

April 25, 2024

TO: Chairman Mason & Members of the House Appropriations Subcommittee on Contract Nursing

FROM: Deputy Secretary of Hospitals and Facilities Scott Brunner

RE: State Employee Recruitment & Retention Bonus Proposal

Background

While putting together the FY25 budget, the House Appropriations Committee passed a motion from Rep. Helgerson which removed and delayed until Omnibus a combined \$25M SGF for contract staffing costs at Osawatomie and Larned State Hospitals. As part of that motion, a Subcommittee on Contract Nursing was established and met for four days during the first week of April to dive further into the issue and begin to develop solutions.

One of the recommendations of that Subcommittee was for KDADS to prepare a package for Omnibus related to state employee recruitment and retention bonuses intended to help alleviate staffing shortages at the state hospitals. This recommendation reflected testimony the Subcommittee heard from hospitals and other health care facilities about bonuses being useful in recruitment and retention of employees. The remainder of this memo details KDADS proposal for the House Appropriations Committee to consider at Omnibus.

State Employee Bonus Proposal for 24/7 Facilities

Currently, there is a statutory cap of \$3,500 for monetary awards for state employees. This proposal would raise that cap to \$10,000 and create the following categories of bonus payments that could potentially be awarded to state employees at 24/7 facilities with the intent of improving recruitment and retention and ultimately decreasing the reliance on contract staffing agencies.

Sign-On Bonus

- This is a one-time bonus of \$1,000 that would be paid to any new staff after they have been employed for 90 days with no formal discipline. This is not for transfer positions. This does not include temporary employees.

Referral Bonus

- This is a bonus of \$500 that would be paid to any current employee who refers a new employee once the new employee has been employed for 6 months. Upon being hired, the new employee must identify one current employee that referred them to the facility to receive the bonus.

Retention Bonus

- This bonus is a total of up to \$2,000. This will be paid to all full-time employees in increments, the first payment of \$1,000 would be paid after 6 months of employment with no formal discipline during that time period and performance that meets expectations for the previous 6 months. The second payment of \$1,000 would be paid after 12 months of employment with no formal discipline for the previous 6 months and a current performance review of at least meets expectations.

- This will be paid to all part-time employees in increments, the first payment of \$500 would be paid after 6 months of employment with no formal discipline during that time period and a performance that meets expectations during the previous 6 months. The second payment of \$500 would be paid after 12 months of employment with no formal discipline for the previous 6 months and a performance review of at least meets expectations.

Pick-Up Shift Bonus

- This is a bonus of up to \$100 that would be paid per shift for those shifts that are hard to cover and are directly related to patient care i.e., nursing and direct care. One shift can be evenly split between 2 different staff, in this instance each staff would receive a bonus of \$50. This would be for weekend, evening, overnight and holiday shifts per the discretion of the Superintendent. This would be for any employee that picks up an extra shift, only if that employee has already worked their regularly scheduled shifts. If a staff has called in for a regularly scheduled shift, they will not receive the bonus for working the pick-up shift. This bonus is limited by each employee's yearly allotted bonus amount.

Longevity Bonus (Unclassified Staff)

- This is a bonus of up to \$1,000. This bonus will be given as a one-time payout for long-term unclassified staff members. Long-term is defined as unclassified staff who have been employed with the state facility for 10+ years. Unclassified staff who have been employed for 10+ years with the state facility will receive a bonus of \$40.00 for every year they have been employed, up to 25 years (e.g., an unclassified staff that has been employed for 10 years will receive \$400.00, an unclassified staff that has been employed for 25+ years will receive \$1,000.00).

Statutory Changes Needed

K.S.A. 75-37,105 establishes an employee award and recognition program for SOK employees. Barring authorization from another statute, this is the only means by which monetary and non-monetary awards may be provided to SOK employees.

The statute specifically defines the categories for which such awards may be made, listing the following: distinguished accomplishment, meritorious service, innovations, Kansas quality management, volunteerism or length of service. The statute further provides that the total gross value of awards to any employee during a single fiscal year cannot exceed \$3,500, unless the award is made as part of the employee suggestion program.

The statute also requires that all awards and recognition provided via the program must meet the conditions for a discretionary bonus set out in 29 C.F.R. § 778.211. Subsection (a) of the CFR states that a bonus is discretionary when:

“both the fact that the payment is to be made and the amount of the payment are determined at the sole discretion of the employer at or near the end of the period and not pursuant to any prior contract, agreement, or promise causing the employee to expect such payments regularly.”

This restriction prohibits the State of Kansas from using recruitment or retention bonuses, which can be effective tools for recruiting candidates or keeping current employees and are utilized successfully by many other employers.

This bill removes that limitation, and specifically authorizes hiring, recruitment and retention bonuses in addition to the current categories of bonuses allowed by the statute. Several agencies have requested to establish these types of bonus programs to help address their staffing issues, but the current language of the statute prohibits them from doing so. Based on these requests, the Department of Administration worked to introduce this legislation.

In addition to the removal of that restriction, this bill would also increase the maximum cap of bonuses that an employee can receive within a fiscal year from the current limit of \$3,500 to \$10,000. A higher-level cap is necessary to allow for effective and meaningful recruiting and retention bonuses, but agencies under the Governor's jurisdiction would be required to obtain approval from the Governor for any bonus above the current maximum of \$3,500.

The bill also requires each agency that has provided a monetary award to submit an annual report of such awards made during the previous fiscal year to the Secretary and the Secretary is then required to compile the information and provide a report to the Legislature every year. Along with the required approval for bonuses over \$3,500 and the oversight and guidance that the statute requires the Department of Administration to provide, this will establish statutory safeguards to prevent abuse or favoritism for bonuses provided to State of Kansas employees.

SB 151 and HB 2277 are companion bills that were introduced last session and address the issues listed above. HB 2277 did have a hearing in the House Appropriations Committee in March of 2023; however it has not moved since then. SB 151 was referred to the Senate Committee on Ways & Means but has not been heard. HB 2277 language could be added as a proviso to the Omnibus budget.

Attachment 3