

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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1

HOUSE BILL 925*

Short Title: SPA Employee Pay Raise.

(Public)

Sponsors: Representatives Russell; Alexander, Beall, Buchanan, Cansler, Capps, Church, Culp, Culpepper, Cummings, Edwards, Ellis, Fitch, R. Hunter, Hurley, McCrary, Oldham, Pate, Pulley, Rayfield, Rogers, Sexton, Sherrill, and Thompson.

Referred to: Appropriations.

April 12, 1995

A BILL TO BE ENTITLED

1
2 AN ACT ESTABLISHING ANNUAL SALARY INCREASES FOR ELIGIBLE STATE
3 EMPLOYEES SUBJECT TO THE STATE PERSONNEL ACT THROUGH FULL
4 IMPLEMENTATION OF THE COMPREHENSIVE COMPENSATION SYSTEM
5 AND PROVIDING FOR THE APPROPRIATION OF FUNDS FOR
6 IMPLEMENTATION OF THE SYSTEM FOR THE 1995-96 FISCAL YEAR AND
7 ANNUALLY THEREAFTER.

8 The General Assembly of North Carolina enacts:

9 Section 1. G.S. 126-7 reads as rewritten:

10 **"§ 126-7. Comprehensive Compensation System.**

11 (a) It is the policy of the State to compensate its employees at a level sufficient to
12 encourage excellence of performance and to maintain the labor market competitiveness
13 necessary to recruit and retain a competent work force. To this end, salary increases to
14 State employees shall be implemented through the Comprehensive Compensation System
15 based upon the individual performance of each State employee. The Comprehensive
16 Compensation System shall combine salary increases and awards into an interrelated
17 system of compensation that furthers the recruitment, retention, career service, and
18 outstanding performance of State employees.

1 (a1) Repealed by Session Laws 1993, c. 388, s. 1.

2 (a2) For the purpose of this section, unless the context indicates otherwise:

3 (1) 'Career growth recognition award' means an annual salary increase of
4 two percent (2%) that is awarded to a State employee whose final
5 annual performance appraisal indicates job performance that meets or
6 exceeds management's expectations and performance requirements;

7 (2) 'Cost-of-living adjustment' means a general salary increase ~~given to~~ of
8 no less than three percent (3%) given annually to eligible State
9 employees in response to inflation and labor market factors;

10 (3) 'Performance bonus' means a salary increase of one percent (1%) that is
11 awarded in a lump sum to a State employee whose final annual
12 performance appraisal indicates job performance that exceeds
13 management's expectations and performance requirements.

14 (b) To guide the Governor and the General Assembly in making appropriations to
15 fund the Comprehensive Compensation System, the State Personnel Commission shall
16 conduct annual compensation surveys. The Commission shall present the results of the
17 compensation survey to the Appropriations Committees of the House and Senate no later
18 than two weeks after the convening of the legislature in odd years and May 1st of even
19 years.

20 (b1) The Comprehensive Compensation System shall consist of the following
21 components: (i) the career growth recognition award, (ii) the cost-of-living adjustment,
22 and (iii) the performance bonus. The career growth recognition award shall be the
23 primary method by which an employee progresses through his or her salary range and
24 shall be awarded annually to employees who qualify for the award. An employee may
25 receive, within a 12-month period, the career growth recognition award, the cost-of-living
26 adjustment, and the performance bonus, if the employee's job performance equals or
27 exceeds the level of performance set forth in subdivisions (4), (4a), and (4b) of subsection
28 (c) of this section. No employee shall be eligible to receive during a 12-month period a
29 performance bonus greater than the maximum amount or less than the minimum amount
30 established by the Commission. Nothing in this section shall affect the system of
31 longevity payments established by the Commission.

32 (c) Career growth recognition awards, cost-of-living adjustments, and
33 performance bonuses shall be based on annual performance appraisals of all employees
34 conducted by each department, agency, and institution. The State Personnel
35 Commission, under the authority of G.S. 126-4(8), shall adopt policy and regulations for
36 performance appraisal. The policy and regulations shall include the following:

37 (1) The performance appraisal system of each department, agency, or
38 institution shall be designed and administered to ensure that career
39 growth recognition awards, cost-of-living adjustments, and performance
40 bonuses are distributed fairly.

41 (2) To be eligible to distribute career growth recognition awards, cost-of-
42 living adjustments, and performance bonuses, a department, agency, or
43 institution shall have an operative performance appraisal system which

1 has been approved by the Commission. The performance appraisal
2 system adopted shall use a rating scale of five levels, with level four or
3 better qualifying for performance bonuses, level three or better
4 qualifying for career growth recognition awards, and level two or better
5 qualifying for cost-of-living adjustments. The performance appraisal
6 system adopted shall adhere to modern personnel management
7 techniques and practices in common use in the public and private
8 sectors.

9 (3) The State Personnel Director shall help departments, agencies, and
10 institutions to establish and administer their performance appraisal
11 systems and shall provide initial and ongoing training in performance
12 appraisal and performance system administration.

13 (4) An employee whose performance is rated at or above level four of the
14 rating scale shall be eligible to receive, subject to the rules and
15 regulations of the Commission, a performance bonus unless the
16 employee's supervisor justifies in writing to the employee the decision
17 not to award the performance bonus. Other than the Commission, no
18 department, agency, or institution shall set limits so as to preclude an
19 employee whose performance exceeds management's expectations and
20 performance requirements from consideration for a performance bonus.

21 (4a) An employee whose performance is rated at or above level three of the
22 rating scale shall receive a career growth recognition award unless the
23 employee's supervisor justifies in writing to the employee the decision
24 not to give the career growth recognition award. The career growth
25 recognition award shall represent a two percent (2%) increase within the
26 employee's assigned pay grade. In no event shall any award increase an
27 employee's compensation above the maximum of the range. Other than
28 the Commission, no agency, department, or institution shall set limits so
29 as to preclude an employee whose performance meets or exceeds
30 management's expectations and performance requirements from
31 receiving a career growth recognition award.

32 (4b) An employee whose performance is rated at or above level two of the
33 rating scale and who is not involved in the final written stage of the
34 disciplinary procedure shall receive a cost-of-living increase. Other than
35 the Commission, no agency, department, or institution shall set limits or
36 initiate written disciplinary procedures for the purpose of precluding an
37 eligible employee from receiving a cost-of-living adjustment.

38 (5) Repealed by Session Laws 1993, c. 388, s. 1.

39 (5a) Repealed by Session Laws 1993, c. 388, s. 1.

40 (6) The State Personnel Director may rescind any career growth recognition
41 award or performance bonus that does not appear to meet the intent of
42 the provisions of the performance appraisal system and require the

1 originating department, agency, or institution to reconsider or justify the
2 increase.

- 3 (7) An employee who disputes the fairness of his or her performance
4 appraisal or the amount of the a performance bonus awarded or who
5 believes that he or she was unfairly denied a career growth recognition
6 award or performance bonus shall first discuss the problem with his or
7 her supervisor. Appeals of the supervisor's decision shall be made only
8 to the grievance committee or internal performance review board of the
9 department, agency, or institution which shall make a recommendation
10 to the head of the department, agency, or institution for final decision.
11 The State Personnel Director shall help a department, agency, or
12 institution establish an internal performance review board or, if it
13 includes employee members, to use its existing grievance committee to
14 hear performance pay disputes. Notwithstanding G.S. 150B-2(2) and
15 G.S. 126-22, 126-25, and 126-34, performance pay disputes, including
16 disputes about individual performance appraisals, shall not be
17 considered contested case issues.

- 18 (7a) Each department, agency, and institution shall establish a performance
19 management and pay advisory committee as part of the performance
20 appraisal system. The purpose of the committee is to ensure that salary
21 increases and awards are made in an equitable manner. The committee
22 shall be responsible for reviewing:

- 23 a. Agency salary increase and award policies to determine whether
24 this section and any guidelines promulgated by the State
25 Personnel Commission have been adhered to;
26 b. Agency training and education programs to determine whether
27 all employees receive appropriate information; and
28 c. Performance appraisal ratings within the department, agency, or
29 institution to determine whether an equitable distribution has
30 been made.

31 The committee must have a minimum of five members.
32 The head of each department, agency, and institution shall
33 appoint the members of the committee with equal
34 representation of nonsupervisory, supervisory, and
35 management employees. The committee shall elect its own
36 chair.

37 The performance management and pay advisory committee
38 shall meet at least two times each year. The committee shall
39 submit a written report following each meeting to the head of the
40 department, agency, or institution. The report shall include
41 recommendations for changes and corrections in the
42 administration of the performance management system. The
43 recommendations of the committee shall be advisory only. The

1 head of the department, agency, or institution shall respond to the
2 committee within three months. Copies of the report shall be
3 included in the report to the Office of State Personnel that is
4 required of that agency, department, or institution. Summaries of
5 the report shall be included in the annual reports that are
6 mandated by this subsection.

7 (8) The State Personnel Director shall monitor the performance appraisal
8 system and the distribution of salary increases and awards within each
9 department, agency, and institution. Each department, agency, and
10 institution shall submit to the Director annual reports which shall
11 include data on the demographics of performance ratings, the frequency
12 of evaluations, the distribution of salary increases and awards, and the
13 implementation schedule for salary increases and awards. The Director
14 shall analyze the data to ensure that salary increases and awards are
15 distributed fairly within each department, agency, and institution and
16 across all departments, agencies, and institutions of State government
17 and shall report back to each department, agency, and institution on its
18 appraisal and distribution performance.

19 (9) The State Personnel Director shall report annually on the
20 Comprehensive Compensation System to the Commission. The report
21 shall evaluate the performance of each department, agency, and
22 institution in the administration of its appraisal system and the
23 distribution of salary increases and awards within each department,
24 agency, and institution and across State government. The report shall
25 include recommendations for improving the performance appraisal
26 system and alleviating inequities. Copies of the report, as adopted by
27 the State Personnel Commission, shall be sent to the Governor,
28 Lieutenant Governor, President Pro Tempore of the Senate, Speaker of
29 the House of Representatives, the standing personnel committees of the
30 House of Representatives and the Senate, and the State Auditor. The
31 State Personnel Director shall recommend to the General Assembly for
32 its approval sanctions to be levied against departments, agencies, and
33 institutions that have deficient performance appraisal systems or that do
34 not link salary increases and awards to employee job performance.
35 These sanctions may include withholding salary increases and awards
36 from the managers and supervisors of individual employing units of
37 departments, agencies, and institutions in which discrepancies exist.

38 (10) Repealed by Session Laws 1993, c. 388, s. 1.

39 (d) Repealed by Session Laws 1993, c. 388, s. 1.

40 (e) ~~The Beginning July 1, 1995, and annually thereafter, the Governor and the~~
41 ~~General Assembly, subject to availability of funds, Assembly shall advance the State's~~
42 ~~Comprehensive Compensation System by recommending and making annual~~

1 appropriations from the General Fund and the Highway Fund, as appropriate, to the
2 Comprehensive Compensation System in the following manner:

3 (1) The career growth recognition award component shall be funded each
4 year at the level required for full implementation as provided by this
5 ~~section.~~ section;

6 (2) ~~To the extent that expansion funds are available, the Comprehensive~~
7 ~~Compensation System shall receive an additional appropriation to fund~~
8 ~~cost-of-living adjustments. Any remaining available funds shall next be~~
9 ~~allocated to provide for performance bonuses. The level of the~~
10 ~~performance bonus allocation shall not exceed two percent (2%) of the~~
11 ~~total employee payroll. The cost-of-living adjustment component shall~~
12 ~~be funded each year at the level required for full implementation as~~
13 ~~provided by this section; and~~

14 (3) The performance bonus component shall be funded each year at the
15 level required for full implementation as provided by this section.

16 (f) The General Assembly shall appropriate each fiscal year the total amount of
17 funds required for full implementation of the Comprehensive Compensation System
18 except that the General Assembly may appropriate less than the full amount required for
19 full implementation if then-current revenue forecasts show that the amount of available
20 funds in the General Fund and Highway Fund are insufficient to fully implement the
21 Comprehensive Compensation System due to a budgetary crisis."

22 Sec. 2. The salaries in effect on June 30, 1995, of all permanent full-time and
23 part-time State employees whose salaries are set in accordance with the State Personnel
24 Act, and who are paid from the General Fund or Highway Fund, shall be increased in
25 accordance with the provisions of this act to the extent that the employees meet the
26 eligibility requirements of the Comprehensive Compensation System.

27 Sec. 3. It is the express purpose of this act to obligate this General Assembly
28 to fund the provisions of this act. It is the intent of this General Assembly that future
29 General Assemblies fund the provisions of this act. However, nothing in this act shall be
30 construed to entitle State employees to increases in compensation for which the General
31 Assembly has not appropriated funds.

32 Sec. 4. This act is effective upon ratification.