

SUBCHAPTER 010 - PERFORMANCE MANAGEMENT SYSTEM

SECTION .0100 - GENERAL PROVISIONS

25 NCAC 010 .0101 POLICY

History Note: Authority G.S. 126-4; 126-7;
Eff. January 1, 1990;
Amended Eff. August 1, 2007; March 1, 2005;
Repealed Eff. April 1, 2016.

- 25 NCAC 010 .0102 PURPOSE
- 25 NCAC 010 .0103 COMPONENTS OF A PERFORMANCE MANAGEMENT SYSTEM
- 25 NCAC 010 .0104 RATING SCALE
- 25 NCAC 010 .0105 DISPUTE RESOLUTION
- 25 NCAC 010 .0106 MONITORING, EVALUATING, REPORTING

History Note: Authority G.S. 126-4; 126-7;
Eff. August 1, 2007;
Repealed Eff. April 1, 2016.

25 NCAC 010 .0107 PERFORMANCE MANAGEMENT POLICY

It is the policy of North Carolina State Government to provide an integrated performance management system that evaluates employees' accomplishments and behaviors related to goals and organizational values to achieve organizational mission, goals, and business objectives. An integrated performance management system enables employees to develop and enhance individual performance while contributing to the achievement of organizational mission, goals, and business objectives.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016.

25 NCAC 010 .0108 PERFORMANCE MANAGEMENT COVERED EMPLOYEES

- (a) The rules in this Subchapter shall apply to the following:
- (1) probationary, time-limited, and permanent employees;
 - (2) employees appointed to exempt policy-making positions, exempt managerial positions, confidential secretary, confidential assistant, and all chief deputy positions; and
 - (3) employees in trainee classifications.
- (b) The rules in this Subchapter shall not apply to temporary employees.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016;
Amended Eff. April 1, 2017.

25 NCAC 010 .0109 PERFORMANCE MANAGEMENT DEFINITIONS

The following definitions shall apply to all rules in this Subchapter:

- (1) "Annual Performance Evaluation" means the comprehensive review of the employee's performance, relative to the goals and values throughout the entire performance cycle as defined in 25 NCAC 010 .0110. The annual performance evaluation contains a final overall rating.
- (2) "Calibration Session" means a confidential discussion between same-level managers or supervisors facilitated by the next-level manager, supervisor or designated Human Resources representative, to evaluate work distribution, goal alignment, goal validity, results, and final ratings.
- (3) "Coaching Session" means either a formal discussion with documentation or an informal discussion without documentation between a manager or supervisor and employee to provide feedback and reinforce desired work actions and behavior.

- (4) "Counseling Session" means a formal discussion with documentation between a manager or supervisor and an employee to provide specific feedback and initiate a Performance Improvement Plan to develop a strategy for an employee to raise his or her performance to a minimum of "Meets Expectation."
- (5) "Formal Discussion" means a discussion with documentation between a manager or supervisor and employee.
- (6) "Goals" means organizational, division, work unit, and individual level outcomes that support the strategic mission of the organization. All goals must be relevant to agency goals/mission.
- (7) "Individual Development Plan" means a plan used to identify areas of development so an employee will have the skills, knowledge and abilities he or she needs to meet the organization's goals and objectives, and is given an opportunity to develop competencies that will allow him or her to be successful in the future.
- (8) "Informal Discussion" means a discussion without documentation between a manager or supervisor and employee.
- (9) "Interim Review" means a formal discussion with documentation of such at the mid-point of the performance cycle between a manager or supervisor and an employee to review the employee's progress and make any necessary adjustments (e.g., adding new goals and tasks or canceling existing goals and tasks if priorities have changed, changing the weights assigned to goals and tasks) or initiate additional performance-related documentation.
- (10) "Permanent Employee" means an employee who is in a permanent position and has attained career status by being continuously employed by the State in a position subject to the State Human Resources Act for the immediate 12 preceding months.
- (11) "Performance Expectation" means a goal, value, or both, defining outcomes and behaviors that are documented on a performance plan to identify results to be accomplished and how the work should be accomplished.
- (12) "Performance Improvement Plan" means a written document issued to an employee by a manager or supervisor that provides instructions to the employee about the action or actions the employee shall take to improve performance or conduct deficiencies to the "Meets Expectations" level of performance. A performance improvement plan is issued to an employee who maintains employment and serves as a disciplinary action.
- (13) "Performance Plan" means a description of the goals and values to be accomplished by the employee within the performance cycle, with emphasis on the goals and results to be achieved and how those results will be measured.
- (14) "Position Description" means a statement or set of duties and responsibilities that represents the major functions of a job that must be performed to meet the agency's needs.
- (15) "Probationary Employee" means an employee who is in a permanent position but has not attained career status by being continuously employed by the State in a position subject to the State Human Resources Act for the immediate 12 preceding months.
- (16) "Satisfactory Performance" means performance for which the employee consistently meets expectations and occasionally exceeds expectations.
- (17) "Time-Limited Employee" means an employee who is in a time-limited position and is not eligible for career status.
- (18) "University" means the constituent institutions of the University of North Carolina.
- (19) "Values" means qualitative behavioral attributes that document how work actions should be accomplished. Values reflect core organizational beliefs that guide and motivate actions supporting the accomplishment of the agency mission and goals.

*History Note: Authority G.S. 126-4;
Eff. April 1, 2016.*

25 NCAC 010 .0110 PERFORMANCE CYCLE

- (a) The standard State government performance cycle shall be from July 1 through June 30, with the exception of the universities who shall have a standard performance cycle from April 1 through March 31.
- (b) The annual performance evaluation shall be completed (i.e., documentation provided and ratings assigned), approved, discussed with employees, and entered into the system of record within 60 calendar days of the cycle end date.
- (c) The State Human Resources Director may change the dates of the standard performance cycle for business-related reasons with a statewide impact; however, all covered employees shall be notified a minimum of 60 calendar days prior

to the start of the new performance cycle. The need to change the dates of the standard performance cycle will be determined through consultation with the statewide Performance Management Program Manager.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016.

25 NCAC 010 .0111 DOCUMENTATION OF PERFORMANCE

(a) The Office of State Human Resources shall provide a standard annual performance evaluation template, performance planning template, interim review template, individual development plan template, documented coaching session template, and Performance Improvement Plan template to be utilized by all agencies, universities and individuals covered by this Subchapter.

(b) The State Human Resources Director shall publish and communicate the standardized templates a minimum of 90 calendar days prior to the start of the performance cycle. These templates shall be available in the performance management system through an employee's online portal.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016.

25 NCAC 010 .0112 PERFORMANCE MANAGEMENT RESOURCES AND TRAINING

Each agency and university shall:

- (1) designate a person as its performance management coordinator, with responsibility for coordinating the development, implementation, and ongoing administration of performance management within the organization;
- (2) provide performance management training, made available by the Office of State Human Resources, to all newly hired or promoted managers or supervisors, to be completed within the first three months of the manager's or supervisor's new role; and
- (3) provide annual refresher training, made available by the Office of State Human Resources, to all employees.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016.

25 NCAC 010 .0113 CONFIDENTIALITY AND RECORDS RETENTION

(a) Performance evaluations shall be confidential documents under G.S. 126-22.

(b) To promote communication and coordination during calibration sessions, agency management may make some version of performance plans visible internally to management; however, any information shared during calibration sessions shall be treated as confidential and shall not be shared outside of the calibration session.

(c) A breach of confidentiality shall be considered personal misconduct and may result in disciplinary action up to and including dismissal as defined in 25 NCAC 01J .0604.

(d) Annual performance evaluations and supporting documentation shall be retained for three years, and maintained according to Article 7 of G.S. 126.

(e) Hiring supervisors and managers shall be able to inspect and examine performance management documents of final job candidates who are current or former State employees during the hiring process.

History Note: Authority G.S. 126-4; 126-24;
Eff. April 1, 2016.

25 NCAC 010 .0114 PERFORMANCE MANAGEMENT COMPLIANCE

(a) The Office of State Human Resources shall monitor and evaluate performance management records and data to ensure agency compliance with rules in this Subchapter.

(b) If an employee believes his or her manager or supervisor is failing to adhere to the performance management in accordance with this Subchapter, the employee shall notify the next-level manager or supervisor or the agency's Human Resources office.

(c) The failure of a manager or supervisor to carry out the performance management process shall be addressed as a performance deficiency and shall result in one or more of the following:

- (1) counseling from the next-level manager or supervisor to determine the cause(s) of the deficiency and implementation of a Performance Improvement Plan;
- (2) participating in skills enhancement training;
- (3) monitoring and documentation of manager or supervisor progress towards improving implementation of performance management; or
- (4) the issuing of disciplinary action, up to and including dismissal.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016.

25 NCAC 010 .0115 PERFORMANCE RATING DISPUTE

Career State employees, as defined in G.S. 126-1.1, or former career State employees may grieve an overall performance rating of "Does Not Meet Expectations" using the agency's or university's internal employee grievance process.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016.

SECTION .0200 – MANAGING AND EVALUATING PERFORMANCE

- 25 NCAC 010 .0201 PERFORMANCE MANAGEMENT PROCESS**
- 25 NCAC 010 .0202 COMPONENTS OF AN OPERATIVE SYSTEM**
- 25 NCAC 010 .0203 RELATIONSHIP/PERFORMANCE MGMT/OTHER HUMAN RESOURCES SYSTEMS**
- 25 NCAC 010 .0204 RESPONSIBILITIES OF THE STATE PERSONNEL COMMISSION**
- 25 NCAC 010 .0205 RESPONSIBILITIES OF THE OFFICE OF STATE PERSONNEL**
- 25 NCAC 010 .0206 RESPONSIBILITIES OF AGENCIES**

History Note: Authority G.S. 121-5; 126-4; 126-4(8); 126-7;
Eff. January 1, 1990;
Amended Eff. April 1, 2005; March 1, 2005; July 1, 1991;
Repealed Eff. August 1, 2007.

25 NCAC 010 .0207 FREQUENCY OF PERFORMANCE REVIEWS

A performance review shall be required in the following instances:

- (1) For permanent State employees, the manager or supervisor shall establish a performance plan for the employee during the first 60 calendar days of the performance cycle. The manager or supervisor shall conduct an interim review at the mid-point of the performance cycle and shall conduct a final performance evaluation annually, within 60 calendar days of the end of the performance cycle. The permanent employee shall have been functioning under an issued performance plan for at least six months to receive an annual performance evaluation.
- (2) For probationary employees, the manager or supervisor shall establish a performance plan for the employee during the first 60 calendar days of employment. The manager or supervisor shall review the probationary employee's performance by conducting quarterly documented performance feedback discussions during the first 12 months of employment. If a probationary employee "Meets Expectations" or "Exceeds Expectations" on all individual goals and individual values, at the end of the first performance cycle, then quarterly documented performance feedback discussions are no longer required. The manager or supervisor shall establish a performance plan for the probationary employee during the first 60 calendar days of the next performance cycle. The manager or supervisor shall conduct an interim review at the mid-point of the performance cycle and shall conduct a final performance evaluation annually, within 60 calendar days of the end of the performance cycle. The probationary employee shall have been functioning under an issued performance plan for at least six months to receive his or her first annual performance evaluation.
- (3) For time-limited employees, the manager or supervisor shall establish a performance plan for the employee during the first 60 calendar days of employment. The manager or supervisor shall review the time-limited employee's performance by conducting quarterly documented performance feedback discussions. The time-limited employee shall have been functioning under an issued performance plan

for at least six months to receive his or her first annual performance evaluation. If the employee's performance indicates he or she is not suited for the position and cannot be expected to meet satisfactory performance standards, the employee shall be separated. If he or she meets satisfactory performance standards, the manager or supervisor shall establish a performance plan for the employee during the first 60 calendar days of the next performance cycle. The manager or supervisor shall conduct an interim review at the mid-point of the performance cycle and shall conduct a final performance evaluation annually, within 60 calendar days of the end of the performance cycle.

- (4) When an employee transfers to another position within state government, the existing manager or supervisor shall assess performance and document progress and ratings prior to the transfer. If the transfer occurs within 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 (i.e., documentation provided and ratings assigned) and signed annual performance evaluation shall be sent to the receiving manager or supervisor. If the transfer occurs more than 30 calendar days prior to the interim review or annual performance evaluation, the existing manager or supervisor shall provide written performance information accountable for ensuring continuity of performance documentation specific to the employee's achievement of established goals and values to the receiving manager or supervisor.
- (5) When there is a change in the manager or supervisor, the existing manager or supervisor shall provide written performance information specific to the employee's achievement of established goals and values to the receiving manager or supervisor. If the change in the manager or supervisor occurs within 30 calendar days of the interim review or annual performance evaluation, then the existing manager or supervisor shall complete the interim review or formal performance evaluation.
- (6) When an employee separates from state government, the manager or supervisor shall assess performance and assign a final overall performance rating, unless the employee's separation is due to a documented disciplinary action, retirement, disability, illness, or death. The separating employee shall have been functioning under an issued performance plan for at least six months to be assigned a final overall performance rating. For an employee who is separated for any reason other than documented disciplinary action, retirement, disability, illness, or death, any final overall performance rating of "Does Not Meet Expectations" must be approved by the agency Human Resources Director or his or her designee, based on performance documentation provided by the separating employee and his or her manager or supervisor.

*History Note: Authority G.S. 126-4;
Eff. April 1, 2016.*

25 NCAC 010 .0208 PERFORMANCE PLANNING

- (a) An employee shall have an annual Performance Plan to include at least three, but not more than five, strategically aligned critical individual goals, a description of how goals will be measured, and the level of performance required to meet expectations and values. Goals shall be written at the "Meets Expectation" level. The agency or university shall facilitate calibration discussions to assess goal validity and ensure organizational consistency.
- (b) Within 90 calendar days of the onset of a performance management cycle, the Office of State Human Resources (OSHR) will publish and communicate two to four organizational values, which will be standard for all employees subject to this Subchapter. Each agency or university may choose to add up to five additional organizational values, selected from a predefined list published and communicated by OSHR within 90 calendar days of the onset of the performance management cycle.
- (c) Organizational values must be 50 percent of the total weight relative to overall performance and shall be equally weighted. Individual agencies or universities may determine weight of specific goals; however, goal weight shall be no more than 50 percent of the total weight relative to overall performance.
- (d) A manager or supervisor shall hold a performance planning discussion with each employee and put a performance plan in place with each employee within 60 calendar days of:
 - (1) the beginning of the performance management cycle;
 - (2) the employee's entry into a position;
 - (3) a new probationary or time-limited employee's date of employment; or
 - (4) any significant change to the performance expectations of the current Performance Plan.

(e) Once signed by the manager or supervisor and next-level manager or supervisor, the employee shall review, sign, and date the performance plan. If the employee refuses to sign the performance plan, the manager or supervisor shall document the employee's refusal on the performance plan.

(f) An employee shall have physical or electronic access to his or her performance plan.

*History Note: Authority G.S. 126-4;
Eff. April 1, 2016.*

25 NCAC 010 .0209 PERFORMANCE FEEDBACK

(a) Throughout the performance cycle, the manager or supervisor shall document and validate, based on observation or feedback from others, employee performance results and behaviors. In addition, the manager or supervisor shall provide feedback to the employee, both positive and corrective, when appropriate. Both the manager or supervisor and employee shall document activities and accomplishments related to goals and behaviors during the performance cycle.

(b) A manager or supervisor shall conduct a minimum of three formal performance discussions annually for an employee and timed accordingly as follows:

- (1) the initial planning discussion, at the beginning of the performance cycle;
- (2) an interim review at the performance cycle midpoint; and
- (3) the annual performance evaluation, at the end of the performance cycle.

The formal discussions shall provide a manager or supervisor and the employee with an opportunity to discuss any changes in organizational priorities or employee development goals, review progress, and if necessary, revise performance plans, initiate individual development plans, or address performance problems and identify steps the employee shall take to improve or adjust priorities through the remainder of the performance cycle. Additional formal and informal discussions shall also be conducted as needed throughout the performance cycle to adjust cycle goals, document progression, or address a change in business requirements.

(c) All formal coaching sessions, formal counseling sessions, and formal performance discussions shall be documented.

*History Note: Authority G.S. 126-4;
Eff. April 1, 2016.*

25 NCAC 010 .0210 ADDRESSING UNSATISFACTORY JOB PERFORMANCE

(a) If at any time during the performance cycle an employee is not meeting expectations, the manager or supervisor shall conduct a documented coaching session to:

- (1) discuss ways to improve the employee's performance or behavior;
- (2) seek input from the employee about whether the performance issue can be corrected through a process change or if the employee needs to receive additional training on current procedures or processes;
- (3) outline the steps to be taken to improve performance, including the specific timeframe for improvement;
- (4) identify the consequences, including progressive disciplinary action, of failure to improve; and
- (5) define a follow up date.

(b) If employee performance or behavior improves to the "Meets Expectations" level during the specific timeframe and performance or behavior is maintained as determined by management, no further action is necessary.

(c) If employee performance or behavior does not improve to the "Meet Expectations" level during the specific timeframe, the manager or supervisor shall consult the agency Human Resources representative, prepare a Performance Improvement Plan (PIP), and conduct and document a formal counseling session to review the PIP with the employee.

(d) The PIP shall be considered equivalent to a disciplinary action as defined in 25 NCAC 01J .0604 and shall:

- (1) be in writing and state that it is a disciplinary action;
- (2) state the specific performance or behavior problem that is the reason for the disciplinary action;
- (3) state the specific steps to be taken to improve performance, including the specific timeframe for improvement;
- (4) state the consequences, including progressive disciplinary action, of failure to make the required improvements or corrections;
- (5) define a follow-up date or dates;
- (6) tell the employee of any appeal rights provided by State law; and
- (7) discuss the Employee Assistance Program (EAP) when appropriate.

- (e) If employee performance or behavior improves to the "Meet Expectations" level after review of the PIP during the specific timeframe and performance or behavior is maintained as determined by agency management, no further action is necessary.
- (f) If employee performance or behavior does not improve to the "Meets Expectations" level after review of the PIP during the specific timeframe or if the employee performance or behavior fails to be maintained at the "Meets Expectations" level, the manager or supervisor shall continue the formal progressive disciplinary action process as outlined in 25 NCAC 01J .0613 and contact the agency Human Resources representative.
- (g) If an employee receives a performance-based disciplinary action during the performance cycle, corrects, and maintains performance at the "Meets Expectations" level, then the employee shall be considered to have met expectations for the performance expectation(s) associated with the disciplinary action.
- (h) If an employee receives a performance-based disciplinary action during the performance cycle, corrects, and maintains performance at the "Meets Expectations" level, then the employee shall be considered to have met expectations for the goal or organizational value associated with the disciplinary action.
- (i) If an employee receives a "Meets Expectations" for the goal or organizational value cited in the warning or other disciplinary action and a "Meets Expectations" in the overall performance evaluation rating, the performance-based disciplinary action shall become inactive.
- (j) If the written warning is based on an employee's failure to complete tasks listed in the job description or is based on an employee's failure to respond to a direct order from the manager or supervisor, but these warnings are not linked to the goals or organizational values of the performance plan, then the written warning shall remain active.
- (k) At the conclusion of the performance cycle, if an employee has not satisfied the terms of the PIP or has an active performance-based disciplinary action, the employee shall be considered not to have met expectations during the current cycle for the performance expectation(s) associated with the disciplinary action.

*History Note: Authority G.S. 126-4;
Eff. April 1, 2016.*

25 NCAC 01O .0211 ANNUAL PERFORMANCE EVALUATION

- (a) At the end of the performance cycle, the manager or supervisor shall evaluate employee performance relative to the three to five individual goals as well as the selected organizational values. The manager or supervisor shall use quantitative and qualitative information collected throughout the cycle and documented by various sources, including information documented by the employee, to determine the extent to which the employee's actual performance has met the expectations defined in the performance plan. The manager or supervisor shall evaluate performance based on the collected performance information and assign ratings to each goal and value to determine an overall annual performance evaluation rating. Agency or University Human Resources personnel shall facilitate calibration discussions to systematically assess rating validity and ensure organizational consistency.
- (b) Each individual goal and value shall be rated using the standardized rating scale. The standardized rating scale will consist of three levels defined as follows:
 - (1) "Exceeds Expectations" means performance consistently exceeds documented expectations and measurements. The employee consistently does work going far beyond what is expected in terms such as quantity, quality, timeliness, cost, and customer satisfaction. Performance that "Exceeds Expectations" is due to the effort and skills of the employee. Performance is consistently characterized by high quality work that requires little or no improvements or corrections. An employee at the "Exceeds Expectations" level repeatedly makes exceptional or unique contributions to the organization that are above the requirements of his/her duties and responsibilities. An employee performing at the "Exceeds Expectations" level should be recognized by their organization as an outstanding contributor to the organization's mission.
 - (2) "Meets Expectations" means performance consistently meets and occasionally exceeds the documented job expectations and measurements. The employee performs according to expectations. The employee does the job at the level expected for this position and consistently meets what is expected in terms such as quantity, quality, timeliness, cost and customer satisfaction. Performance that "Meets Expectations" is due to the employee's own effort and skills. An employee performing at this level is dependable and makes valuable contributions to the organization. His or her judgments are sound, and he or she demonstrates knowledge and mastery of duties and responsibilities. Most employees should meet expectations in a functional, performing work unit.

- (3) "Does Not Meet Expectations" means performance does not meet job expectations and measurements and supervisory attempts to encourage performance improvement in accordance with 25 NCAC 01O .0210 are unsuccessful.

The employee is performing the job at an unsatisfactory performance level in terms such as quantity, quality, timeliness, cost, and customer satisfaction and performance improvement counseling by the manager or supervisor has not resulted in employee performance improvement. The manager or supervisor shall continue to address performance issues with the employee with this rating level, document management efforts to encourage satisfactory performance, and document subsequent results on a Performance Improvement Plan. Failure to perform is due to the employee's lack of effort or skills. Performance counseling sessions shall be guided by next-level management or Human Resources, and may result in additional disciplinary action for the employee who fails to demonstrate improvement.

(c) The employee's final annual performance evaluation rating shall be based on results achieved relative to the employee's individual goals and organizational values. The final annual performance evaluation rating must reflect both quantity and quality of job performance relative to established goals and identified values. A final annual performance evaluation rating of "Exceeds Expectations" shall be supported by documented results and accompanied by demonstrated adherence to organizational values. A final annual performance evaluation rating of "Does Not Meet Expectations" shall be supported by documented failure to achieve results and accompanied by lack of demonstrated adherence to organizational values. An employee who does not "Meet Expectations" or "Exceeds Expectations" on all organizational values shall not be awarded a final annual performance evaluation rating of "Exceeds Expectations," regardless of level of results achieved on goals. An employee who receives a "Does Not Meet" on any goal or value shall not be awarded an annual performance evaluation rating of "Exceeds Expectations," regardless of the level of results achieved or adherence to values.

(d) Upon completion of calibration, the manager or supervisor shall hold an annual performance evaluation meeting with each employee, and a final annual performance evaluation rating shall be assigned and entered into the system of record. The manager or supervisor shall not submit a final annual performance rating for an employee unless an annual performance plan, supported by ongoing performance documentation, has been completed in compliance with this Subchapter.

(e) The manager or supervisor and the next-level manager or supervisor shall sign the annual performance evaluation. The employee shall review, sign, and date the annual performance evaluation. If the employee refuses to sign the annual performance evaluation, the manager or supervisor shall document the refusal on the annual performance evaluation.

(f) The employee shall have physical or electronic access to the employee's annual performance evaluation.

History Note: Authority G.S. 126-4;
Eff. April 1, 2016.

25 NCAC 01O .0301 IN GENERAL
25 NCAC 01O .0302 BENEFITS
25 NCAC 01O .0303 THE PERFORMANCE MANAGEMENT PROCESS
25 NCAC 01O .0304 COMPONENTS OF AN OPERATIVE SYSTEM

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25 NCAC 01O .0305 OPTIONAL COURSES OF ACTION BETWEEN 1989 AND JULY 1, 1991

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