

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1640\*  
Committee Substitute Favorable 7/7/00

Short Title: State Compensation Plan Changes.

(Public)

Sponsors:

Referred to:

May 18, 2000

A BILL TO BE ENTITLED

AN ACT AMENDING THE EMPLOYEE COMPENSATION AND PERFORMANCE  
EVALUATION PROVISIONS OF THE STATE PERSONNEL ACT, CHAPTER  
126 OF THE GENERAL STATUTES.

The General Assembly of North Carolina enacts:

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

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

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

(a1) Repealed by Session Laws 1993, c. 388, s. 1.

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

(1) 'Career growth recognition award' means an annual salary increase 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~~; changes  
5 in the rate of inflation as determined by the annual percentage increase  
6 in the average Consumer Price Index for All Urban Consumers (CPI-U)  
7 of the previous calendar year.

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

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

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

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

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

39 (1) The performance appraisal system of each department, agency, or  
40 institution shall be designed and administered to ensure that career  
41 growth recognition ~~awards~~, ~~cost-of-living adjustments~~, awards and  
42 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. Other than the  
7 Commission, no agency, department, or institution shall set limits ~~or~~  
8 ~~initiate written disciplinary procedures for the purpose of precluding to~~  
9 preclude an eligible employee from receiving a cost-of-living  
10 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. This act becomes effective July 1, 2000.