

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 441
Committee Substitute Favorable 4/19/01

Short Title: State Employee Incentive Bonus Program-AB.

(Public)

Sponsors:

Referred to:

March 1, 2001

1 A BILL TO BE ENTITLED
2 AN ACT AMENDING THE PROVISIONS OF THE STATE EMPLOYEE
3 INCENTIVE BONUS PROGRAM, ARTICLE 36A OF CHAPTER 143 OF THE
4 GENERAL STATUTES.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. G.S. 143-340(1) reads as rewritten:

7 "(1) To establish the State Employee Incentive Bonus Program pursuant to
8 Article 36A of this Chapter, with the authority to adopt all rules
9 necessary to implement the program. The Secretary shall serve ex
10 officio on all program committees and shall designate an executive
11 secretary to administer the program."

12 SECTION 2. G.S. 143-345.20 reads as rewritten:

13 "§ 143-345.20. Definitions.

14 The following definitions apply in this Article:

- 15 (1) Baseline reversion. – The two-year historical average of reversions by
16 a State department, agency, or institution.
- 17 (2) Employing unit.—Any of the following:
- 18 a. ~~The principal Council of State office or department enumerated~~
19 ~~in G.S. 143A-11 for which a State employee works.~~
- 20 b. ~~The principal State department enumerated in G.S. 143B-6 for~~
21 ~~which a State employee works.~~
- 22 c. ~~The constituent institution of The University of North Carolina~~
23 ~~or the General Administration of The University of North~~
24 ~~Carolina for which a State employee works.~~
- 25 d. ~~The local school administrative unit for which a State employee~~
26 ~~works.~~
- 27 e. ~~The board, commission, or agency and its staff for which a~~
28 ~~State employee works, if that agency is not organizationally~~

1 housed in any of the other offices, departments, or institutions
2 listed in this subdivision.

3 (2a) Participating agency. – Any State department, agency, or institution, or
4 any local school administrative unit that employs State employees
5 eligible to participate in the State Employee Incentive Benefit
6 Program. The term includes the Community Colleges System, The
7 University of North Carolina and its constituent universities, and
8 charter schools. The term does not include federal or local government
9 agencies.

10 (2b) SEIBP. – Acronym for the State Employee Incentive Bonus Program.

11 (3) State employee. – Any of the following:

12 a. A person who is a contributing member of the Teachers' and
13 State Employees' Retirement System of North Carolina, the
14 Consolidated Judicial Retirement System of North Carolina, or
15 the Optional Program.

16 b. A person who receives wages from the State as a part-time or
17 temporary worker, but is not otherwise a contributing member
18 of one of the retirement programs listed in sub-subdivision a. of
19 this subdivision."

20 **SECTION 3.** G.S. 143-345.21 reads as rewritten:

21 "**§ 143-345.21. State employee incentive bonus.**

22 (a) A State employee or team of State employees may receive an incentive bonus
23 or bonuses in reward for suggestions or innovations resulting in monetary savings to the
24 State, increased revenues to the State, or improved quality of services delivered to the
25 public.

26 ~~(b) In addition to any bonuses paid directly to individual State employees, a~~
27 ~~portion of the cost savings associated with any savings realized from permanent~~
28 ~~efficiencies implemented pursuant to this Article may be contributed to a reserve fund~~
29 ~~for State employee performance bonuses. Funds for State employee incentive bonuses~~
30 ~~shall only come from savings including reversions above the baseline reversion of the~~
31 ~~employing State department, agency, or institution.~~

32 **(b1) The amount of savings generated by suggestions and innovations shall be**
33 **determined after a 12-month period of implementation. No incentive bonus shall be paid**
34 **prior to the expiration of 12 months, and payment may be delayed further as reasonably**
35 **required to ensure that a complete cost implementation cycle is evaluated fully.**

36 ~~(c) Savings generated by suggestions and innovations shall be determined at the~~
37 ~~end of the fiscal year in which the suggestion or innovation is implemented or the~~
38 ~~determination may be carried over for one full fiscal year after implementation before~~
39 ~~making an award if the actual savings cannot be verified before the end of the fiscal~~
40 ~~year. Any savings are to be calculated using the actual expenditures for a program,~~
41 ~~activity, or service compared to the budgeted amount for the same, if an amount has~~
42 ~~been budgeted for the program, activity, or service. The savings calculation shall~~
43 ~~include the amount of any reversions in excess of the baseline reversion. The savings or~~

1 ~~revenue increases realized from any suggestion or innovation implemented for less than~~
2 ~~one full fiscal year shall be annualized.~~ Any savings realized through the State Employee
3 Incentive Bonus Program shall be weighed against continued service to the
4 ~~public.~~ public and the assurance that there is not a negative impact on State programs.

5 (d) If a suggestion or innovation affects a program, activity, or service for which
6 no separate budgeted amount has been made, the State Coordinator, in conjunction with
7 the agency evaluator or agency fiscal officer, or both, for that suggestion or innovation,
8 shall determine the budgetary impact of the suggestion or innovation.

9 (e) Federal and local government funds and corporate and foundation grant funds
10 are excluded from the SEIBP.

11 (f) The Department of Administration shall establish a SEIBP reserve fund in
12 which all savings for all suggestions shall be deposited as earned. Each participating
13 agency shall be responsible for transferring savings to the SEIBP reserve fund. The
14 funds may be encumbered as needed to ensure payment to the General Fund, to the
15 suggester, and for distribution as required by G.S. 143-345.22. The Department of
16 Administration shall provide a SEIBP reserve fund summary at the close of each fiscal
17 year to the Office of State Budget, Planning, and Management and to the participating
18 agencies. The Office of State Budget, Planning, and Management shall have oversight
19 responsibility for ensuring that the required reversions and transfers are made to the
20 General Fund and that all encumbered funds are accounted for and paid as required by
21 law.

22 (g) No distribution of suggester awards shall occur until reversion requirements
23 to the General Fund are met and distributions as required by G.S. 143-345.22 are
24 satisfied and verified by the Office of State Budget, Planning, and Management. When
25 all of the requirements of G.S. 143-345.22 are fulfilled, the Department of
26 Administration shall transfer to the suggester's agency funds required to award the
27 suggester. The suggester's agency shall make the suggestion award and ensure that all
28 taxes and withholding requirements are met.

29 (h) Implementation costs may be prorated over a maximum of three years for
30 suggestions or innovations that are capital intensive, involve leading-edge technology,
31 or involve unconventional processes that require longer than 12 months for
32 implementation. The amount of the average annual savings minus the average annual
33 implementation cost shall be used as the basis for the agency to recommend a suggester
34 award. The State Review Committee shall consult the Office of State Budget, Planning,
35 and Management to make the final award determination in these cases.

36 (i) There is established in the Department of Administration a nonreverting fund
37 to be administered by the Office of State Personnel for the training and education of
38 permanent State employees to address specific mission critical needs and objectives.
39 Funds shall be credited from the SEIBP to the fund as provided by this Article.

40 **SECTION 4.** G.S. 143-345.22 reads as rewritten:

41 **"§ 143-345.22. Allocation of incentive bonus funds; nonmonetary recognition.**

42 (a) If a State employee's suggestion or innovation results in a monetary savings
43 or increased revenue to the State, the funds saved or increased shall be distributed

1 according to the following scale or subject to guidelines as set forth by the funding
2 source:

3 (1) Twenty percent (20%) of the annualized savings or increased
4 revenues, up to a maximum of twenty thousand dollars (\$20,000) for
5 any one State employee, to constitute gainsharing. If a team of State
6 employees is the suggester, the bonus provided in this subdivision
7 shall be divided equally among the team members, except that no team
8 member ~~may~~ shall receive in excess of twenty thousand dollars
9 (\$20,000), nor ~~may~~ shall the team receive an aggregate amount in
10 excess of one hundred thousand dollars (\$100,000). These funds shall
11 not revert.

12 (2) Thirty percent (30%) ~~for all current employees in the work unit, as~~
13 ~~designated by the agency head, of the employing unit of the~~
14 ~~suggester.~~ allocated as follows:

15 a. Ten percent (10%) to the implementing agency for nonrecurring
16 budget items to be used (i) by the implementing agency to
17 provide equipment, supplies, training, and limited but
18 appropriate recognition for the division, section, or group
19 responsible for the implementation of the cost-saving measure
20 and (ii) to meet other similar needs within the agency.

21 b. Ten percent (10%) to the Department of Administration for
22 augmenting funding for the management and administration of
23 the SEIBP. These funds shall not revert.

24 c. Ten percent (10%) to the State employee education and training
25 fund administered by the Office of State Personnel under G.S.
26 143-342.21(i). These funds shall not revert.

27 (3) The remainder to the General Fund for nonrecurring budget items.

28 (a1) Of the pool of funds identified in subsection (a) of this section, only the
29 General Fund appropriations shall be subject to reversion, except during declared
30 budget emergencies. Under nonemergency budget conditions, SEIBP funds arising from
31 savings at The University of North Carolina, the Community Colleges System, the
32 Highway Trust Fund, enterprise funds, and receipt-supported organizations shall be
33 exempt from the General Fund reversion requirements.

34 (b) The budget of a State agency shall not be reduced in the following fiscal year
35 by an amount similar to the monetary savings or increased revenues realized by the
36 State Employee Incentive Bonus Program. The agency budget shall be reduced in
37 subsequent years only if structural or organizational changes are made that warrant the
38 reductions, including the transfer of responsibility for an activity or service to another
39 agency or the elimination of some function of State government.

40 (c) If a suggestion or innovation results in improved quality of services to the
41 public or to other State agencies, departments, and institutions, but not in monetary
42 savings to the State, the suggester shall receive a nonmonetary award in the form of a
43 certificate, leave with pay, or other similar recognition."

1 **SECTION 5.** G.S. 143-345.23 reads as rewritten:

2 "**§ 143-345.23. Suggestion and review process; role of agency coordinator and**
3 **agency evaluator.**

4 (a) The process for a State employee or team of State employees to submit a
5 cost-saving or revenue-increasing proposal shall begin ~~by~~ with the employee or team of
6 employees submitting the suggestion or innovation to an agency ~~coordinator designated~~
7 ~~by the State department, agency, or institution impacted by the suggestion or~~
8 ~~innovation.~~ coordinator. The agency coordinator, in conjunction with an agency
9 evaluator, shall review the suggestion or innovation for submission to the State Review
10 Committee established in G.S. 143-345.14. G.S. 143-345.24.

11 (b) An agency coordinator shall be appointed by the head of each participating
12 agency to serve as liaison between the agency, the suggester, the agency evaluator, and
13 the SEIBP office. The duties of the agency coordinator shall include:

- 14 (1) Serving as an information source and maintaining sufficient forms
15 necessary to submit suggestions.
- 16 (2) ~~Responsibility for presenting,~~ Presenting, in conjunction with the
17 agency evaluator, the ~~plan of implementation for a suggestion or~~
18 ~~innovation.~~ recommendation for an award to the State Review
19 Committee.
- 20 (3) Working in conjunction with the agency evaluator ~~designated by the~~
21 ~~Agency Coordinator for to process~~ a particular suggestion or
22 ~~innovation.~~ innovation within 180 days, except when there are
23 extenuating circumstances.

24 An agency may have more than one coordinator if required to provide sufficient
25 services to State employees.

26 (c) An agency evaluator shall be designated by the management of the
27 implementing agency to evaluate one or more suggestions. The duties of an agency
28 evaluator shall include:

- 29 (1) ~~Reviewing~~ Receiving from the agency coordinator and reviewing
30 within 90 days, when possible, the feasibility and effectiveness of
31 cost-saving or revenue-increasing measures suggested by State
32 employees.
- 33 (2) Being knowledgeable of the subject program, activity, or service.
- 34 (3) Determining, in conjunction with the agency fiscal officer, the
35 budgetary impact of a suggestion or innovation.
- 36 (4) Judging impartially both the positive and negative effects of a
37 suggestion or innovation on the current functions of the subject
38 program, activity, or service.

39 ~~The specific assignments of the agency evaluator shall be determined by the agency~~
40 ~~coordinator.~~

41 (d) ~~The State Coordinator~~ executive secretary shall be responsible for general
42 oversight and coordination of the State Employee Incentive Bonus Program. The State
43 ~~Coordinator~~ coordinator shall be a ~~State~~ an employee ~~working in~~ of the Department of

1 Administration. The State coordinator shall be responsible for day-to-day SEIBP
2 program management and administration of the technical aspects of the program. The
3 State coordinator shall be an ex officio voting member of the State Review Committee."

4 **SECTION 6.** G.S. 143-345.24 reads as rewritten:

5 **"§ 143-345.24. Incentive Bonus Review Committee.**

6 (a) The Incentive Bonus Review Committee, hereinafter "State Review
7 Committee", shall consist of nine members, as follows:

8 (1) The State Coordinator.

9 (2) A representative of the Office of State Budget, Planning, and
10 Management.

11 (3) A representative of the Office of State Personnel.

12 (4) A representative of The University of North Carolina.

13 (5) A representative of the Department of Justice.

14 (6) A representative of the Department of Labor.

15 (7) One State employee appointed by the Speaker of the House of
16 Representatives.

17 (8) One State employee appointed by the President Pro Tempore of the
18 Senate.

19 (9) One State employee appointed by the Governor upon the
20 recommendation of the State Employees Association of North
21 Carolina, Inc.

22 (b) The duties of the State Review Committee shall include:

23 (1) ~~Responsibility for receiving~~ Receiving from the various agency
24 coordinators recommendations on ~~suggestion and innovation~~
25 implementation plans, suggestions and innovations.

26 (2) Determining the impact of a suggestion or innovation on State
27 government services by judging the monetary savings, increased
28 revenues, or improved quality of services generated by a suggestion or
29 innovation.

30 (3) Ensuring that the State employee incentive bonus process does not
31 result in a negative impact on services provided to taxpayers by State
32 government.

33 (c) All administrative, management, clerical, and other functions and services
34 required by the State Review Committee shall be supplied by the Department of
35 Administration. The Department of Administration and the State Review Committee
36 shall report annually to the Joint Legislative Commission on Governmental Operations
37 on the administration of the State Employee Incentive Bonus Program."

38 **SECTION 7.** G.S. 143-345.25 reads as rewritten:

39 **"§ 143-345.25. ~~Effect~~ Innovations deemed property of the State; effect of decisions**
40 **regarding bonuses.**

41 (a) All suggestions or innovations submitted by State employees pursuant to this
42 Article are the property of the ~~State~~ State and all related intellectual property rights shall

1 be assigned to the State. By January 1, 2002, the Office of State Personnel shall
2 establish a policy regarding intellectual property rights that arise from the SEIBP.

3 (b) Decisions regarding the award of bonuses by the agency coordinator and the
4 State Review Committee are final and are not subject to review under the contested case
5 procedures of Chapter 150B of the General Statutes."

6 **SECTION 8.** This act becomes effective July 1, 2001, and applies to State
7 employee suggestions and innovations submitted on or after that date.