

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement

Minutes of the 2nd Meeting of the 2021 Interim

July 7, 2021

Call to Order and Roll Call

The second meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Wednesday, July 7, 2021, at 9:00 AM, in Room 131 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Michael J. Nemes, Co-Chair; Representatives John Blanton, Co-Chair, and Myron Dossett, Co-Chair; Senators Robby Mills, Adrienne Southworth, and Reginald Thomas; Representatives Kevin D. Bratcher, Jeffery Donohue, Robert Goforth, Jim Gooch Jr., Derrick Graham, Mark Hart, Adam Koenig, Michael Meredith, Suzanne Miles, Jerry T. Miller, Jason Petrie, Phillip Pratt, Josie Raymond, Brandon Reed, Nancy Tate, and Buddy Wheatley.

Guests: Gerina Whethers, Secretary, Personnel Cabinet; Mary Elizabeth Bailey, Commissioner, Human Resources Administration, Personnel Cabinet; David Eager, Executive Director, Kentucky Public Pensions Authority (KPPA); and, Erin Surratt, Executive Director, Office of Benefits, KPPA.

LRC Staff: Emma Mills, Savannah Wiley, and Spring Emerson.

Chair Dossett began the meeting by opening to remarks by Co-Chair Nemes, who expressed condolences on the recent passing of Senator Tom Buford. Senator Buford had been a member of the Kentucky Senate since 1991, representing Fayette, Garrard, Jessamine, Mercer, and Washington counties. A moment of silence was observed in his honor.

Approval of Minutes

A motion was made by Representative Petrie to approve the minutes of the June 2, 2021 meeting. The motion was seconded by Representative Hart, and the minutes were approved without objection.

Personnel Cabinet

Executive Branch Employees Compensation Plan

Commissioner Bailey provided an overview of the Executive Branch Employees Compensation Plan. Secretary Whethers said there are approximately 50,000 state employees, and with an additional six percent of the 4.4 million citizens in Kentucky being on the Kentucky Employees Health Insurance Plan, the goal of the Personnel Cabinet is to improve on recruitment as well as retention. Moving forward will include being competitive outside this market.

In response to a question from Chair Dossett regarding cases where new hires are being paid as much or more than current or long-term employees in the same grade level or position, Commissioner Bailey explained that when a new employee is hired by job classification, and there are other employees in the same agency, in the same county, in the same job classification, with the same or similar combination of education and experience, then those current employees could be raised to the same pay scale as the new hire. If current employees in the same class are outside that county, or the combination of education and experience is less than the new employee, then the new employee would be paid more.

In response to a question from Chair Dossett regarding the Executive Branch employee turnover rate and what prevention measures are in place, Commissioner Bailey said it is around twenty percent. Additional premiums were created, as well as allowing a pay increase on a reclass and promotion. Additional incentives have also been created to help with retention. Secretary Whethers said there had been a slow increase in turnover since 2012, which is also true for the private sector, as well as state government employees in other states.

In response to a question from Chair Dossett regarding the labor market and the decrease in applicants, Commissioner Bailey said it is hard to recruit certain job classifications in some counties, such as for professions like nurses and engineers.

In response to a question from Representative Bratcher regarding coordination with local unemployment offices, Commissioner Bailey said they do, and also work with state career development offices. Secretary Whethers added that social media and other communications outlets are being used to inform the public about employment within state government. Kentucky has had no layoffs due to the pandemic, unlike employers in the private sector.

In response to a question from Co-Chair Blanton regarding pay equity, Commissioner Bailey said Kentucky must invest in our workforce. Secretary Whethers added that the midpoint of paygrades was raised, but it still is not enough. Co-Chair Blanton commented that it is a two-fold issue which includes pay equity and retention, as well as maintaining a healthy pension system. He said the time is now, and something must be done to retain our state employees. Commissioner Bailey agreed that incremental pay increases must be reinstated in order to retain current employees, as well as to recruit new ones. Secretary Whethers added that in order to be competitive with the private market, things will have to change.

In response to questions from Senator Southworth regarding the salary schedule and job classifications, Commissioner Bailey said that funding to increase the minimum salary schedule is necessary, in addition to providing annual increments. By statute, a nationally-known points grading system must be used for adjusting salary schedules. Secretary Whethers added that replacing ten employees paid \$30,000 per year with three employees paid at \$60,000 per year would become problematic throughout the state, due to the decrease in state employment.

In response to a question from Senator Southworth regarding the requirement of college degrees for low-skilled positions, Commissioner Bailey said substitution clauses are in place for education and/or experience for many jobs. Agencies are very involved with reviews of the entire job classification system, which are performed on a regular basis.

In response to a question from Representative Graham regarding the number of agencies with employees that are on a permanent telework schedule, the salary ranges of professionals as compared to the private sector, and the demographic of the state workforce as it compares to the demographic of the general population in Kentucky, Commissioner Bailey said that all agencies are eligible for teleworking, and more information will be provided to the subcommittee at a later date.

In response to a question from Representative Petrie regarding details of the Personnel Cabinet's plan to revise the current compensation program, Commissioner Bailey said that information would be provided before September 1, 2021, as requested.

In response to a question from Representative Wheatley regarding whether increased pay or an improved pension plan would be better for recruitment/retention of the best employees, Secretary Whethers said in comparison with the private sector, neither would be better, because both are necessary.

Chair Dossett requested that any remaining questions be emailed to Budget Review Staff due to the meeting running overtime.

Kentucky Public Pensions Authority
Update on RS 2021 House Bill 8

Director Eager and Erin Surratt provided an overview of the KPPA and House Bill 8 that was passed during the 2021 Regular Session of the General Assembly.

Chair Dossett expressed his appreciation for how the KPPA protects the private information of its participants.

In response to a question from Representative Meredith regarding the calculated contribution rate in 2009 versus the actual rate, Mr. Eager said that rate was determined within the state budget.

In response to a question from Representative Meredith regarding the prevalence of a shift to contracted employees among quasi-governmental agencies, Mr. Eager said the intent is not purely to reduce costs, but could be a large factor.

In response to questions from Chair Dossett, Mr. Eager said each employer contribution is tracked individually. KPPA alerts those employers when the contribution level is reached.

In response to a question from Chair Dossett regarding ongoing appeals, Ms. Surratt said there are two currently underway from the universities. Mr. Eager added that out of 110 state agencies, 44 of them have appealed.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 10:44 AM.