

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1135  
Committee Substitute Favorable 4/30/97

Short Title: State Employee Incentive Bonus.

(Public)

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Sponsors:

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Referred to:

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April 21, 1997

1 A BILL TO BE ENTITLED  
2 AN ACT AMENDING THE STATE PERSONNEL ACT TO PROVIDE FOR AN  
3 INCENTIVE BONUS PROGRAM TO RECOGNIZE AND REWARD THE COST-  
4 SAVING INITIATIVE AND INNOVATIONS OF STATE EMPLOYEES.

5 The General Assembly of North Carolina enacts:

6 Section 1. Chapter 126 of the General Statutes is amended by adding a new  
7 Article to read:

8 **“ARTICLE 2A.**

9 **"INCENTIVE BONUS PROGRAM.**

10 **"§ 126-7.3. State employee incentive bonus.**

11 (a) A State employee or team of State employees may receive an incentive bonus  
12 or bonuses in reward for suggestions or innovations resulting in monetary savings to the  
13 State, increased revenues to the State, or improved quality of services delivered to the  
14 public. The program is restricted to current State employees. Managers and supervisors  
15 may participate in the program.

16 (b) In addition to any bonuses paid directly to individual State employees, a  
17 portion of the cost-savings associated with any savings realized from permanent  
18 efficiencies implemented pursuant to this section may be contributed to a reserve fund for  
19 State employee performance bonuses. Funds for State employee incentive bonuses shall

1 only come from savings including reversions above the baseline reversion of the  
2 employing State department, agency, or institution. For the purposes of this section,  
3 'baseline reversion' means the two-year historical average of reversions by a State  
4 department, agency, or institution.

5 (c) Savings generated by suggestions and innovations shall be determined at the  
6 end of the fiscal year in which the suggestion or innovation is implemented. Any savings  
7 are to be calculated using the actual expenditures for a program, activity, or service  
8 compared to the budgeted amount for the same. The savings calculation shall include the  
9 amount of any reversions in excess of the baseline reversion. Any savings realized  
10 through the State employee incentive bonus shall be weighed against continued service to  
11 the public.

12 **"§ 126-7.4. Allocation of incentive bonus funds; nonmonetary recognition.**

13 (a) If a State employee's suggestion or innovation results in a monetary savings or  
14 increased revenue to the State, the funds saved or increased will be distributed according  
15 to the following scale:

16 (1) Twenty percent (20%) of the savings or fifty percent (50%) of the  
17 suggester's annual salary, whichever is less, to constitute gainsharing. If  
18 a team of State employee's is the suggester, the bonus provided in this  
19 subdivision shall be divided equally among the team members, except  
20 that no team member may receive in excess of fifty percent (50%) of the  
21 employee's annual salary.

22 (2) Thirty percent (30%) to a performance bonus reserve for all current  
23 State employees, to be distributed according to G.S. 126-7, the  
24 Comprehensive Compensation System for State employees.

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

26 (b) The budget of a State agency will not be reduced by a similar amount in the  
27 following fiscal year. The agency budget will be reduced only if structural or  
28 organizational changes are made that warrant the reductions, including the transfer of  
29 responsibility for an activity or service to another agency or the elimination of some  
30 function of State government.

31 (c) If a suggestion or innovation results in improved quality of services to the  
32 public, but not in monetary savings to the State, the suggester shall receive a  
33 nonmonetary award in the form of a certificate, leave with pay, or other similar  
34 recognition.

35 **"§ 126-7.5. Suggestion and review process; role of agency coordinator and agency**  
36 **evaluator.**

37 (a) The process for a State employee or team of State employees to submit a cost-  
38 saving proposal shall begin by the employee or team of employees submitting the  
39 suggestion or innovation to an agency coordinator designated by the employing State  
40 department, agency, or institution. The agency coordinator, in conjunction with an  
41 agency evaluator, shall review the suggestion or innovation for submission to the Review  
42 Committee established in G.S. 126-7.6.

43 (b) The duties of the agency coordinator shall include:

- 1           (1) Serving as an information source and maintaining sufficient forms  
2           necessary to submit suggestions.
- 3           (2) Responsibility for presenting, in conjunction with the agency evaluator,  
4           the plan of implementation for a suggestion or innovation to the Review  
5           Committee.
- 6           (3) Working with an agency evaluator designated by the Review Committee  
7           of State employees empaneled pursuant to G.S. 126-7.6.

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

10          (c) The duties of an agency evaluator shall include:

- 11           (1) Reviewing the feasibility and effectiveness of cost-saving measures  
12           suggested by State employees.
- 13           (2) Being knowledgeable of the subject program, activity, or service.
- 14           (3) Determining the budgetary impact of a suggestion or innovation.
- 15           (4) Judging impartially both the positive and negative effects of a  
16           suggestion or innovation on the current functions of the subject  
17           program, activity, or service.

18          The specific assignments of the agency evaluator shall be determined by the agency  
19          coordinator.

20          (d) The State Coordinator shall be responsible for general oversight and  
21          coordination of the State employee incentive bonus program. The State Coordinator shall  
22          be a State employee working in the Office of the State Auditor.

23          **"§ 126-7.6. Incentive Bonus Review Committee.**

24          (a) The Incentive Bonus Review Committee, hereinafter 'Review Committee',  
25          shall consist of nine members, as follows:

- 26           (1) The State Coordinator.
- 27           (2) A representative of the Fiscal Research Division of the General  
28           Assembly.
- 29           (3) A representative of the Department of Justice.
- 30           (4) A representative of the Department of Labor.
- 31           (5) One State employee appointed by the Speaker of the House of  
32           Representatives.
- 33           (6) One State employee appointed by the President Pro Tempore of the  
34           Senate.
- 35           (7) Three State employees appointed by the State Employees Association of  
36           North Carolina, Inc.

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

- 38           (1) Responsibility for receiving from the various agency coordinators  
39           recommendations on suggestion and innovation implementation plans.
- 40           (2) Determining the impact of a suggestion or innovation on State  
41           government services by judging the monetary savings, increased  
42           revenues, or improved quality of services generated by a suggestion or  
43           innovation.

1           (3)    Ensure that the State employee incentive bonus process does not result  
2                   in a negative impact on services provided to taxpayers by State  
3                   government.

4           (c)    The Fiscal Research Division of the General Assembly shall provide staff and  
5                   other necessary support to the Review Committee. The Review Committee shall publish  
6                   an annual report."

7           Section 2. G.S. 126-4 reads as rewritten:

8   "**§ 126-4. Powers and duties of State Personnel Commission.**

9           Subject to the approval of the Governor, the State Personnel Commission shall  
10           establish policies and rules governing each of the following:

11           (1)    Position classification plans which shall provide for the classification  
12                   and reclassification of all positions subject to this Chapter according to  
13                   the duties and responsibilities of the positions.

14           (2)    Compensation plans which shall provide for minimum, maximum, and  
15                   intermediate rates of pay for all employees subject to the provisions of  
16                   this Chapter.

17           (3)    For each class of positions, reasonable qualifications as to education,  
18                   experience, specialized training, licenses, certifications, and other job-  
19                   related requirements pertinent to the work to be performed.

20           (4)    Recruitment programs designed to promote public employment,  
21                   communicate current hiring activities within State government, and  
22                   attract a sufficient flow of internal and external applicants; and  
23                   determine the relative fitness of applicants for the respective positions.

24           (5)    Hours and days of work, holidays, vacation, sick leave, and other  
25                   matters pertaining to the conditions of employment. The legal public  
26                   holidays established by the Commission as paid holidays for State  
27                   employees shall include Martin Luther King, Jr.'s Birthday and Veterans  
28                   Day. The Commission shall not provide for more than 11 paid holidays  
29                   per year except that in those years in which Christmas Day falls on a  
30                   Tuesday, Wednesday, or Thursday, the Commission shall not provide  
31                   for more than 12 paid holidays.

32           (5a)   In years in which New Year's Day falls on Saturday, the Commission  
33                   may designate December 31 of the previous calendar year as the New  
34                   Year's holiday, provided that the number of holidays for the previous  
35                   calendar year does not exceed 12 and the number of holidays for the  
36                   current year does not exceed 10. When New Year's Day falls on either  
37                   Saturday or Sunday, the constituent institutions of The University of  
38                   North Carolina that adopt alternative dates to recognize the legal public  
39                   holidays set forth in subdivision (5) of this section and established by  
40                   the Commission may designate, in accordance with the rules of the  
41                   Commission and the requirements of this subdivision, December 31 of  
42                   the previous calendar year as the New Year's holiday.

- 1 (6) The appointment, promotion, transfer, demotion and suspension of  
2 employees.
- 3 (7) Cooperation with the State Board of Education, the Department of  
4 Public Instruction, the University of North Carolina, and the  
5 Community Colleges of the State and other appropriate resources in  
6 developing programs in, including but not limited to, management and  
7 supervisory skills, performance evaluation, specialized employee skills,  
8 accident prevention, equal employment opportunity awareness, and  
9 customer service; and to maintain an accredited Certified Public  
10 Manager program.
- 11 (7a) The separation of employees.
- 12 (8) A program of meritorious service awards.
- 13 (9) The investigation of complaints and the issuing of appropriate action  
14 concerning employment, promotion, demotion, transfer, discharge,  
15 reinstatement, and any other issue defined as a contested case issue by  
16 this Chapter in all cases as the Commission shall find justified.
- 17 (10) Programs of employee assistance, productivity incentives, equal  
18 opportunity, safety and health as required by Part 1 of Article 63 of  
19 Chapter 143 of the General Statutes, and such other programs and  
20 procedures as may be necessary to promote efficiency of administration  
21 and provide for a fair and modern system of personnel administration.  
22 This subdivision may not be construed to authorize the establishment of  
23 an incentive pay program.
- 24 (11) In cases where the Commission finds discrimination or orders  
25 reinstatement or back pay whether (i) heard by the Commission or (ii)  
26 appealed for limited review after settlement or (iii) resolved at the  
27 agency level, the assessment of reasonable attorneys' fees and witnesses'  
28 fees against the State agency involved.
- 29 (12) Repealed by Session Laws 1987, c. 320, s. 2.
- 30 (13) Repealed by Session Laws 1987, c. 320, s. 3.
- 31 (14) The implementation of G.S. 126-5(e).
- 32 (15) Recognition of State employees, public personnel management, and  
33 management excellence.
- 34 (16) The implementation of G.S. 126-7.
- 35 (17) An alternative dispute resolution procedure.
- 36 (18) The implementation of G.S. 126-7.3.

37 The policies and rules of the Commission shall not limit the power of any elected or  
38 appointed department head, in the department head's discretion and upon the department  
39 head's determination that it is in the best interest of the Department, to transfer, demote,  
40 or separate a State employee who is not a career State employee as defined by this  
41 Chapter."

42 Section 3. This act becomes effective July 1, 1997.