensation philosophy for state employees.

The fiscal note from the Division of the Budget, on the bill as introduced, indicated the total FY 2009 cost would be \$85.9 million from all funds, including \$42.7 million from the State General Fund. The bill does provide \$75,000 for implementation costs for the Department of Administration for the new pay plan. The Governor also recommended \$100,118 and 2.0 FTE positions in FY 2009 for implementation costs in the Department of Administration. So, with the exception in the difference for the implementation costs, the salary adjustments in the bill are included in the *FY 2009 Governor's Budget Report*.