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Senate State Government, Local Government, and Personnel Committee Substitute
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Short Title: State Employee Incentive Bonus.

(Public)

Sponsors:

Referred to:

April 21, 1997

A BILL TO BE ENTITLED
AN ACT AMENDING CHAPTER 143 OF THE GENERAL STATUTES TO PROVIDE
FOR AN INCENTIVE BONUS PROGRAM TO RECOGNIZE AND REWARD
THE COST-SAVING AND REVENUE-INCREASING INITIATIVES AND
INNOVATIONS OF STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

Section 1. Chapter 143 of the General Statutes is amended by adding a new
Article to read:

“ARTICLE 36A.

"STATE EMPLOYEE INCENTIVE BONUS PROGRAM.

"§ 143-345.10. Definitions.

The following definitions apply in this Article:

(1) Baseline reversion. – The two-year historical average of reversions by a
State department, agency, or institution.

(2) Employing unit. – Any of the following:

a. The principal Council of State office or department enumerated
in G.S. 143A-11 for which a State employee works.

- 1 b. The principal State department enumerated in G.S. 143B-6 for
2 which a State employee works.
- 3 c. The constituent institution of The University of North Carolina or
4 the General Administration of The University of North Carolina
5 for which a State employee works.
- 6 d. The local school administrative unit for which a State employee
7 works.
- 8 e. The board, commission, or agency and its staff for which a State
9 employee works, if that agency is not organizationally housed in
10 any of the other offices, departments, or institutions listed in this
11 subdivision.

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

- 13 a. A person who is a contributing member of the Teachers' and
14 State Employees' Retirement System of North Carolina, the
15 Consolidated Judicial Retirement System of North Carolina, or
16 the Optional Program.
- 17 b. A person who receives wages from the State as a part-time or
18 temporary worker, but is not otherwise a contributing member of
19 one of the retirement programs listed in sub-subdivision a. of this
20 subdivision.

21 **"§ 143-345.11. 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 for
29 State employee performance bonuses. Funds for State employee incentive bonuses shall
30 only come from savings including reversions above the baseline reversion of the
31 employing State department, agency, or institution.

32 (c) Savings generated by suggestions and innovations shall be determined at the
33 end of the fiscal year in which the suggestion or innovation is implemented. Any savings
34 are to be calculated using the actual expenditures for a program, activity, or service
35 compared to the budgeted amount for the same, if an amount has been budgeted for the
36 program, activity, or service. The savings calculation shall include the amount of any
37 reversions in excess of the baseline reversion. The savings or revenue increases realized
38 from any suggestion or innovation implemented for less than one full fiscal year shall be
39 annualized. Any savings realized through the State Employee Incentive Bonus Program
40 shall be weighed against continued service to the public.

41 (d) If a suggestion or innovation affects a program, activity, or service for which
42 no separate budgeted amount has been made, the State Coordinator, in conjunction with

1 the agency evaluator for that suggestion or innovation, shall determine the budgetary
2 impact of the suggestion or innovation.

3 **"§ 143-345.12. Allocation of incentive bonus funds; nonmonetary recognition.**

4 (a) If a State employee's suggestion or innovation results in a monetary savings or
5 increased revenue to the State, the funds saved or increased shall be distributed according
6 to the following scale:

7 (1) Twenty percent (20%) of the annualized savings or increased revenues,
8 up to a maximum of twenty thousand dollars (\$20,000) for any one
9 State employee, to constitute gainsharing. If a team of State employees
10 is the suggester, the bonus provided in this subdivision shall be divided
11 equally among the team members, except that no team member may
12 receive in excess of twenty thousand dollars (\$20,000), nor may the
13 team receive an aggregate amount in excess of one hundred thousand
14 dollars (\$100,000).

15 (2) Thirty percent (30%) to a performance bonus reserve for all current
16 employees of the employing unit of the suggester, to be distributed
17 according to G.S. 126-7, the Comprehensive Compensation System for
18 State employees or according to the performance bonus compensation
19 system in which the suggester's employing unit participates.

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

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

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

31 **"§ 143-345.13. Suggestion and review process; role of agency coordinator and**
32 **agency evaluator.**

33 (a) The process for a State employee or team of State employees to submit a cost-
34 saving or revenue-increasing proposal shall begin by the employee or team of employees
35 submitting the suggestion or innovation to an agency coordinator designated by the State
36 department, agency, or institution impacted by the suggestion or innovation. The agency
37 coordinator, in conjunction with an agency evaluator, shall review the suggestion or
38 innovation for submission to the Review Committee established in G.S. 143-345.14.

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

40 (1) Serving as an information source and maintaining sufficient forms
41 necessary to submit suggestions.

1 (2) Responsibility for presenting, in conjunction with the agency evaluator,
2 the plan of implementation for a suggestion or innovation to the Review
3 Committee.

4 (3) Working in conjunction with the agency evaluator designated by the
5 State Coordinator for a particular suggestion or innovation.

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

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

9 (1) Reviewing the feasibility and effectiveness of cost-saving or revenue-
10 increasing measures suggested by State employees.

11 (2) Being knowledgeable of the subject program, activity, or service.

12 (3) Determining, in conjunction with the agency fiscal officer, the
13 budgetary impact of a suggestion or innovation.

14 (4) Judging impartially both the positive and negative effects of a
15 suggestion or innovation on the current functions of the subject
16 program, activity, or service.

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

19 (d) The State Coordinator shall be responsible for general oversight and
20 coordination of the State Employee Incentive Bonus Program. The State Coordinator
21 shall be a State employee working in the Department of Administration.

22 **"§ 143-345.14. Incentive Bonus Review Committee.**

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

25 (1) The State Coordinator.

26 (2) A representative of the Office of State Budget and Management.

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

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

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

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

31 (7) One State employee appointed by the Speaker of the House of
32 Representatives.

33 (8) One State employee appointed by the President Pro Tempore of the
34 Senate.

35 (9) One State employee appointed by the Governor upon the
36 recommendation of the State Employees Association of North Carolina,
37 Inc.

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

39 (1) Responsibility for receiving from the various agency coordinators
40 recommendations on suggestion and innovation implementation plans.

41 (2) Determining the impact of a suggestion or innovation on State
42 government services by judging the monetary savings, increased

1 revenues, or improved quality of services generated by a suggestion or
2 innovation.

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

6 (c) All administrative, management, clerical, and other functions and services
7 required by the Review Committee shall be supplied by the Department of
8 Administration. The Department of Administration and the Review Committee shall
9 report annually to the Joint Legislative Commission on Governmental Operations on the
10 administration of the State Employee Incentive Bonus Program.

11 **"§ 143-345.15. Effect of decisions regarding bonuses.**

12 All suggestions or innovations submitted by State employees pursuant to this Article
13 are the property of the State. Decisions regarding the award of bonuses by the agency
14 coordinator and the Review Committee are final and are not subject to review under the
15 contested case procedures of Chapter 150B of the General Statutes."

16 Section 2. G.S. 143-340(1) reads as rewritten:

17 "(1) ~~To establish a meritorious service award system for State employee~~
18 ~~suggestions which may include cash awards to be paid from savings~~
19 ~~resulting from the adoption of employee suggestions, but in no case~~
20 ~~shall the cash award exceed twenty five percent (25%) of the savings~~
21 ~~resulting during the first year following adoption or a maximum of five~~
22 ~~thousand dollars (\$5,000). the State Employee Incentive Bonus Program~~
23 ~~pursuant to Article 36A of this Chapter, with the authority to adopt all~~
24 ~~rules necessary to implement the program."~~

25 Section 3. This act shall not be construed to obligate the General Assembly to
26 make any appropriation to implement the provisions of this act. Each State agency to
27 which this act applies shall implement the provisions of this act from funds otherwise
28 appropriated to that State agency.

29 Section 4. This act becomes effective July 1, 1997, and applies to all
30 suggestions and innovations pending on that date that were submitted under the former
31 State Employee Suggestion Program as authorized by G.S. 143-340(1) on or before June
32 30, 1997.