



Merit Based Incentive Policy

Purpose

The purpose of ASBCS' Merit-Based Incentive plan is to provide a one-time lump sum incentive to an employee based on the employee's most recent MAP evaluation score. The requirement related to performance is waived for employees in political appointment positions [defined in A.R.S. §41-742(F)]. All other criteria, e.g. eligibility, increase limits, budget, etc. are still applicable.

Authority

[Arizona Revised Statutes \(A.R.S\) 38-611](#)

[Arizona Revised Statutes \(A.R.S\) 41-742\(F\)](#)

[Arizona Administrative Code \(AAC\) R2-5A-402\(C\)](#)

[Arizona Department of Administration State Personnel System Compensation Guidelines](#)

Definitions

"ADOA" is the Arizona Department of Administration

"ASBCS" is the Arizona State Board for Charter Schools

"MAP" is Managing Accountability and Performance

"Merit-Based Incentive" One time, lump sum bonus directly tied to most recent MAP evaluation. Merit-Based Incentive does not adjust base pay.

Policy

- A. In accordance with the Arizona State Personnel System Rules, and the ADOA's State Personnel System Compensation Guidelines, the following documents ASBCS' proposal for administering the Merit-Based Incentive strategy that was effective June 1, 2018.
- B. The Merit-Based Incentive is a one-time payment and does not affect base salary. It shall also not exceed 10% of an employee's annual base salary. Funding must be available within current ASBCS appropriations and cannot create any future budget obligations. This program is funded through ASBCS' annual legislative operating appropriation and is subject to revision and/or suspension in the event of changing budgetary priorities.
- C. ASBCS will administer the Merit-Based Incentive without regard to political affiliation, race, color, national origin, sex, age, disability, religion, or any other characteristic protected by law.

Procedure

ASBCS' Executive Director will determine the total dollar allocation available for the Merit-Based Incentive. The total combined cost of all ASBCS' compensation strategies shall not exceed 2% of ASBCS' personal services base for the Fiscal Year (FY). Allocation will be based on the personal services budget as of July 1st each year.

After the annual performance ratings have been finalized and ASBCS has determined that merit incentives will be awarded, ASBCS' management has the discretion to establish appropriate rating thresholds in conformance with the State Personnel System Compensation Guidelines. ASBCS will not distribute "across-the-board" incentives for employees and will provide adequate distinction between performance levels to reward top performers.

Eligibility

- A. Eligible employees are uncovered employees who have been employed with ASBCS for at least 6 months.
- B. Eligible employees are uncovered employees who have received a MAP rating of 2.0 or greater on the employee's most recent performance evaluation based on the ASBCS cycle. Any Merit-Based Incentive awarded to an employee in unpaid status will be effective following the employee's return to paid status.
- C. Pursuant to ADOA's compensation guidelines, covered employees are not eligible to receive a Merit-Based Incentive. In addition, the following employee groups are not eligible for the Merit-Based Incentive:
 1. Director, Chief Financial Officer, Deputy Directors (E5s), and Assistant Division Directors (E3s & E4s).
 2. Employees who have had formal disciplinary actions (Letter of Reprimand, Suspension, or Involuntarily Demoted) during the previous 6 months of performance rating period.
 3. Board or commission members.
 4. Interns, pool, or per diem employees.
- D. In addition to the employee groups listed above, ASBCS has included individuals who are not an active ASBCS employee as of the date the agency processes and distributes the final incentive pay out.
- E. Any exceptions are at the discretion of the Executive Director.

Criteria and Limits

- A. The Merit-Based Incentive shall be calculated as a percentage of the employee's base pay, according to ASBCS' distribution plan and use individual performance ratings from the employee's most recent MAP evaluation. A completed MAP is required in order for an employee to receive a Merit-Based Incentive. The completed MAP must be reflected in the "Historical" tab of the MAP system. These guidelines will also be followed:
 1. No more than 30% of ASBCS' employees may receive the highest incentive.
 2. If more than one level of Merit-Based Incentive is provided, the highest level must be at least two times greater than the lowest level.
- B. The Merit-Based Incentive shall not exceed the maximum increase provided for in the Arizona Department of Administration Compensation Guidelines currently in effect. The Merit Based Incentive is paid on a one-time basis and does not affect base salary. All Merit-Based Incentives are taxed. Employees who receive a Merit-Based Incentive may adjust their tax withholdings accordingly with by logging directly into Y.ES. (for non-exempt employees) or by coordinating directly with Payroll Services (for exempt employees).
- C. The MAP rating period for the Merit-Based Incentive award will be April 1st through March 31st of the next year. The size of the merit-based incentive for which an employee will be eligible is based on the employee's performance rating.

- D. ASBCS' Executive Director will determine the specific distribution of merit incentives, subject to available funding and the following process:
1. The criteria used to determine a merit incentive shall be the completed MAP evaluation and funding available within ASBCS' current appropriations.
 2. All MAPs will be required to be completed and reflected in the "Historical" tab of the MAP system no later than May 15th in order to be considered for an incentive award. The supervisor's manager will be responsible for completing evaluations for those supervisors unavailable due to FMLA, Military Leave, etc.
 3. The Executive Director shall review the list of employees identified to receive merit incentive payments and shall validate that eligibility and other criteria have been met.
 4. Pay out of all incentives will commence prior to the end of the existing Fiscal Year.
 5. ASBCS is not required to submit a yearly plan to ADOA for approval but will submit a plan by June 1st if any revisions are made to the existing plan.

Communication

Employees that have been identified as recipients of the Merit-Based Incentive will be advised during a one-on-one meeting with their supervisor or Executive Director as appropriate. Every effort will be made to ensure a timely communication to the employee so the employee's work effort is quickly noted and recognized.

Reporting

ASBCS will keep a report for each fiscal year that the incentive is utilized. The report shall include the following:

1. A list of the employees who received a Merit-Based Incentive Award.
2. Key information for each recipient to include: EIN, employee name, MAP rating, job classification title, and amount of payment.