

March 22, 2011

The Honorable Marc Rhoades, Chairperson
House Committee on Appropriations
Statehouse, Room 351-S
Topeka, Kansas 66612

Dear Representative Rhoades:

SUBJECT: Fiscal Note for HB 2393 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2393 is respectfully submitted to your committee.

HB 2393 would amend current law regarding the longevity bonus for state employees. First, the bill would repeal the statute that provides the longevity bonus program to classified employees and certain unclassified employees in the Judicial Branch hired prior to June 15, 2008. The bill also amends K.S.A. 75-5551, which establishes the compensation philosophy for the State of Kansas, by removing a reference to the longevity bonus.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	--	--
Expenditure	--	--	(\$6,374,497)	(\$15,177,373)
FTE Pos.	--	--	--	--

Under the longevity bonus program, eligible employees currently receive \$50 per year after ten years of service, up to a maximum of 25 years on the anniversary of employment with the state. The cost per eligible employee ranges from \$500 (10 X \$50) to \$1,250 (25 X \$50). Employer-paid benefits are applied to the longevity bonus, such as for KPERs, workers compensation, unemployment insurance, and Social Security withholdings so the agencies' costs to provide the bonus are greater than the bonus itself. The following table breaks down the amounts budgeted by agency for the longevity bonus, with an estimate as to the withholding amounts applied to the bonus:

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Longevity Bonus	\$12,677,392
KPERS	1,238,581
Social Security/Medicare (FICA)	969,820
Retirement Leave Pmt. Assessment	68,458
Unemployment Insurance	32,961
Workers Compensation (estimate of ave.)	<u>190,161</u>
Total	\$15,177,373

For all salary and benefit costs, the State General Fund finances 42.0 percent of budgeted expenditures. The estimated State General Fund savings of repealing the longevity bonus is \$6,374,497 (42.0 percent X \$15,177,373). For the purpose of this fiscal note it is assumed that no bonuses due to be paid within FY 2012 would be paid, although those employees with an anniversary date between June 19 and July 1 would receive payment with the July 8 paycheck. The effective date of the bill is publication in the statute book, generally defined as July 1.

In addition, it should be noted that bonuses equivalent to the longevity bonus authorized by K.S.A. 75-5541 have been provided to certain groups of unclassified employees in the Legislative Branch and Regents institutions. Since the authority for these bonuses is not derived from K.S.A. 75-5541, it is possible that these bonuses could continue even after the repeal of that statute. The estimates above include all amounts budgeted by state agencies. Any fiscal effect associated with HB 2393 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Pat Higgins, Administration