

Distribution of Labor Market Adjustment Reserve Job Aid

1) Overview of the Labor Market Adjustment Reserve

[SL 2023-134, Section 39.2](#) outlines the allowable uses of Labor Market Adjustment Reserve (LMAR) funds. Agencies have discretion to identify which employees receive a salary adjustment, provided their plan complies with certain restrictions. To budget these funds, agencies will submit recurring type-11 budget revisions to realign LMAR reserves into relevant budget funds and expenditure accounts.

This job aid outlines key considerations when developing an agency LMAR plan, as well as restrictions on the use those funds and the process for realigning the budget to distribute LMAR.

For additional information, see the [Joint Memo on Labor Market Adjustment Reserve](#).

2) Guidelines and Reminders

- Revisions budgeting LMAR funds can only be approved **after** all LI revisions have been submitted, approved, and have posted to NCFS.
- If an LMAR increase is retroactive to the start of the fiscal year, **the Beacon action should have a July 2 Effective Date** to preserve the accuracy of B0061 LI report. Budget revisions may use a July 1 Effective Date.
- S.L. 2023-134 does not require LMAR salary increases to be made by a particular date. However, OSBM advises agencies to prioritize distribution of these reserves.
- All payroll-related benefit costs (social security, retirement, etc.) associated with an LMAR salary increases must also be paid out of the LMAR.
- LMAR funds may be used to raise salaries to minimum of market.
- LMAR funds may be distributed to vacant positions.
- LMAR increases from the General Fund-supported reserve provided in the Conference Report accompanying SL 2023-134 must be applied to positions partially or fully-supported by the General Fund in compliance with [GS 143C-6-6](#).
- Receipt-supported and split-funded positions may receive LMAR increases, provided that the agency has sufficient receipts to support the receipt-supported portion of the increase. If a position is fully receipt-supported, the LMAR increase must be provided entirely from the same source.
- LMAR funds may be distributed to time-limited positions.
- Positions indirectly supported by General Fund appropriations (such as DIT optimized positions, DOJ attorneys, etc.) are eligible to receive LMAR increases. However, these positions will count towards the supported agencies' total LMAR recipients with respect to the limit on the number of employees that may receive increases.

3) Restrictions on use of LMAR Funds

Agencies have significant autonomy in determining how to distribute LMAR funds. However, as outlined on page 568 of [SL 2023-134, Section 39.2 \(a\)](#) agencies must adhere to certain restrictions when distributing these funds:

1. “Any increase provided to an employee shall not exceed the greater of **fifteen thousand dollars (\$15,000)** or **fifteen percent (15%)** of their current base salary.”
2. “Any increase provided to an employee **may not result in the employee's salary exceeding the maximum salary** of the salary range associated with the position.”
3. “No more than **twenty-five percent (25%) of the agency's permanent employees** may receive a salary increase.”
4. “Funds may not be awarded to employees in positions with **salaries set in law or paid based on an experience-based salary schedule** that is eligible to receive funding from the Pay Plan Reserve.”
5. “Funds must be used to increase salaries paid to employees and shall not be used to **supplant other funding sources** or for any other purpose.”
6. “No allocations shall be made to those agencies (**State Bureau of Investigation and the State Highway Patrol**) for labor market adjustments.”

4) How to complete revisions to distribute LMAR

To budget LMAR increases, agencies submit recurring type-11 budget revisions to OSBM after all LI and associated benefits revisions have been approved and are posted in NCFS.

The agency will determine the amount of the salary increase while adhering to the restrictions outlined in SL 2023-134, Section 39.2(a).

Calculations:

LMAR:	Salary increase
Social Security:	Salary increase x 7.65%
Retirement:	Salary increase x recurring retirement rate