



MEMORANDUM

TO: Agency/University HR Directors
Agency Chief Fiscal Officers

FROM: Paula Woodhouse, Interim State Human Resources Director

Andrew Heath, State Budget Director

DATE: September 9, 2016

RE: 2016 Appropriations Act - Compensation Bonus/Merit-Based Bonus/Bonus Leave

The 2016 General Assembly has ratified and on July 14, 2016, Governor Pat McCrory signed into law HB 1030 (Session Law 2016-194), which provides a one-time lump sum compensation bonus, a one-time merit-based bonus, and the opportunity to cash in bonus leave for the 2016-2017 fiscal year. Specific details and/or eligibility requirements are outlined below:

Compensation Bonus (Section 36,16.(a))

A one-time, lump sum, across-the-board compensation bonus, will be granted in October 2016. Eligible State employees, subject to the State Human Resources Act (SHRA) or exempt from the State Human Resources Act (EHRA), employed in a state funded position on September 1, 2016 shall be awarded this compensation bonus in the amount of one-half percent (0.50%). This compensation bonus will be based on annual salaries in effect September 1, 2016. Permanent part-time employees shall be granted a pro-rata amount of the compensation bonus based on the number of hours worked.

Employees with permanent (full-time/part-time), probationary, time-limited and temporary* appointments are eligible, including those permanent full-time employees who work a 9, 10, or 11-month schedule, as well as those in banded classes and those at step Z or FR (flat rate).

**State Appropriated funds are not allotted for temporary employees, therefore granting temporary employees the compensation bonus would be at the sole discretion of the agency/university, if funding permits.*

Teachers/115C employees paid on the Salary Schedule per Section 9.1 are not eligible to receive the compensation bonus.



Separations/New Hires

The compensation bonus does not apply to employees separated from State service prior to September 1, 2016 or to employees hired effective September 2, 2016 or later.

Leave of Absence (LOA)

Employees on paid or unpaid LOA effective September 1, 2016, are eligible for the compensation bonus.

Performance/Discipline

Employees are eligible for the bonus without consideration of performance ratings or disciplinary actions and without regard to an employee's placement within the salary range, including employees at the top of the salary range.

Merit-Based Bonus (Section 36.1A.(a))

A one-time merit-based bonus will be granted in October 2016 for eligible State employees employed in a state funded position, subject to or exempt from the State Human Resources Act (except University employees who are exempt from the State Human Resources Act). EHRA University employees may be eligible for a merit-based bonus administered by University of North Carolina General Administration. Employees whose salaries are set by statute as defined per G.S. 126, 126-5 and appointed executive positions are not eligible.

Per legislation, the merit-based bonus shall not be used for across-the-board allocation. The amount of the bonus will be based on performance levels for eligible employees, which will be provided in a future communication in mid-September.

Employees with permanent (full-time/part-time), probationary, and time-limited appointments are eligible, including those permanent full-time employees who work a 9, 10, or 11-month schedule, as well as those in banded classes and those at step Z or FR (flat rate).

Teachers/115C employees paid on the Salary Schedule per Section 9.1, are not eligible to receive the merit-based bonus.

Performance

Employees with a completed Fiscal Year (FY) 2015-2016 performance plan, with an overall performance evaluation rating of "Meets" or "Exceeds" expectations are eligible. Employees must have at least six (6) months of cumulative employment under a performance plan in order to be eligible to receive a performance evaluation rating. Employees without a performance evaluation rating are not eligible.

Please be reminded that the completion deadline for the Annual Performance evaluation is September 13, 2016. Extensions will not be granted without demonstrated extenuating circumstances.

Disciplinary Actions

Employees with an active disciplinary action on October 1, 2016 are not eligible.

New Hires

Employees hired on or before January 1, 2016 and who have a FY 2015-2016 performance plan with a performance evaluation rating of "Meets" or "Exceeds" expectations are eligible.

Transfers

When an employee transfers (lateral, demotion, reassignment, or promotion) within State government, the existing manager/supervisor shall assess performance and document progress and/or ratings prior to the transfer. If the transfer occurs within thirty (30) calendar days of the end of the interim review or annual performance evaluation, then a copy of the completed and signed interim review or the completed and signed annual performance evaluation shall be sent to the receiving manager/supervisor. If the transfer occurs more than thirty (30) calendar days prior to the interim review or annual performance evaluation, the existing manager/supervisor shall provide written performance information (i.e.,

documentation in the system of record or email) specific to the employee's achievement of established goals and values to the receiving manager/supervisor.

It is imperative that managers/supervisors assess performance and document ratings in a timely manner to ensure that employees are properly assessed in the event of a transfer. If it is determined that there was insufficient time to evaluate an employee prior to the transfer, managers/supervisors should work with their assigned performance management administrator to determine the appropriate action(s). It should be noted that managers failing to follow such guidelines according to policy and/or egregiously delaying review of an employee, should be held accountable and such actions or lack thereof, should be reflected in their individual performance evaluation.

Leave of Absence

Employees on LOA (regardless of type) must have at least six (6) months of cumulative work under a performance plan in order to be eligible to receive a performance evaluation rating. If an employee is on LOA during the time of the annual performance evaluation period, managers/supervisors must rate the employee upon return from LOA during the 2016-2017 performance period. The Office of State Budget and Management (OSBM) will reserve monies for employees returning from LOA who meet the aforementioned performance requirements, if the employee returns from LOA on or before June 30, 2017 (fiscal year end).

Break in Service

Employees who separate from State service with a break in service, are not eligible.

Example: An employee was actively employed since June 2015 but separated March 25, 2016. This employee was under a performance plan for at least six (6) months. If the same employee is reinstated to state government on May 2, 2016, he or she would not be eligible for the merit-based bonus due to the break in service.

Separations

The merit-based bonus does not apply to employees separated from State service prior to the last day of the pay period in which payment is disbursed.

Bonus Leave (Section 36.18)

Specific details regarding the opportunity to cash in Bonus Leave benefits will be communicated after January 1, 2017.

Budget Section

Funding Sources

In accordance with Section 36.14. (b) of Session Law 2016-94 (HB 1030), any eligible employee whose salary is paid partially from the General Fund or Highway Fund and partially from other sources shall receive the allowable bonus increase from the General or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund. Additionally, any eligible employee whose annual salary is paid fully from sources other than the General Fund or Highway Fund shall receive the bonus increase from the source of funds that pays for the employee's salary. The Director of the Budget is authorized to increase expenditures of receipts from these sources by the amount necessary to provide the legislative bonus to receipt-supported personnel in the certified budget.

Budgeting of State-Funded Personnel/Across-the-Board Bonuses/ S.L. 2016-94, Section 36.16. (a)

The General Assembly included an across-the-board bonus funded at the agency level, and not in a statewide reserve. Agencies should have certified these funds within an agency reserve account, 537202. By November 28, 2016, all agencies should submit a non-recurring type-11 budget revision to distribute funds out of the agency's reserve to the proper employee salary account along with matching Social Security. BEACON agencies will be able to differentiate the two types of bonuses by the specific wage

type listed on the ZFIR018-Payroll Postings report. Agencies on other payroll systems should provide documentation from their payroll or personnel systems when submitting their budget revisions to support the across-the-board bonus being realigned out of the agency reserve.

Per S.L. 2016-94, any excess across-the-board bonus funding in agency reserves will be moved to a statewide budget code for possible redistribution to other agencies per Section 36.17(b). By November 28, 2016 each agency with excess across-the-board bonus appropriations should submit a type-11 non-recurring budget revision to the corresponding statewide budget codes:

- **19003 – Compensation Bonus Reserve**

As stated above, any excess funds for the Department of Transportation will remain in the Highway Fund.

Budgeting of State-Funded Personnel/Merit-Based Bonuses/ S.L. 2016-94, Section 36.1A.(a)

All Executive Branch Department Employees, University System SHRA Employees, and Community College Central Office:

By November 28, 2016, Executive Branch departments and the University System (SHRA) should submit a non-recurring type-11 budget revision requesting bonus and employer matching Social Security funds (7.65%) from statewide budget code:

- **19003 - Compensation Bonus Reserve**

Agencies paid from the BEACON payroll system should be able to use the ZFIR018-Payroll Postings report to aid in the identification of the proper amount of merit-based bonus paid to your employees. The individual campuses in the University System should attach documentation when submitting their budget revisions to request merit-based funds from the statewide reserve.

University System EHRA Employees, Administrative Office of the Courts, Commission of Indigent Defense Services, Legislative Services Commission, North Carolina Community Colleges, Department of Transportation:

Within the agency's individual Conference Report section, there is a merit-based bonus reserve. Criteria for employee eligibility from the reserve will be set by the governing bodies listed in Section 36.1A.(b) of S.L. 2016-94. The agency should have certified these funds within an agency reserve account, 537202, as outlined in OSBM's August 4, 2016 memorandum, *2016 Summary of General Provisions in the 2016 Appropriations Act*. By November 28, 2016, these agencies should submit a non-recurring type-11 budget revision to distribute funds out of the agency's reserve account to the proper employee bonus salary accounts along with matching Social Security (7.65%).

Per Session Law 2016-94, any excess merit-bonus funding in agency reserves will be moved to a statewide budget code for possible redistribution to other agencies per Section 36.17(b). By November 28, 2016 each agency with excess merit-bonus appropriations should submit a type-11 non-recurring budget revision to the corresponding statewide budget code:

- **19003 – Compensation Bonus Reserve**

The Department of Transportation will have the same allocation criteria set by the State Human Resources Commission. Any excess merit-bonus or any other salary-related funds will remain in the Highway Fund to deal with potential shortages for appropriated employees paid from the Highway Fund.

Statewide Bonus Expenditure Accounts (Payroll Posting and Budget Revisions):

Payroll systems will post the bonus expenditures to the proper statewide accounts listed below. The budget revision instructions outlined above will budget funds to cover these expenditures along with matching Social Security applied to the standard Social Security account. Please note that both bonuses are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System; therefore, there will not be any matching retirement.

Bonus/Incentive Wages

The following accounts should be used for one-time bonus or incentive pay issued by an agency or institution.

- **531471** Bonus/Incentive wages - Appropriated
- **531472** Bonus/Incentive Wages - Receipts
- **531473** Bonus/ Incentive Wages – Undesignated
- **531474** Bonus/Incentive Wages – Universities

CONTACTS

If you have questions concerning the eligibility requirements of the Compensation Bonus or Merit-Based Bonus, please contact Davita Morant at davita.morant@nc.gov or 919-807-4894.

Questions about budget revisions or fiscal data should be directed to your OSBM Analyst at 919-807-4700.