

Stricken language would be deleted from present law. Underlined language would be added to present law.

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997
4

As Engrossed: H3/11/97

A Bill

ACT 899 OF 1997
HOUSE BILL 2042

5 By: Representative Purdom
6 By: Senator Beebe
7

For An Act To Be Entitled

9 "AN ACT TO ESTABLISH AN INCENTIVE PAY PROGRAM FOR
10 CLASSIFIED EMPLOYEES OF STATE AGENCIES, BOARDS,
11 COMMISSIONS AND INSTITUTIONS OF HIGHER EDUCATION; AND FOR
12 OTHER PURPOSES."
13

Subtitle

14 "TO ESTABLISH AN INCENTIVE PAY PROGRAM
15 FOR CLASSIFIED EMPLOYEES OF STATE
16 AGENCIES, BOARDS, COMMISSIONS AND
17 INSTITUTIONS OF HIGHER EDUCATION."
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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22 SECTION 1. It is the intent of the General Assembly that each state
23 agency, board, commission, and institution of higher education evaluate the
24 performance of their employees annually. Employees evaluated using an
25 instrument approved by the Office of Personnel Management, Department of
26 Finance and Administration, who exceed standards in the performance of their
27 duties shall be eligible for incentive pay awards. All such awards shall be
28 in the form of a bonus and shall be subject to all applicable state and
29 federal taxes. Incentive pay awards shall not be added to the employees base
30 pay for retirement credit purposes nor for the calculation of any other salary
31 adjustments. Such awards shall not be construed as exceeding the employees
32 maximum allowable annual salary.
33

34 SECTION 2. (a) There is hereby established the following uniform
35 performance evaluation categories for use in determining incentive pay award
36 eligibility:

1 (1) "Unsatisfactory". As used in this section, "unsatisfactory"
2 shall mean an overall performance of duties that is consistently unacceptable
3 in quality, accuracy and timeliness.

4 (2) "Satisfactory". As used in this section, "satisfactory"
5 shall mean an overall evaluation which demonstrates competency in the
6 performance of the duties and responsibilities of the job.

7 (3) "Exceeds standards". As used in this section, "exceeds
8 standards" shall mean an overall evaluation which demonstrates performance of
9 the duties and responsibilities of the job at a level exceeding that of a
10 satisfactory evaluation.

11 (b) During any fiscal year in which the Governor determines sufficient
12 funds are available, employees as defined by Ark. Code § 21-5-203 achieving an
13 overall rating of "exceeds standards" shall be eligible for incentive pay
14 awards ranging from zero percent (0%) to five and one-half percent (5.5%) of
15 their salary at the time of evaluation. An employee may not receive more than
16 one (1) incentive pay award under the provisions of this section in any twelve
17 (12) month period.

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19 SECTION 3. Any agency, board, commission, or institution of higher
20 education may revise or develop an evaluation process suited to the mission of
21 the agency/board/commission/institution provided the evaluation process
22 identifies performance which is "unsatisfactory", "satisfactory" and "exceeds
23 standards" and provided the evaluation system complies with the guidelines
24 established by the Office of Personnel Management. The
25 agency/board/commission/institution may implement the performance evaluation
26 system after review by the Arkansas Legislative Council.

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28 SECTION 4. Management or supervisory personnel who fail to complete an
29 annual evaluation of employees under their administrative control shall not be
30 eligible for incentive pay awards themselves.

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32 SECTION 5. No agency, board, commission, institution, or constitutional
33 office shall expend more than one and one-half percent (1.5%) of their total
34 regular salary appropriation for incentive pay awards in any fiscal year. The
35 Department of Finance and Administration shall oversee the incentive pay
36 awards for each agency, board, commission, and institution, and will monitor

1 the distribution of the incentive funds to insure compliance with the
2 legislative intent of fair and equitable incentive pay awards.

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4 SECTION 6. The Office of Personnel Management shall review evaluation
5 systems currently used in state government and report to the Arkansas
6 Legislative Council by July 1, 1998, its recommendations to revise the current
7 systems or implement a new process to evaluate performance.

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9 SECTION 7. When an officer or employee of a state office or agency
10 excluded from the provisions of the Uniform Attendance and Leave Policy Act by
11 the definition of "state agencies" in Arkansas Code 21-4-203(1) leaves
12 employment of the excluded office or agency and becomes employed by an agency
13 or institution which is subject to the Uniform Attendance and Leave Policy
14 Act, the period of employment with the excluded office or agency shall be
15 included as state employee service for the purpose of determining the rate at
16 which the employee earns paid annual leave.

17 The provisions of this section shall be applied in computing annual
18 leave earned after the effective date of this act.

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20 SECTION 8. All provisions of this act of a general and permanent nature
21 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
22 Revision Commission shall incorporate the same in the Code.

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24 SECTION 9. If any provision of this act or the application thereof to
25 any person or circumstance is held invalid, such invalidity shall not affect
26 other provisions or applications of the act which can be given effect without
27 the invalid provision or application, and to this end the provisions of this
28 act are declared to be severable.

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30 SECTION 10. All laws and parts of laws in conflict with this act are
31 hereby repealed. Arkansas Code 21-5-211(b)(4) and (5) are repealed.

32 ~~— (4) It is the specific intent of the General Assembly that a~~
33 ~~performance evaluation instrument for use in evaluating the eligibility of~~
34 ~~employees covered under the provisions of this subchapter for salary increases~~
35 ~~be implemented for statewide use;—~~

36 ~~— (5)(A) Employees who are rated under the approved evaluation system shall~~

1 ~~be eligible for merit increases over and above their rate of pay at the time~~
2 ~~of evaluation. Employees of constitutional agencies and boards and commissions~~
3 ~~occupying positions comparable to those authorized in this subchapter, as~~
4 ~~determined by the chief administrative officer and reported to the Legislative~~
5 ~~Council, shall also be eligible for merit increases as specified in this~~
6 ~~section; but in no event shall the amount of merit increase granted, when~~
7 ~~combined with the employee's salary, exceed the amount set by law as the~~
8 ~~maximum annual salary rate for the then-current fiscal year for the~~
9 ~~position.~~

10 ~~—— (i) "Satisfactory", as used in this section, shall mean an overall~~
11 ~~rating which demonstrates performance of the duties and responsibilities~~
12 ~~expected of the employee in the position at or above job requirements.~~

13 ~~—— (ii) "Exceeds standards", as used in this section, shall mean~~
14 ~~an overall rating which demonstrates performance of the duties and~~
15 ~~responsibilities of the employee in the position at a level exceeding~~
16 ~~that of a satisfactory rating.~~

17 ~~—— (iii) "Exceptional", as used in this section, shall mean an overall~~
18 ~~rating which demonstrates performance of the duties and responsibilities~~
19 ~~expected of the employee in the position at a level significantly exceeding~~
20 ~~that of a satisfactory rating.~~

21 ~~—— (B) Employees shall be eligible for merit increases of zero percent~~
22 ~~(0%) to five and one-half percent (5.5%) when their overall performance~~
23 ~~evaluation "exceeds standards" or is "exceptional".~~

24 ~~—— (C)(i) In no event shall the merit increase awarded to an employee~~
25 ~~exceed five and one-half percent (5.5%) of the employee's maximum annual~~
26 ~~salary within his assigned grade at the time of evaluation.~~

27 ~~—— (ii)(a) No agency, institution, constitutional officer, or board or~~
28 ~~commission shall expend more than one and one-half percent (1.5%) of its total~~
29 ~~regular salary appropriation for merit increases in any fiscal year.~~

30 ~~—— (b) The Department of Finance and Administration shall oversee the~~
31 ~~merit raises maximum for each agency or institution and will monitor the~~
32 ~~distribution of the merit funds between the units of each agency or~~
33 ~~institution to ensure compliance with the legislative intent of fair and~~
34 ~~equitable merit increases.~~

35 ~~—— (D) It is further intended by the General Assembly that:~~

36 ~~—— (i) Agencies or institutions which have an operational~~

1 ~~performance evaluation system in place on June 30, 1995, may, after~~
2 ~~receiving the approval of the Office of Personnel Management of the~~
3 ~~Department of Finance and Administration, continue to use that system~~
4 ~~for the purpose of complying with the provisions of this section;~~
5 ~~—— (ii) No employee shall receive more than one (1) merit-based~~
6 ~~salary increase within any twelve-month period;~~
7 ~~—— (iii) Employees being compensated at the maximum of their~~
8 ~~assigned grade shall be eligible for merit-based salary increases~~
9 ~~awarded as a lump-sum payment, and such payment shall not be construed~~
10 ~~as exceeding the maximum salary;~~
11 ~~—— (iv) Part-time, seasonal, extra-help employees shall be~~
12 ~~excluded from the provisions of this section;~~
13 ~~—— (v) Management or supervisory personnel who fail to complete an~~
14 ~~annual rating of all employees under their administrative control~~
15 ~~shall not be eligible for merit-based salary increases;~~
16 ~~—— (vi)(a) The Office of Personnel Management of the Department of~~
17 ~~Finance and Administration is hereby authorized to review the~~
18 ~~performance evaluation rating process in each agency and institution~~
19 ~~of higher education.~~
20 ~~—— (b) The Office of Personnel Management may require additional~~
21 ~~rater training or other necessary adjustments to ensure uniformity and~~
22 ~~consistency in the agency's or institution's rating process.~~
23 ~~—— (c) Agencies or institutions failing to comply with the~~
24 ~~performance evaluation guidelines issued by the Office of Personnel~~
25 ~~Management may be prohibited from awarding merit increases by the~~
26 ~~Chief Fiscal Officer of the State and shall be reported to the~~
27 ~~Legislative Council.~~
28 ~~—— (d) Agency or institution raters and the agency or institution~~
29 ~~head shall appear before the Legislative Council to explain~~
30 ~~questionable ratings identified by the Office of Personnel Management.~~
31 ~~—— (e) The Office of Personnel Management shall provide periodic~~
32 ~~reports to the Legislative Council regarding the administration of the~~
33 ~~merit-based pay system.~~
34 ~~—— (F) Any proposed changes to the performance-based employee~~
35 ~~evaluation system referenced in this section may be approved by the~~
36 ~~Office of Personnel Management after its seeking the review of the~~

1 ~~Legislative Council.~~

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3 SECTION 11. EMERGENCY. It is hereby found and determined by the
4 General Assembly that a substantial number of state employees are eligible for
5 salary increases on July 1, 1997; that this act prescribes the procedure to be
6 followed in awarding salary increases to classified state employees; and that
7 unless this emergency clause is adopted the procedures prescribed herein will
8 not be in effect until after July 1, 1997. Therefore, an emergency is
9 declared to exist and this act being immediately necessary for the
10 preservation of the public peace, health and safety shall become effective on
11 the date of its approval by the Governor. If the bill is neither approved nor
12 vetoed by the Governor, it shall become effective on the expiration of the
13 period of time during which the Governor may veto the bill. If the bill is
14 vetoed by the Governor and the veto is overridden, it shall become effective
15 on the date the last house overrides the veto.

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/s/Rep. Purdom

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APPROVED: 3-27-97

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