

Testimony on SCR 1615
Senate Ways and Means Committee
Tuesday, February 6, 2024 10:30AM
Mark Hutton, Chair of Legislative Compensation Commission

Chairman Billinger and Committee members.

I'm before you today at the request of Senator Billinger for the purpose of answering questions related to the salary determination arrived at by the Legislative Compensation Commission that your legislative action created last session. That legislation charged the Commission to evaluate the compensation paid to members of the legislature and then make a determination as to what that compensation should be.

To "show our work", the Commission insisted that the report explained in detail each of the steps taken in its four meetings. Our discussions centered around the key areas of what to base compensation on, how would the salary be calculated, should it be indexed and how, the impact on KPERs, consideration of the Per Diem allowance, leadership pay, and a stipend based on district size.

This morning, I will touch briefly on each of those areas. If you need additional information the full explanation is in the report.

Per IRS regulations, Per Diem is the reimbursement of expenses incurred by an employee in the execution of their employment responsibilities, and therefore are not considered wages nor taxed as such. Early in our discussions the Commission agreed that since Per Diem was not considered a wage and was already addressed annually by the Department of Administration based on Federal reimbursement rates it should not be part of our consideration.

After reviewing a number of available data sources, the Commission agreed that the Bureau of Labor Statistics Average Annual Wage for Kansas Employees would be the best benchmark to use. This data is updated in May of every year so it has a built-in index that would keep the determination current, it's compiled using the same standards consistently year over year and is independent from influence by the State legislature or administration. Starting with the most recent 2022 data and adjusting using a 3 year historical average increase of 4.5%, the Commission arrived at an expected BLS Average Annual Wage for a State of Kansas employee of \$60,238 for 2023.

Our next step was to determine how this data would be adjusted to reflect the job of legislative members. We discussed the duties and responsibilities inferred on legislators and then estimated how much time those duties required while in and out of session. Using 100% of their time for the first 5 months of the year and 50% of their time for the remaining 7 months not in session we arrived at a weighted percentage of 70.83% of their time spent annually on legislative duties. This was applied to the Average Annual Wage of \$60,238 to arrive at a base salary of \$42,667, which was then rounded up to \$43,000. The Commission then compared this to comparable compensation of other jobs such as the average salary of a Kansas School Teacher in 2022 which was \$65,147 for approximately the same 70% time requirement.

Next, we considered indexing this determination so it stayed current. Since the BLS data was updated each year it provided a built-in index. The Commission decided that in order to statistically smooth the impact of the annual changes a three-year rolling average of the percentage change should be used to adjust the salary each year.

After arriving at a preliminary determination, the Commission requested Alan Conroy of KPERS to test the impact on members retirement and the KPERS fund. The results of that test are in Appendix 2 of the Determination. After receiving that information and discussion with Mr. Conroy, the Commission decided to weight the first month of wages to 7.75% of the annual salary so members would not receive a retirement windfall because of the determination, resulting in little to no change to this benefit.

We then discussed adjustments to leadership pay, eventually adopting the same philosophy currently used, adjusted based on the new salary determination.

Finally, the commission approved the compensation calculation that would be applied for special sessions and interim committee meetings.

The discussion on a stipend for the district size was withdrawn from our report with a recommendation that the legislature consider this matter in the future.

I would note that the Commission began and completed our work by taking public comments to allow the public and legislators the opportunity to express their thoughts before we finalized our determination. At the initial meeting the Senate President, Speaker of the House, and a representative of the Wichita Chamber of Commerce spoke. At the final meeting we had only one speaker, a citizen from Overland Park expressing support and one written testimony with personal information blacked out, expressing opposition.

Mr. Chairman and members of this committee, this Commission agreed at the first meeting that our purpose was to compensate legislative members in such a way as to maintain a citizen's legislature, encourage balanced representation across economic and social demographic sectors therefore encouraging participation across a broader range of Kansans, foster a higher level of retention in the legislators and at the same time discourage development of professional politicians. This determination does represent a significant increase, yet I believe it falls short of fully compensating members for service to our State. This Commission was adamant that members service to our state should not be judged by the financial sacrifice they make, and any inference that a member was not committed to the job because they did not suffer financially was an insult to the personal sacrifices they made in service to this State.

To be clear, I did not approach this responsibility with the intention of arriving at a political solution. While the Commission reviewed the current compensation we had little discussion about the size of increase, choosing to reflect on what it should be. As chairman I went out of my way to ensure that each commission member views were fully heard, discussed, and respected with the end goal to arrive at a unanimous and bipartisan determination based on full transparency, sound data and solid policy. I believe we did just that.