

NORTH CAROLINA GENERAL ASSEMBLY
1979 SESSION

CHAPTER 945
SENATE BILL 750

AN ACT TO PROVIDE INCENTIVE PAY FOR STATE EMPLOYEES FOR GAINS IN
ECONOMY AND EFFICIENCY IN THE RENDERING OF GOVERNMENTAL
SERVICES.

The General Assembly of North Carolina enacts:

Section 1. Chapter 1031, Session Laws of 1977, is repealed.

Sec. 2. Chapter 126 of the General Statutes is hereby amended by adding a new Article 10 to read as follows:

"Article 10.

"Committee for Review of Applications for Incentive Pay for State Employees.

"§ 126-46. **Committee established** — There is hereby created the committee for Review of Applications for Incentive Pay for State Employees, hereinafter referred to as 'the Committee'. The committee shall consist of the Secretary of Administration, who shall act as chairman, the State Auditor, the State Budget Officer, and the State Personnel Director. The Governor, Lieutenant Governor and Speaker of the House of Representatives shall each also appoint one person who has experience in administering incentive as used in industry.

"§ 126-47. **Application for incentive awards.** — With the exception of units within the General Assembly, the Governor's office, the Lieutenant Governor's office, and the Department of the State Auditor, any unit of State government (i) having an identifiable self-contained budget, or (ii) having its financial records maintained according to an accounting system which identifies to the satisfaction of the State Auditor the expenditures and receipts properly attributable to that unit, may make application to the committee for selection as a candidate for the award of incentive pay to its employees. Such application must be submitted prior to the beginning of any fiscal year and must have the approval of the head of the State department within which the unit is located.

Applications shall be in the format specified by the committee and shall contain such information as it may require, including but not limited to those evaluation components developed by the applying unit which will provide quantitative measures of program output and performance.

The committee shall evaluate the applications submitted; and from those proposals which are considered to be reasonable and practical, and which are found to include developed performance indicators which lend themselves to a judgment of success or failure, the committee shall select the units to participate in the incentive pay program for the fiscal year.

"§ 126-48. **Qualifications.** — (a) To qualify for the award of incentive pay to its employees, a unit selected must demonstrate to the satisfaction of the committee that it has operated during the fiscal year:

- (1) at less cost than the immediately preceding fiscal year, and either with an increase in the level of services rendered or with no decrease in the level of services rendered; or
- (2) at no greater cost than the immediately preceding fiscal year and with an increase in the level of services rendered.

(b) The committee shall satisfy itself that the claimed cost of operation is real and not merely apparent, and that it is not, in whole or in part, the result of:

- (1) chance;
- (2) a lowering of the quality of the service rendered;
- (3) reduced pass-through or transfer expenditures;
- (4) receipts realized in excess of amounts budgeted;
- (5) nonrecurrence of expenditures which were single outlay, or one-time expenditures, in the preceding fiscal year;
- (6) failure to reward deserving employees through promotions, reclassification, award of merit salary increments, or salary increases authorized by salary range revisions;
- (7) postponement of normal purchases and/or repairs to a future fiscal year;
- (8) stockpiling inventories in the immediately preceding fiscal year so as to reduce requirements in the eligible fiscal year;
- (9) substitution of federal funds, other receipts, or non-State funds for State appropriations;
- (10) unreasonable postponement of payments of accounts payable until the fiscal year immediately following the eligible fiscal year;
- (11) shifting of expenses to another unit of government;
- (12) any other practice, event, or device which the committee decides has caused a distortion which makes it falsely appear that a savings or increase in level of services has occurred.

(c) Conversely, the committee shall consider as legitimate savings those reductions in expenditures made possible by such items as the following:

- (1) reductions in overtime;
- (2) elimination of consultant fees;
- (3) less temporary help;
- (4) elimination of budgeted positions;
- (5) improved methods of communication;
- (6) improved systems and procedures;
- (7) better deployment and utilization of manpower;
- (8) elimination of unnecessary travel;
- (9) elimination of unnecessary printing and mailing;
- (10) elimination of unnecessary payments for advertising, memberships, dues, subscriptions, etc.;
- (11) elimination of waste, duplication, and operations of doubtful value;
- (12) improved space utilization;
- (13) any other items considered by the committee as representing true savings.

"§ 126-49. Awards. — At the conclusion of the eligible fiscal year, the committee shall compare the expenditures for that year of each unit selected against the expenditures of that unit for the immediately preceding fiscal year and, after making such adjustments as in its judgment are required to eliminate distortions, shall determine the amount, if any, that the unit has reduced its cost of operations or increased its level of services in the eligible fiscal year. Adjustments to eliminate distortions may include any legislative increases in employee compensation and inflationary increases in the cost of services, materials and supplies. If the committee shall also determine that in its judgment a unit qualifies for award, it shall award and is hereby authorized to award, with the approval of the Advisory Budget Committee, to the employees of that unit a sum not in excess of twenty-five percent (25%) of the amount determined to be the savings to the State for the level of services rendered. The amount awarded shall be divided and distributed in equal shares to the employees of the unit, except that employees who worked for that unit less than the full 12 months of the fiscal year shall

receive only a pro rata share based on the fraction of the year worked for that unit. Funds for this incentive pay shall be drawn from the unit's principal department's ending balance for the eligible fiscal year.

"§ 126-50. **Annual report.** — The Secretary of Administration shall cause to be prepared and submitted to the General Assembly a comprehensive annual status report on the committee's activities, decisions, awards, and recommendations with respect to the employee incentive pay program."

Sec. 3. This act shall become effective July 1, 1979, and will expire July 1, 1984. This act does not affect any existing policy during the existing term of the policy.

In the General Assembly read three times and ratified, this the 8th day of June, 1979.