

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1640*

Short Title: State Compensation Plan Changes/Funds.

(Public)

Sponsors: Representatives Easterling, Baddour, Hensley, Hunter, Nesbitt, Sherrill; Davis, Capps, Bowie, and Cansler.

Referred to: State Personnel, if favorable, Appropriations.

May 18, 2000

A BILL TO BE ENTITLED

1 AN ACT AMENDING THE EMPLOYEE COMPENSATION AND PERFORMANCE
2 EVALUATION PROVISIONS OF THE STATE PERSONNEL ACT, CHAPTER
3 126 OF THE GENERAL STATUTES, AND APPROPRIATING FUNDS FOR
4 FULL IMPLEMENTATION OF THE STATE COMPENSATION PLAN.
5

6 The General Assembly of North Carolina enacts:

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

8 "**§ 126-7. Compensation of State employees.**

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

17 (a1) Repealed by Session Laws 1993, c. 388, s. 1.

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

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

5 (2) 'Cost-of-living adjustment' means a general salary increase given to
6 State employees in response to inflation and labor market ~~factors~~; factors
7 to reflect the annual percentage increase in the Consumer Price Index of
8 the previous calendar year.

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

13 (a3) It is the intent of the General Assembly that the annual career growth
14 recognition award shall be part of the continuation budget for each fiscal year and that the
15 cost-of-living adjustment and the performance bonus shall be part of the annual
16 expansion budget.

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

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

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

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

- 1 (2) To be eligible to distribute career growth recognition awards, ~~cost-of-~~
2 ~~living adjustments, awards~~ and performance bonuses, a department,
3 agency, or institution shall have an operative performance appraisal
4 system which has been approved by the Commission. ~~The~~ Any
5 performance appraisal system adopted shall use a rating scale of five
6 levels, with level four or better qualifying for performance bonuses, level
7 ~~three or better qualifying for career growth recognition awards, and level two~~
8 ~~or better qualifying for cost-of-living adjustments.~~ by an agency,
9 department, or institution shall meet the standards established by the
10 Commission and shall define the specific parameters for employees
11 whose performance is deemed unsatisfactory by management or whose
12 performance meets or exceeds management's expectations. The
13 performance appraisal system adopted shall adhere to modern personnel
14 management techniques and practices in common use in the public and
15 private sectors.
- 16 (3) The State Personnel Director shall help departments, agencies, and
17 institutions to establish and administer their performance appraisal
18 systems and shall provide initial and ongoing training in performance
19 appraisal and performance system administration.
- 20 (4) An employee whose performance ~~is rated at or above level four of the~~
21 ~~rating scale exceeds management's expectations and performance~~
22 ~~requirements~~ shall be eligible to receive, subject to the rules and
23 regulations of the Commission, a performance bonus unless the
24 employee's supervisor justifies in writing to the employee the decision
25 not to award the performance bonus. Other than the Commission, no
26 department, agency, or institution shall set limits so as to preclude an
27 employee whose performance exceeds management's expectations and
28 performance requirements from consideration for a performance bonus.
- 29 (4a) An employee whose performance ~~is rated at or above level three of the~~
30 ~~rating scale meets or exceeds management's expectations and~~
31 ~~performance requirements~~ shall receive a career growth recognition
32 award unless the employee's supervisor justifies in writing to the
33 employee the decision not to give the career growth recognition award.
34 The career growth recognition award shall represent a two percent (2%)
35 increase within the employee's assigned pay grade. In no event shall any
36 award increase an employee's compensation above the maximum of the
37 ~~range.~~ range, except that an employee who has reached the maximum of
38 the range shall receive a one-time bonus equal to a two percent (2%)
39 increase in the employee's assigned pay grade if the employee's
40 performance meets or exceeds management's expectations and
41 performance requirements. Other than the Commission, no agency,
42 department, or institution shall set limits so as to preclude an employee
43 whose performance meets or exceeds management's expectations and

1 performance requirements from receiving a career growth recognition
2 award.

3 (4b) ~~An employee whose performance is rated at or above level two of the~~
4 ~~rating scale and who has not received a suspension without pay or~~
5 ~~demotion that has not been resolved~~ Each employee shall receive a cost-
6 of-living ~~increase.~~ increase to accommodate inflation and labor market
7 factors. Other than the Commission, no agency, department, or
8 institution shall set limits ~~or initiate written disciplinary procedures for~~
9 ~~the purpose of precluding to preclude~~ an eligible employee from
10 receiving a cost-of-living adjustment.

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

12 (5a) Repealed by Session Laws 1993, c. 388, s. 1.

13 (6) The State Personnel Director may rescind any career growth recognition
14 award or performance bonus that does not appear to meet the intent of
15 the provisions of the performance appraisal system and require the
16 originating department, agency, or institution to reconsider or justify the
17 increase.

18 (7) An employee who disputes the fairness of his or her performance
19 appraisal or the amount of a performance bonus awarded or who
20 believes that he or she was unfairly denied a career growth recognition
21 award or performance bonus shall first discuss the problem with his or
22 her supervisor. Appeals of the supervisor's decision shall be made only
23 to the grievance committee or internal performance review board of the
24 department, agency, or institution which shall make a recommendation
25 to the head of the department, agency, or institution for final decision, or
26 when consented to by both the agency and the employee, the
27 supervisor's decision may be appealed by following the alternative
28 dispute resolution process adopted by the State Personnel Commission.
29 The State Personnel Director shall help a department, agency, or
30 institution establish an internal performance review board or, if it
31 includes employee members, to use its existing grievance committee to
32 hear performance pay disputes. Notwithstanding G.S. 150B-2(2) and
33 G.S. 126-22, 126-25, and 126-34, performance pay disputes, including
34 disputes about individual performance appraisals, shall not be
35 considered contested case issues.

36 (7a) Each department, agency, and institution shall establish a performance
37 management and pay advisory committee as part of the performance
38 appraisal system. The purpose of the committee is to ensure that salary
39 increases and awards are made in an equitable manner. The committee
40 shall be responsible for reviewing:

41 a. Agency salary increase and award policies to determine whether
42 this section and any guidelines promulgated by the State
43 Personnel Commission have been adhered to;

- 1 b. Agency training and education programs to determine whether
2 all employees receive appropriate information; and
3 c. Performance appraisal ratings within the department, agency, or
4 institution to determine whether an equitable distribution has
5 been made.

6 The committee must have a minimum of five members. The head of
7 each department, agency, and institution shall appoint the members of
8 the committee with equal representation of nonsupervisory, supervisory,
9 and management employees. The committee shall elect its own chair.

10 The performance management and pay advisory committee shall meet
11 at least two times each year. The committee shall submit a written report
12 following each meeting to the head of the department, agency, or
13 institution. The report shall include recommendations for changes and
14 corrections in the administration of the performance management
15 system. The recommendations of the committee shall be advisory only.
16 The head of the department, agency, or institution shall respond to the
17 committee within three months. Copies of the report shall be included in
18 the report to the Office of State Personnel that is required of that
19 agency, department, or institution. Summaries of the report shall be
20 included in the annual reports that are mandated by this subsection.

- 21 (8) The State Personnel Director shall monitor the performance appraisal
22 system and the distribution of salary increases and awards within each
23 department, agency, and institution. Each department, agency, and
24 institution shall submit to the Director annual reports which shall
25 include data on the demographics of performance ratings, the frequency
26 of evaluations, the distribution of salary increases and awards, and the
27 implementation schedule for salary increases and awards. The Director
28 shall analyze the data to ensure that salary increases and awards are
29 distributed fairly within each department, agency, and institution and
30 across all departments, agencies, and institutions of State government
31 and shall report back to each department, agency, and institution on its
32 appraisal and distribution performance.

- 33 (9) The State Personnel Director shall report annually on the ~~Comprehensive~~
34 ~~Compensation System~~ State Compensation Plan to the Commission. The
35 report shall evaluate the performance of each department, agency, and
36 institution in the administration of its appraisal system and the
37 distribution of salary increases and awards within each department,
38 agency, and institution and across State government. The report shall
39 include recommendations for improving the performance appraisal
40 system and alleviating inequities. Copies of the report, as adopted by the
41 State Personnel Commission, shall be sent to the Governor, Lieutenant
42 Governor, President Pro Tempore of the Senate, Speaker of the House
43 of Representatives, the standing personnel committees of the House of

1 Representatives and the Senate, and the State Auditor. The State
2 Personnel Director shall recommend to the General Assembly for its
3 approval sanctions to be levied against departments, agencies, and
4 institutions that have deficient performance appraisal systems or that do
5 not link salary increases and awards to employee job performance.
6 These sanctions may include withholding salary increases and awards
7 from the managers and supervisors of individual employing units of
8 departments, agencies, and institutions in which discrepancies exist.

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

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

11 (e) The Governor and the General Assembly, subject to availability of funds, shall
12 advance the ~~State's Comprehensive Compensation System~~ State Compensation Plan by
13 recommending and making annual appropriations to the ~~Comprehensive Compensation~~
14 ~~System~~ State Compensation Plan in the following manner:

15 (1) The career growth recognition award component shall be funded each
16 fiscal year from the continuation budget at the level required for full
17 implementation as provided by this section.

18 (2) To the extent that expansion funds are available, the ~~Comprehensive~~
19 ~~Compensation System~~ State Compensation Plan shall receive an
20 additional appropriation to fund cost-of-living adjustments. Any
21 remaining available funds shall next be allocated to provide for
22 performance bonuses. ~~The level of the performance bonus allocation shall~~
23 ~~not exceed two percent (2%) of the total employee payroll."~~

24 Section 2.(a) There is appropriated from the General Fund to the Reserve for
25 Compensation Increase the sum of eighty-eight million two hundred thousand dollars
26 (\$88,200,000) for the 2000-2001 fiscal year to be used as follows:

27 (1) \$42,000,000 to fund the Career Growth Component of the State
28 Compensation Plan at a minimum two percent (2%) increase.

29 (2) \$46,200,000 to tie the cost-of-living adjustment of the State
30 Compensation Plan to the Consumer Price Index (CPI) for the previous
31 calendar year. For calendar year 1999, the assumed average CPI rate is
32 equal to two and two-tenths percent (2.2%).

33 Section 2.(b) There is appropriated from the General Fund to the Reserve for
34 Compensation Bonus the sum of forty-two million dollars (\$42,000,000) for the 2000-
35 2001 fiscal year to fund the Performance Bonus under the State Compensation Plan at a
36 minimum of two percent (2%) of payroll.

37 Section 2.(c) There is appropriated from the General Fund to the Reserve for
38 Compensation Increase the sum of one hundred five million dollars (\$105,000,000) for
39 the 2000-2001 fiscal year to fund a five percent (5%) salary increase under the State
40 Compensation Plan to account for prior increases in the cost of living adjustment that did
41 not match the CPI.

1 Section 3.(a) There is appropriated from the Highway Fund to the Reserve for
2 Compensation Increase the sum of eighteen million sixty thousand dollars (\$18,060,000)
3 for the 2000-2001 fiscal year to be used as follows:

4 (1) \$8,600,000 to fund the Career Growth Component of the State
5 Compensation Plan at a minimum two percent (2%) increase.

6 (2) \$9,460,000 to tie the cost of living adjustment of the State
7 Compensation Plan to the Consumer Price Index (CPI) for the previous
8 calendar year. For calendar year 1999, the assumed average CPI rate is
9 equal to two and two-tenths percent (2.2%).

10 Section 3.(b) There is appropriated from the Highway Fund to the Reserve for
11 Compensation Bonus the sum of eight million six hundred thousand dollars (\$8,600,000)
12 for the 2000-2001 fiscal year to fund the Performance Bonus under the State
13 Compensation Plan at a minimum of two percent (2%) of payroll.

14 Section 3.(c) There is appropriated from the Highway Fund to the Reserve for
15 Compensation Increase the sum of twenty-one million five hundred thousand dollars
16 (\$21,500,000) for the 2000-2001 fiscal year to fund a five percent (5%) salary increase
17 under the State Compensation Plan to account for prior increases in the cost-of-living
18 adjustment that did not match the CPI.

19 Section 4. Sections 2 and 3 of this act become effective July 1, 2000. The
20 remainder of this act is effective when it becomes law.