

Introduced by

1 A BILL for an Act to create a new section to chapter 54-44.3 of the North Dakota Century Code,
2 relating to a state compensation philosophy statement; to provide for implementation of
3 changes to the classified employee compensation system; to provide for status reports; and to
4 declare an emergency.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new section to chapter 54-44.3 of the North Dakota Century Code is
7 created and enacted as follows:

8 **Compensation philosophy statement.** The compensation program for classified state
9 employees must be designed to recruit, retain, and motivate a quality workforce for the purpose
10 of providing efficient and effective services to the citizens of North Dakota. For purposes of this
11 section, "compensation" is defined as base salary and related fringe benefits.

12 The compensation program must:

- 13 1. Provide a competitive employee compensation package based on job content
14 evaluation, internal equity, and external competitiveness balanced by the state's
15 fiscal conditions.
- 16 2. Be based on principles of fairness and equity.
- 17 3. Include a consistent compensation policy which allows for multiple pay structures
18 to address varying occupational specialties.
- 19 4. Set the external competitiveness target for salary range midpoints at a competitive
20 level of relevant labor markets. For purposes of this section, "relevant labor
21 markets" is defined as the labor markets the state attracts employees in similar
22 positions from and the labor markets the state loses employees in similar positions.
- 23 5. Include a process for providing compensation adjustments that considers a
24 combination of factors, including achievement of performance objectives or results,

competency determinations, recognition of changes in job content, and acquisition and application of advanced skills or knowledge.

6. Provide funding for compensation adjustments based on the dollar amounts determined necessary to provide competitive compensation in accordance with the state's compensation philosophy. Funding for compensation adjustments may not be provided as a statewide percentage increase attributable to all employees nor as part of a statewide pool of funds designated for addressing equity issues.

7. Consider the needs of the state as an employer and the tax effect on North Dakota citizens.

The office of management and budget shall develop and consistently administer the compensation program for classified state employees and ensure that state agencies adhere to the components of the state's compensation philosophy. The office of management and budget shall regularly conduct compensation comparisons to ensure that the state's compensation levels are competitive with relevant labor markets.

The legislative assembly recognizes the importance of providing annual compensation adjustments to employees based on performance and equity to maintain the market competitiveness of the compensation system. To provide funding for compensation adjustments in times of difficult fiscal conditions, the legislative assembly may consider increasing revenues or eliminating certain functions or programs.

SECTION 2. COMPENSATION SYSTEM INITIATIVES - IMPLEMENTATION. The office of management and budget shall implement the following initiatives relating to the classified state employee compensation system for the period beginning with the effective date of this Act and ending June 30, 2011:

1. Adjust the methods used to determine classified state employee classifications by:
 - a. Simplifying the classification and reclassification process.
 - b. Revising classification and reclassification forms to collect additional information, including information from the employee.
 - c. Revising classification specifications to ensure duties and responsibilities increase in complexity within a classification series and that minimum qualifications are appropriate.
 - d. Communicating and educating employees on the classification process.

2. Minimize salary inequities both within an agency and within state government by:
 - a. Providing job evaluation training for human resource management services job evaluators.
 - b. Evaluating, reviewing, and refining common job classifications to create a framework of classified positions.
 - c. Reviewing unique job classifications and developing a classification framework that ensures internal equity exists and that all classifications are appropriate.
 - d. Identifying broad compensation system classifications and determining the appropriateness of the classification.
 - e. Identifying jobs that are unique to an agency and assessing the appropriateness of these jobs being included in statewide classifications.
3. Develop appropriate market comparisons and methods to set pay grade minimums, maximums, and midpoints by:
 - a. Redesigning the grade structure and reassigning common and unique job classifications.
 - b. Customizing salary surveys and market analyses for the determined relevant labor market.
 - c. Identifying job family and occupational groups that require different pay strategies from regular pay classifications.
 - d. Developing salary ranges for the general pay structure and for job family and occupational group structures.
 - e. Decreasing the width of salary ranges and performing cost-to-implement analyses.
 - f. Performing statewide, agency, and job family and occupational group internal equity analyses.
4. Develop cost estimates for potential fringe benefits adjustments relating to:
 - a. Increasing the basic life insurance benefit from the current level of one thousand three hundred dollars to an amount equal to each employee's annual salary level or a benefit level of at least twenty-five thousand dollars.
 - b. Implementing a long-term disability benefit separate from the pension plan.

1 c. Requiring employees to share in the cost of health care insurance premiums.

2 5. Expand recruitment and retention tools by:

3 a. Developing guidelines and amounts for recruitment and retention bonuses.

4 b. Defining the type of performance to be recognized and rewarded through a
5 performance bonus.

6 c. Reviewing the appropriateness of performance bonus maximums.

7 d. Continuing to assist agencies in determining the appropriate utilization of
8 nonmonetary rewards for employee retention efforts.

9 e. Developing a targeted retention program for employees with three to five
10 years of service.

11 6. Develop a consistent long-term salary increase administration policy by
12 determining the funding request for salary adjustments using a single funding
13 allocation method that includes performance and equity components.

14 7. Analyze the effect of:

15 a. Appropriating funds to agencies for accrued employee annual leave and sick
16 leave.

17 b. Defining "vacant" positions and excluding long-term vacant positions from
18 agency budget requests.

19 **SECTION 3. APPROPRIATIONS COMMITTEES REPORTS.** The office of
20 management and budget shall provide periodic reports to the appropriations committees of the
21 sixty-second legislative assembly on the status of implementation of the compensation system
22 changes in accordance with section 2 of this Act for the period beginning with the effective date
23 of this Act and ending June 30, 2011. The reports must include information on any estimated
24 cost increases resulting from the changes in future bienniums.

25 **SECTION 4. EMERGENCY.** This Act is declared to be an emergency measure.