

Report of the Special Committee on State Employee and Board Member Compensation to the 2023 Kansas Legislature

CHAIRPERSON: Representative Troy Waymaster

VICE-CHAIRPERSON: Senator Michael Fagg

OTHER MEMBERS: Senators Rick Billinger, Ethan Corson, Rick Kloos, and Gene Suellentrop; and Representatives Leo Delperdang, Susan Humphries, Mari-Lynn Poskin, Bill Sutton, and Brandon Woodard

STUDY TOPIC

The Committee is directed to:

- Review state employee compensation topics including:
 - State compensation as compared to compensation for other public sector and private sector employees, using market studies prepared by the Department of Administration;
 - Continued use of classified and unclassified service;
 - Compliance with existing Kansas statutes regarding state employees;
 - Other states' employment systems for comparison with the Kansas system;
 - Options to tie compensation to performance reviews; and
 - Other duties as determined by the Chairperson related to state employees and the state employment system;
- Review state board member compensation topics including a review of the statutes governing what boards receive compensation and the fiscal impact of increasing that compensation; and
 - Hear from state agencies governed by state boards to determine what, if any, issues they might face in board member recruitment; and
 - Receive information on private sector board compensation to see how compensation for individuals serving on private sector boards compares to compensation for service on state boards.

January 2023

Special Committee on State Employee and Board Member Compensation

REPORT

Conclusions and Recommendations

The Special Committee on State Employee and Board Member Compensation (Committee) notes increasing challenges in retaining qualified employees and recommends the Legislature adopt a consistent compensation philosophy that recognizes both equity and competitiveness. To accomplish that goal, the Committee submits the following recommendations.

To the Legislature, the Committee recommends:

- Board member compensation be increased to match that of state legislators, unless the board member is also a state employee;
- House budget and Senate committees review the agencies with employee compensation more than 5.0 percent below market rate according to the 2022 market survey and recommend steps to bring compensation for those positions to market rates, reflecting both salary and benefits;
- The Legislature review statutory restrictions on recruitment and referral bonuses and determine whether they need to be adjusted;
- The Legislature develop a new system for compensation that allows agencies to adjust compensation to match the market pay by region; and
- The Legislature develop a consistent compensation philosophy, potentially with an official compensation study, incorporating the three recommendations for a healthy compensation system provided by the Director of Personnel Services:
 - General adjustments should change the entire pay structure including that for all unclassified employees receiving a set increase and adjust the pay matrix for classified employees;
 - The compensation system should provide movement through the pay structure with regular steps for classified employees and merit increases for unclassified employees; and
 - Targeted adjustments should be provided for particular jobs or groups of jobs based on market or other workforce conditions.

To state agencies, the Committee recommends:

- State agencies review their recruitment techniques and share that information with other state agencies;

- The Kansas Public Employees Retirement System (KPERS) complete an actuarial study on the cost to restore KPERS Tier 2 and roll all current Tier 3 employees into Tier 2. KPERS should report on the study to the House Committee on Financial Institutions and Pensions on or before the 2023 Omnibus Session; and
- Agencies review options for eliminating excess or redundant positions and reallocate those resources.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council created the Special Committee on State Employee and Board Member Compensation (Committee) to review the process by which Kansas state employees are employed and compensated and make recommendations to improve the system tying performance to compensation. The Committee was also charged with determining whether the daily compensation rate of \$35 for Kansas board members is adequate and reasonable.

COMMITTEE ACTIVITIES

The Legislative Coordinating Council authorized three meeting days for the Committee. The Committee met twice during the 2022 Interim, on November 29 and December 14.

Overview

The Committee received overview briefings regarding state employee and board member compensation from staff of the Office of the Revisor of Statutes (Revisor's Office), the Kansas Legislative Research Department (KLRD), and the Department of Administration Office of Personnel Services (DPS).

Revisor's Office staff briefed the Committee on statutes governing classified and unclassified state positions. The staff indicated that, prior to the amendment of KSA 75-2935, a position is classified unless it is designated as unclassified. In 2015, HB 2391 amended the statute so that any vacant position in the classified service may be converted to unclassified. According to data provided by DPS, the majority of state employee

positions are now unclassified. Revisor's Office staff also reviewed the statutes governing bonuses and board member compensation. Pursuant to KSA 75-3223, most board members receive \$35 per day plus subsistence, which includes meals, lodging, mileage, and other reasonable expenses.

A KLRD staff member provided background on the implementation of the 5.0 percent salary increases included in 2022 House Sub. for Sub. for SB 267, full-time-equivalent employee adjustments, the statutory boards and commissions, and budgeted expenditures for boards and commissions in FY 2023.

A representative of DPS provided the 2022 market analysis of state employee salaries. The market analysis indicated that compensation of the majority of state employees is between 5.0 and 25.0 percent under market rates, with compensation for a few positions slightly above or below comparable market rates. DPS indicated the target for market rate comparisons was within 5.0 percent above or below market values.

The Executive Director of the Kansas Public Employees Retirement System (KPERS) provided an overview of the State's retirement system, including the types of retirement plans offered, the three tiers of employees within the KPERS State/School/Local group, and cost-of-living allowances. While most KPERS plans are defined benefit plans, KPERS 3 is a cash benefit plan for which benefits are based on the total account balance at retirement.

Agency Briefings

The Committee received briefings from public safety, human services, and other state agencies regarding state employee compensation.

Public Safety Agencies

A representative of the Kansas Department of Corrections (KDOC) stated that the implementation of the 24/7 Pay Plan, including enhancements to base pay and the use of shift differentials, had reduced the rate of vacancy at KDOC facilities. However, as of November 14, 2022, the average vacancy rate for adjusted facilities was 21.0 percent, the rate for parole officers was 10.0 percent, and the rate for the Kansas Juvenile Correctional Complex was 38.0 percent. KDOC indicated the agency is having difficulty competing with compensation rates in Colorado and Nebraska as well as with local non-correctional compensation rates.

A representative of the Kansas Highway Patrol (KHP) stated the agency has experienced a decrease of 83 uniformed officers and 10 civilian staff members since 2019. The KHP representative also indicated the agency is having difficulties with recruitment and retention due, in part, to competition with other law enforcement agencies.

A representative of the Kansas Bureau of Investigation (KBI) indicated the agency has averaged a vacancy rate of 16.6 percent since FY 2018. The KBI representative stated the starting investigator pay is not competitive with that of many police departments, despite the high level of requirements for KBI special investigators.

The Secretary of Wildlife and Parks stated the starting pay for natural resource officers at the Kansas Department of Wildlife and Parks (KDWP) is 16.0 percent below market rate according to the most recent market survey, which is hampering recruitment. The Secretary also stated that agency law enforcement personnel are not eligible for the Kansas Police and Firemen's Retirement System, which allows earlier retirement, but takes a longer time to vest. KDWP officials are of the opinion that inclusion of agency law enforcement positions in that retirement system would aid recruitment.

Human Services Agencies

A representative of the Kansas Department for Aging and Disability Services (KDADS) stated the agency is experiencing extreme challenges in recruitment and retention of personnel, specifically for mental health/developmental disability

technicians, nurses, and security officers. As of October 12, 2022, vacancies at three hospitals (Parsons State Hospital and Training Center [Parsons], Osawatomi State Hospital, and the Kansas Neurological Institute [KNI]) ranged from 39.5 to 113 vacancies. Larned State Hospital had 344.5 vacancies in these positions. The KDADS representative indicated that the 24/7 Pay Plan appears to have stopped the loss of employees at KNI and Parsons while having limited to no effect at the Larned and Osawatomi state hospitals.

The Secretary for Children and Families stated that Department for Children and Families Human Services employees are paid between 14.0 and 30.0 percent below market rates; social worker compensation is 35.0 to 41.0 percent below market rates; and disability examiner compensation is between 11.0 and 27.0 percent below market rates. The Secretary stated that low salaries have contributed to vacancy rates of between 9.0 and 77.0 percent for these positions.

Other State Agencies

A representative of the Judicial Branch briefed the Committee on the FY 2024 agency request for an increase in compensation for judges of 15.29 percent and for other Judicial Branch employees of 8.5 percent. The Judicial Branch representative stated the adjustments are necessary to continue to support market compensation after major adjustments to the Judicial Branch salaries in FY 2022 and FY 2023.

The Secretary of Transportation briefed the Committee on the Kansas Department of Transportation (KDOT) plan to use excess funds from vacant positions to provide salary increases to most KDOT employees of between 5.0 and 34.0 percent. The Secretary indicated that low salaries since FY 2014 have resulted in actual expenditures for salaries being substantially lower than the budgeted amount. KDOT will use the salary savings to fund the salary adjustments.

A representative of the Kansas Department of Revenue (KDOR) reported the vacancy rate among driver's license employees within the Division of Vehicles is 15.0 percent. This is an increase from 6.0 percent at the end of FY 2020. The vacancy rates have increased the average wait time for driver's license services.

Board Member Compensation

Representatives of the Kansas Board of Pharmacy, Kansas Human Rights Commission, Kansas State Board of Healing Arts, Office of the State Bank Commissioner, KDOR, Kansas State Board of Technical Professions, and the Board of Accountancy submitted written-only testimony regarding board member compensation. The agency representatives indicated the compensation rate of \$35 per day hampered their ability to recruit and retain board members.

A KLRD staff member also provided written testimony detailing the boards and commissions within the State that have not met recently.

CONCLUSIONS AND RECOMMENDATIONS

At its December 14 meeting, the Committee discussed the challenges in retaining qualified employees and recommended the Legislature adopt a consistent compensation philosophy that recognizes both equity and competitiveness. To accomplish that goal, the Committee made the following recommendations.

Recommendations to the Legislature

The Committee recommends that House budget committees and the Senate committees review agencies with position compensation more than 5.0 percent below market rates according to the 2022 market survey and recommend steps to bring compensation for those positions to market rates, reflecting both salary and benefits.

The Committee also recommends the Legislature review statutory restrictions on recruitment and referral bonuses and determine whether they need to be adjusted.

The Committee recommends that the Legislature develop a new system for compensation that allows agencies to adjust compensation to match the market pay by region.

The Committee recommends the Legislature develop a consistent compensation philosophy, which may or may not require an official compensation study. This philosophy should incorporate the three recommendations for a healthy compensation system provided by the Director of Personnel Services.

The Committee recommends that board member compensation be increased to match that of state legislators unless the board member is also a state employee.

Recommendations to State Agencies

The Committee recommends that KPERS complete an actuarial study on the cost to restore KPERS Tier 2 and roll all current Tier 3 employees into Tier 2, and that KPERS report on the study to the House Committee on Insurance and Pensions on or before the 2023 Omnibus Session.

The Committee recommends that state agencies review their recruitment techniques and share that information with other state agencies.

The Committee recommends state agencies review options for eliminating excess or redundant positions and reallocate those resources.