

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 688

Short Title: SPA Employee Pay Raise.

(Public)

Sponsors: Senators Warren, Martin of Guilford, Perdue, Kerr, McDaniel, Sherron, Hobbs, McKoy, Albertson, Dannelly, Rand, and Gulley.

Referred to: Appropriations

April 13, 1995

A BILL TO BE ENTITLED

1 AN ACT ESTABLISHING ANNUAL SALARY INCREASES FOR ELIGIBLE STATE
2 EMPLOYEES SUBJECT TO THE STATE PERSONNEL ACT THROUGH FULL
3 IMPLEMENTATION OF THE COMPREHENSIVE COMPENSATION SYSTEM
4 AND PROVIDING FOR THE APPROPRIATION OF FUNDS FOR
5 IMPLEMENTATION OF THE SYSTEM FOR THE 1995-96 FISCAL YEAR AND
6 ANNUALLY THEREAFTER.
7

8 The General Assembly of North Carolina enacts:

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

10 **"§ 126-7. Comprehensive Compensation System.**

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

19 (a1) Repealed by Session Laws 1993, c. 388, s. 1.

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

2 (1) 'Career growth recognition award' means an annual salary increase of
3 two percent (2%) that is awarded to a State employee whose final
4 annual performance appraisal indicates job performance that meets or
5 exceeds management's expectations and performance requirements;

6 (2) 'Cost-of-living adjustment' means a general salary increase ~~given to~~ of
7 no less than three percent (3%) given annually to eligible State
8 employees in response to inflation and labor market factors;

9 (3) 'Performance bonus' means a salary increase of one percent (1%) that is
10 awarded in a lump sum to a State employee whose final annual
11 performance appraisal indicates job performance that exceeds
12 management's expectations and performance requirements.

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

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

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

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

40 (2) To be eligible to distribute career growth recognition awards, cost-of-
41 living adjustments, and performance bonuses, a department, agency, or
42 institution shall have an operative performance appraisal system which
43 has been approved by the Commission. The performance appraisal

1 system adopted shall use a rating scale of five levels, with level four or
2 better qualifying for performance bonuses, level three or better
3 qualifying for career growth recognition awards, and level two or better
4 qualifying for cost-of-living adjustments. The performance appraisal
5 system adopted shall adhere to modern personnel management
6 techniques and practices in common use in the public and private
7 sectors.

8 (3) The State Personnel Director shall help departments, agencies, and
9 institutions to establish and administer their performance appraisal
10 systems and shall provide initial and ongoing training in performance
11 appraisal and performance system administration.

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

20 (4a) An employee whose performance is rated at or above level three of the
21 rating scale shall receive a career growth recognition award unless the
22 employee's supervisor justifies in writing to the employee the decision
23 not to give the career growth recognition award. The career growth
24 recognition award shall represent a two percent (2%) increase within the
25 employee's assigned pay grade. In no event shall any award increase an
26 employee's compensation above the maximum of the range. Other than
27 the Commission, no agency, department, or institution shall set limits so
28 as to preclude an employee whose performance meets or exceeds
29 management's expectations and performance requirements from
30 receiving a career growth recognition award.

31 (4b) An employee whose performance is rated at or above level two of the
32 rating scale and who is not involved in the final written stage of the
33 disciplinary procedure shall receive a cost-of-living increase. Other than
34 the Commission, no agency, department, or institution shall set limits or
35 initiate written disciplinary procedures for the purpose of precluding an
36 eligible employee from receiving a cost-of-living adjustment.

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

38 (5a) Repealed by Session Laws 1993, c. 388, s. 1.

39 (6) The State Personnel Director may rescind any career growth recognition
40 award or performance bonus that does not appear to meet the intent of
41 the provisions of the performance appraisal system and require the
42 originating department, agency, or institution to reconsider or justify the
43 increase.

1 (7) An employee who disputes the fairness of his or her performance
2 appraisal or the amount of the a performance bonus awarded or who
3 believes that he or she was unfairly denied a career growth recognition
4 award or performance bonus shall first discuss the problem with his or
5 her supervisor. Appeals of the supervisor's decision shall be made only
6 to the grievance committee or internal performance review board of the
7 department, agency, or institution which shall make a recommendation
8 to the head of the department, agency, or institution for final decision.
9 The State Personnel Director shall help a department, agency, or
10 institution establish an internal performance review board or, if it
11 includes employee members, to use its existing grievance committee to
12 hear performance pay disputes. Notwithstanding G.S. 150B-2(2) and
13 G.S. 126-22, 126-25, and 126-34, performance pay disputes, including
14 disputes about individual performance appraisals, shall not be
15 considered contested case issues.

16 (7a) Each department, agency, and institution shall establish a performance
17 management and pay advisory committee as part of the performance
18 appraisal system. The purpose of the committee is to ensure that salary
19 increases and awards are made in an equitable manner. The committee
20 shall be responsible for reviewing:

- 21 a. Agency salary increase and award policies to determine whether
22 this section and any guidelines promulgated by the State
23 Personnel Commission have been adhered to;
- 24 b. Agency training and education programs to determine whether
25 all employees receive appropriate information; and
- 26 c. Performance appraisal ratings within the department, agency, or
27 institution to determine whether an equitable distribution has
28 been made.

29 The committee must have a minimum of five members.

30 The head of each department, agency, and institution shall
31 appoint the members of the committee with equal
32 representation of nonsupervisory, supervisory, and
33 management employees. The committee shall elect its own
34 chair.

35 The performance management and pay advisory committee
36 shall meet at least two times each year. The committee shall
37 submit a written report following each meeting to the head of the
38 department, agency, or institution. The report shall include
39 recommendations for changes and corrections in the
40 administration of the performance management system. The
41 recommendations of the committee shall be advisory only. The
42 head of the department, agency, or institution shall respond to the
43 committee within three months. Copies of the report shall be

1 included in the report to the Office of State Personnel that is
2 required of that agency, department, or institution. Summaries of
3 the report shall be included in the annual reports that are
4 mandated by this subsection.

5 (8) The State Personnel Director shall monitor the performance appraisal
6 system and the distribution of salary increases and awards within each
7 department, agency, and institution. Each department, agency, and
8 institution shall submit to the Director annual reports which shall
9 include data on the demographics of performance ratings, the frequency
10 of evaluations, the distribution of salary increases and awards, and the
11 implementation schedule for salary increases and awards. The Director
12 shall analyze the data to ensure that salary increases and awards are
13 distributed fairly within each department, agency, and institution and
14 across all departments, agencies, and institutions of State government
15 and shall report back to each department, agency, and institution on its
16 appraisal and distribution performance.

17 (9) The State Personnel Director shall report annually on the
18 Comprehensive Compensation System to the Commission. The report
19 shall evaluate the performance of each department, agency, and
20 institution in the administration of its appraisal system and the
21 distribution of salary increases and awards within each department,
22 agency, and institution and across State government. The report shall
23 include recommendations for improving the performance appraisal
24 system and alleviating inequities. Copies of the report, as adopted by
25 the State Personnel Commission, shall be sent to the Governor,
26 Lieutenant Governor, President Pro Tempore of the Senate, Speaker of
27 the House of Representatives, the standing personnel committees of the
28 House of Representatives and the Senate, and the State Auditor. The
29 State Personnel Director shall recommend to the General Assembly for
30 its approval sanctions to be levied against departments, agencies, and
31 institutions that have deficient performance appraisal systems or that do
32 not link salary increases and awards to employee job performance.
33 These sanctions may include withholding salary increases and awards
34 from the managers and supervisors of individual employing units of
35 departments, agencies, and institutions in which discrepancies exist.

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

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

38 (e) ~~The Beginning July 1, 1995, and annually thereafter, the Governor and the~~
39 ~~General Assembly, subject to availability of funds, Assembly shall advance the State's~~
40 ~~Comprehensive Compensation System by recommending and making annual~~
41 ~~appropriations from the General Fund and the Highway Fund, as appropriate, to the~~
42 ~~Comprehensive Compensation System in the following manner:~~

- 1 (1) The career growth recognition award component shall be funded each
2 year at the level required for full implementation as provided by this
3 ~~section.~~ section;
- 4 (2) ~~To the extent that expansion funds are available, the Comprehensive~~
5 ~~Compensation System shall receive an additional appropriation to fund~~
6 ~~cost-of-living adjustments. Any remaining available funds shall next be~~
7 ~~allocated to provide for performance bonuses. The level of the~~
8 ~~performance bonus allocation shall not exceed two percent (2%) of the~~
9 ~~total employee payroll. The cost-of-living adjustment component shall~~
10 ~~be funded each year at the level required for full implementation as~~
11 ~~provided by this section; and~~
- 12 (3) The performance bonus component shall be funded each year at the
13 level required for full implementation as provided by this section.
- 14 (f) The General Assembly shall appropriate each fiscal year the total amount of
15 funds required for full implementation of the Comprehensive Compensation System
16 except that the General Assembly may appropriate less than the full amount required for
17 full implementation if then-current revenue forecasts show that the amount of available
18 funds in the General Fund and Highway Fund are insufficient to fully implement the
19 Comprehensive Compensation System due to a budgetary crisis."
- 20 Sec. 2. The salaries in effect on June 30, 1995, of all permanent full-time and
21 part-time State employees whose salaries are set in accordance with the State Personnel
22 Act, and who are paid from the General Fund or Highway Fund, shall be increased in
23 accordance with the provisions of this act to the extent that the employees meet the
24 eligibility requirements of the Comprehensive Compensation System.
- 25 Sec. 3. It is the express purpose of this act to obligate this General Assembly
26 to fund the provisions of this act. It is the intent of this General Assembly that future
27 General Assemblies fund the provisions of this act. However, nothing in this act shall be
28 construed to entitle State employees to increases in compensation for which the General
29 Assembly has not appropriated funds.
- 30 Sec. 4. This act is effective upon ratification.