

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1261\*

Short Title: State Compensation Plan Changes/Funds.

(Public)

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Sponsors: Senators Reeves, Lucas, Garwood, Metcalf; Carter, Kerr, Miller, and Wellons.

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Referred to: State and Local Government.

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May 16, 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17 (a1) Repealed by Session Laws 1993, c. 388, s. 1.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:

19 (1) 'Career growth recognition award' means an annual salary increase  
20 awarded to a State employee whose final annual performance appraisal

1 indicates job performance that meets or exceeds management's  
2 expectations and performance ~~requirements~~, requirements.

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

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

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

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

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

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

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

42 (2) To be eligible to distribute career growth recognition ~~awards~~, ~~cost-of-~~  
43 ~~living adjustments~~, awards and performance bonuses, a department,

1 agency, or institution shall have an operative performance appraisal  
2 system which has been approved by the Commission. ~~The~~ Any  
3 performance appraisal system adopted shall use a rating scale of five  
4 levels, with level four or better qualifying for performance bonuses, level  
5 three or better qualifying for career growth recognition awards, and level two  
6 or better qualifying for cost of living adjustments. by an agency,  
7 department, or institution shall meet the standards established by the  
8 Commission and shall define the specific parameters for employees  
9 whose performance is deemed unsatisfactory by management or whose  
10 performance meets or exceeds management's expectations. The  
11 performance appraisal system adopted shall adhere to modern personnel  
12 management techniques and practices in common use in the public and  
13 private sectors.

14 (3) The State Personnel Director shall help departments, agencies, and  
15 institutions to establish and administer their performance appraisal  
16 systems and shall provide initial and ongoing training in performance  
17 appraisal and performance system administration.

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

27 (4a) An employee whose performance ~~is rated at or above level three of the~~  
28 ~~rating scale~~ meets or exceeds management's expectations and  
29 performance requirements shall receive a career growth recognition  
30 award unless the employee's supervisor justifies in writing to the  
31 employee the decision not to give the career growth recognition award.  
32 The career growth recognition award shall represent a two percent (2%)  
33 increase within the employee's assigned pay grade. In no event shall any  
34 award increase an employee's compensation above the maximum of the  
35 range. range, except that an employee who has reached the maximum of  
36 the range shall receive a one-time bonus equal to a two percent (2%)  
37 increase in the employee's assigned pay grade if the employee's  
38 performance meets or exceeds management's expectations and  
39 performance requirements. Other than the Commission, no agency,  
40 department, or institution shall set limits so as to preclude an employee  
41 whose performance meets or exceeds management's expectations and  
42 performance requirements from receiving a career growth recognition  
43 award.

- 1           (4b) ~~An employee whose performance is rated at or above level two of the~~  
2 ~~rating scale and who has not received a suspension without pay or~~  
3 ~~demotion that has not been resolved.~~ Each employee shall receive a cost-  
4 of-living increase. increase to accommodate inflation and labor market  
5 factors. Other than the Commission, no agency, department, or  
6 institution shall set limits ~~or initiate written disciplinary procedures for~~  
7 ~~the purpose of precluding to preclude~~ an eligible employee from  
8 receiving a cost-of-living adjustment.
- 9           (5) Repealed by Session Laws 1993, c. 388, s. 1.
- 10          (5a) Repealed by Session Laws 1993, c. 388, s. 1.
- 11          (6) The State Personnel Director may rescind any career growth recognition  
12 award or performance bonus that does not appear to meet the intent of  
13 the provisions of the performance appraisal system and require the  
14 originating department, agency, or institution to reconsider or justify the  
15 increase.
- 16          (7) An employee who disputes the fairness of his or her performance  
17 appraisal or the amount of a performance bonus awarded or who  
18 believes that he or she was unfairly denied a career growth recognition  
19 award or performance bonus shall first discuss the problem with his or  
20 her supervisor. Appeals of the supervisor's decision shall be made only  
21 to the grievance committee or internal performance review board of the  
22 department, agency, or institution which shall make a recommendation  
23 to the head of the department, agency, or institution for final decision, or  
24 when consented to by both the agency and the employee, the  
25 supervisor's decision may be appealed by following the alternative  
26 dispute resolution process adopted by the State Personnel Commission.  
27 The State Personnel Director shall help a department, agency, or  
28 institution establish an internal performance review board or, if it  
29 includes employee members, to use its existing grievance committee to  
30 hear performance pay disputes. Notwithstanding G.S. 150B-2(2) and  
31 G.S. 126-22, 126-25, and 126-34, performance pay disputes, including  
32 disputes about individual performance appraisals, shall not be  
33 considered contested case issues.
- 34          (7a) Each department, agency, and institution shall establish a performance  
35 management and pay advisory committee as part of the performance  
36 appraisal system. The purpose of the committee is to ensure that salary  
37 increases and awards are made in an equitable manner. The committee  
38 shall be responsible for reviewing:
- 39           a. Agency salary increase and award policies to determine whether  
40 this section and any guidelines promulgated by the State  
41 Personnel Commission have been adhered to;
- 42           b. Agency training and education programs to determine whether  
43 all employees receive appropriate information; and

1 c. Performance appraisal ratings within the department, agency, or  
2 institution to determine whether an equitable distribution has  
3 been made.

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

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

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

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

1 approval sanctions to be levied against departments, agencies, and  
2 institutions that have deficient performance appraisal systems or that do  
3 not link salary increases and awards to employee job performance.  
4 These sanctions may include withholding salary increases and awards  
5 from the managers and supervisors of individual employing units of  
6 departments, agencies, and institutions in which discrepancies exist.

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

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

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

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

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

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

25 (1) \$42,000,000 to fund the Career Growth Component of the State  
26 Compensation Plan at a minimum two percent (2%) increase.

27 (2) \$46,200,000 to tie the cost-of-living adjustment of the State  
28 Compensation Plan to the Consumer Price Index (CPI) for the previous  
29 calendar year. For calendar year 1999, the assumed average CPI rate is  
30 equal to two and two-tenths percent (2.2%).

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

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

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

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

3           (2)   \$9,460,000 to tie the cost of living adjustment of the State  
4           Compensation Plan to the Consumer Price Index (CPI) for the previous  
5           calendar year. For calendar year 1999, the assumed average CPI rate is  
6           equal to two and two-tenths percent (2.2%).

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

11          Section 3.(c)   There is appropriated from the Highway Fund to the Reserve for  
12          Compensation Increase the sum of twenty-one million five hundred thousand dollars  
13          (\$21,500,000) for the 2000-2001 fiscal year to fund a five percent (5%) salary increase  
14          under the State Compensation Plan to account for prior increases in the cost-of-living  
15          adjustment that did not match the CPI.

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