



Office of State Human Resources

ROY COOPER  
Governor

BARBARA GIBSON  
Director, State Human Resources

**MEMORANDUM**

TO: Agency Human Resources Directors  
Agency Chief Fiscal Officers

FROM: Barbara Gibson, State Human Resources Director *Barbara F. Gibson*  
Charles Perusse, State Budget Director *Charles Perusse*  
Dr. Linda Combs, State Controller *Linda Combs*

DATE: December 9, 2021

SUBJECT: **2021 Legislative Increase (LI) Instructions – HR-Payroll Action Processing**

Session Law (S.L.) 2021-180 (the 2021 Appropriations Act) includes a salary increase, effective July 1, 2021, for most State employees subject to or exempt from the State Human Resources Act (SHRA). The salaries for eligible employees shall be increased by two and one-half percent (2.5%) unless otherwise specified below. See § 39.1.(a)(1) of the Act. A pro-rata percentage applies for part-time employees. See § 39.1.(c).

**University of North Carolina**

Section 39.13 states the Board of Governors of the University of North Carolina shall provide employees subject to the SHRA, employees exempt from the SHRA, and teachers employed by the North Carolina School of Science and Mathematics with an across-the-board salary increase, in the amount of two and one-half percent (2.5%) effective July 1, 2021.

**Department of Public Safety**

Several types of employees at the Department of Public Safety will be compensated according to new or revised salary schedules. These types of employees do not receive the 2.5% legislative increase. See § 39.1.(b)(5)-(7).

Section 39.14.(a) establishes a Correctional Officer salary schedule effective July 1, 2021, for state employees serving as correctional officers in the Department of Public Safety, Division of Adult Corrections. Correctional Officers shall be compensated at a specific pay rate, on the basis of a salary schedule, determined according to the duration of the employee's correctional officer work experience as outlined in Section 39.14.(b).

Section 39.15.(a) sets the experience-based salary schedule for law enforcement officers of the State Highway Patrol, Alcohol Law Enforcement, and the State Bureau of Investigation effective July 1, 2021. Law enforcement officers shall be compensated based on the officer's respective work experience as defined in Section 39.15.(b).

Section 39.15A.(a) establishes a Probation and Parole Officer salary schedule effective July 1, 2021. Probation and Parole Officers shall be compensated based on the officer's respective work experience as established in Section 39.15A.(b).

If a Correctional Officer, State Highway Patrol Officer, Alcohol Law Enforcement Officer, State Bureau of Investigation Officer, or Probation and Parole Officer will not receive a salary increase during the 2021-2022 fiscal year because the officer's salary exceeds the scheduled salary level, then the officer shall receive an annual salary increase equal to two and one-half percent (2.5%). See § 39.15A.(c).

### **Current Salary Schedules**

The current salary schedules for all Graded Pay Plans will remain the same. OSHR is collaborating with Mercer to implement revised and enhanced pay plans for 2022. More details will be communicated at a later date. The current Career Banding Pay Plans will also remain the same.

### **Other Employees Under Salary Schedules**

In addition to the categories discussed above, several additional types of employees do not receive the 2.5% legislative increase: employees of local boards of education, clerks of superior court compensated under G.S. 7A-101, and employees paid based on the Teacher Salary Schedule at DHHS, DPS, or the State Board of Education. See § 39.1.(b).

### **Eligibility for Legislative Increase and Lump Sum**

To be eligible for the legislative increase, employees must have been employed on both **June 30, 2021**, and **December 31, 2021**. See § 39.1.(a) and 39.17.(a).<sup>1</sup> The same is true for the lump sum that will be paid to eligible employees to apply the salary increases in the Appropriations Act to prior months in the 2021-2022 fiscal year.<sup>2</sup>

If they were employed on both these dates, employees with permanent (full-time/part-time), probationary, and time-limited appointments are eligible, including those permanent full-time employees who work a 9-, 10-, or 11-month schedule, those employees on leave of absence with and without pay, as well as those at step Z or FR (flat-rate).

Under Section 39.17.(a) of the Appropriations Act, an employee who was not employed continuously on a full-time basis since July 1, 2021, shall receive this bonus on a prorated and equitable basis. Under this language:

- Part-time employees will receive the full 2.5% legislative increase. But because part-time salaries are prorated based on hours worked, the resulting dollar increase will be a prorated, lesser amount than what would be received by a full-time employee.

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<sup>1</sup> Under Section 39.1.(a) of the Appropriations Act, employees may be eligible for the legislative increase only if they were employed in a State-funded position on June 30, 2021. In addition, under Section 39.17.(a) of the Appropriations Act, "[t]he legislative salary increases authorized by [the Appropriations Act] ... do not apply to persons separated from service prior to December 31, 2021...." Therefore, to be eligible, employees must have been employed in a State-funded position on both June 30, 2021 and employed on December 31, 2021.

<sup>2</sup> For further discussion of this point, see the section below entitled "No Retroactive Payments to Separated Employees."

- An employee will receive the full 2.5% legislative increase if he or she was employed on June 30, 2021, left state employment, but then returned to state employment on or before December 31, 2021. In this situation, an employee would receive the full 2.5% legislative increase, but the 2.5% would be added retroactively only for the months in which the employee worked for the state. Therefore, the resulting dollar increase will be a prorated, lesser amount than what a continuous employee would have received.

### **No Retroactive Payments to Separated Employees**

Employees who separate before December 31 will not receive any retroactive payments as a result of the legislative increase. Section 39.17.(a) instructs that the legislative salary increases “do not apply to persons separated from service prior to December 31, 2021”.

If an otherwise eligible employee is retiring or separating, the legislative salary increase may be provided so long as the last day of work (including any leave that the employee may be using) is December 31 or later. Because December 31 is a state holiday and paid day off, “last day of work” refers to the last day on which the person is a paid state employee, regardless of whether the employee came into the office on that day.

### **Effect of Being at Maximum of Salary Range**

Employees at the maximum of the salary range shall receive the full LI increase of two and one-half percent (2.5%).

### **Temporary Employees**

Because temporary employees are not employed in State-funded positions, they are not automatically entitled to the 2.5% legislative increase. See § 39.1(a)(1). Agencies may increase temporary employees’ salaries in their discretion if funds are available.

### **Salary to which the 2.5% Legislative Increase Is Applied**

The Appropriations Act specifies that the 2.5% legislative increase will be on “annual salary in the 2021-2022 fiscal year.” See § 39.1.(a)(1). The Act indicates the amount of the LI for the period July 1<sup>st</sup> through December 31, is to be paid in the form of a bonus and applied to the employee’s base pay. The Act also grants the Director of the Budget “flexibility to administer the compensation increases enacted by this act.” § 39.17.(b). Pursuant to this flexibility, the Director of the Budget has determined that the 2.5% legislative increase should be paid on an employee’s salary in each month from June 30 to December 31, 2021. Therefore, the LI will be applied retroactive for the period July 1<sup>st</sup> – December 31<sup>st</sup> and employees will receive a lump sum payment of this portion of their salary increase, equivalent to the 2.5% LI, in the January payroll. This will ensure longevity, overtime etc. is recalculated correctly.

### **Effect of the 2.5% Legislative Increase on Retroactive Salary Actions**

Some employees had individualized salary actions placed on hold in the first five months of the fiscal year, while there was no Appropriations Act in place, under G.S. § 143C-5-4(b)(5). Per long-standing practice, individualized salary actions may be retroactive. By default, the 2.5% legislative increase will be applied to the salary in effect on 6/30. That dollar amount will then be applied to any retroactive salary actions effective after 7/1/2021. (For example, if an employee received an in-range adjustment from \$50,000 to \$55,000 effective September 1, the 2.5% legislative increase will be calculated upon the annual salary as 6/30/2021, which was \$50,000. In this example, the 7/1/2021 annual salary after the legislative increase — but prior to the retroactive salary action — will be \$51,250. After the retroactive salary action, the September 1 salary will be increased by the same \$1,250 to an amount of \$56,250.) Agency staff should check the processing instructions under “Post-2021 LI Operational Procedures for Personnel Actions” if a different result is intended.

### **Timing of Increase for Employees on Salary Schedules**

The new salary schedules “shall be paid effective on January 1, 2022,” resulting in a retroactive payment to all employees covered by those schedules for increased July to December pay. See § 39.17(a)(1). Employees are not eligible for this retroactive payment if “separated from service prior to December 31, 2021.” § 39.17(a)(1).

### **Bonuses Awarded to State Employees for Work During the Pandemic**

Section 39.2 provides bonuses to eligible state employees who continued operations and services of government and/or had an increased risk of exposure to COVID-19 due to job duties that required significant in-person interaction during the pandemic.

- A one-time, lump sum bonus of one thousand dollars (\$1,000) to be awarded to permanent, full-time state employees who are employed as of December 1, 2021.
- An additional, a one-time, lump sum bonus of five hundred (\$500) to be awarded to permanent, full-time state employees who are employed as of December 1, 2021, and who meet at least one of the following eligibility criteria:
  - The employee earns an annual salary that does not exceed seventy-five thousand dollars (\$75,000).
    - When comparing against the \$75,000 limit, the salary should be determined as of December 1, 2021, before (i) implementation of any 2.5% legislative increase, and (ii) implementation of any salary schedule adjustments that may be applicable.
    - Salary-impacting actions effective December 1<sup>st</sup> or prior should be used and taken into account when comparing against the \$75,000 limit.
  - The employee is employed as a law enforcement officer.
  - The employee is an employee in the Division of Adult Correction and Juvenile Justice of the Department of Public Safety with job duties requiring frequent in-person contact. DPS will determine which jobs meet this standard.
  - The employee is employed in a position at a 24-hour residential or treatment facility operated by the Department of Health and Human Services. DHHS will determine which jobs meet this standard.

For the purposes of the bonuses, the term state employee includes all state employees in all state agencies, departments, and institutions regardless of funding source. See § 39.2.(g)(1).<sup>3</sup>

Permanent, part-time employees shall receive the bonuses on a prorated and equitable basis. See § 39.2.(h). Time-limited employees are eligible for the \$1,000 and \$500 bonus. Temporary employees are not eligible for the \$1,000 and \$500 bonuses. See § 39.2.(c),(d),(h).

By law, the \$1,000 and \$500 bonuses are not considered compensation for any retirement system administered by the State. See § 39.2.(g)(2).

The Office of State Budget and Management (OSBM) and OSHR provided additional details on these bonuses in memos issued on December 6 and December 2, 2021, respectively.

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<sup>3</sup> State employees paid on the teacher salary schedule at DHHS, DPS, or the State Board of Education are eligible for the \$1,000 and \$500 bonus if they meet all other qualification criteria. See § 39.2.(g)(1).

### **Processing of Legislative Increase Actions**

The LI will be applied to employee records in the Integrated HR/Payroll System on the weekend of January 6-10, 2022. The HR/Payroll system will be unavailable from noon January 6, 2022, through 6 a.m. January 10, 2022, for processing the LI.

Temporary appointments will not receive the LI via the mass load as it is based on the availability of funds. These actions, if applicable, will need to be processed by the agency by working with the OM/PA Operations team at BEST Shared Services (BSS).

The HR-Payroll System Budget program that matches employee salary to budgeted salary and updates vacant positions to job minimum has been stopped as of January 1, 2022 and will resume after the legislative increase processing.

### **Longevity**

Longevity payments will automatically calculate to reflect the LI.

### **Overtime**

Employees subject to the Fair Labor Standards Act will have their overtime for the 2021-2022 fiscal year to date recalculated to include the 2.5% legislative increase. Employees exempt from the Fair Labor Standards Act will not receive any payment based on recalculated overtime, even if those employees received a payout of overtime during the 2021-2022 fiscal year (to date).

### **Retirement Contributions**

The 6% Employee Retirement Contribution and the applicable Employer contributions from the LI Salary increase being applied to the employees' earnings from July to December, will be collected and reported to ORBIT in the January ORBIT report.

### **2021 Legislative Increase Reports**

On January 10, 2022, LI Salary and budget information will be available using the reports listed below. Both reports are in the **Legislative Increase** folder of the Office of State Controller's (OSC) **Business Objects** Platform. They are:

- **B0063: LI Position Summary** – This summary report contains two views, detailed below.
  - *LI Position Summary Report* provides a summary of budget information for all positions (vacant and filled) for the organizational unit(s) selected. It displays a summary of LIs applied to the employee and budgeted salaries, if applicable by the fund, totaled by business area, along with a grand total at the bottom of the report.
  - *LI Vacant Position Summary Report* lists only the vacant positions for the organizational unit(s) selected. It displays the prior budgeted salary, budgeted salary increase (if applicable), current budgeted salary, and job minimum and maximum pay. A grand total is displayed at the bottom of the report.
- **B0061 Legislative Increase Detail** – This detail report displays information for the organizational unit(s) and LI effective year selected. The report lists the prior budget and employee salaries, the amount of the employee and budgeted salary increases, the current employee and position salaries, and the job minimum and maximum pay. The report totals are on the employees' current salary for the organizational unit(s) selected.

Report description documents containing instructions and details about how to generate these reports are located in the **Help/Report Descriptions** folder in the Business Objects platform or on OSC website:  
[NC OSC: Help Documents](#).

These LI reports account for all positions, even those not eligible for the LI. You can remove the ineligible positions using the filtering capability of the Business Intelligence tool. The LI was applied based on rules approved by OSHR and OSBM; results are reflected in the LI report. It is the responsibility of agency staff to review and validate the report. All errors that appear on the report should be corrected as follows:

- Employee salary corrections are made via PA PCR “Salary Adjustment” Action, with Reason Code “Legislative Increase.” The PA PCR will flow, via workflow, to the Agency Funding Approver (FA) for approval. The FA should also process any necessary corrections to the Budgeted level of the employee’s position using code 112 on IT9018.
- The budgeted salary of positions vacant on July 1, 2021, will remain the same. Vacant positions will not receive the two and one-half percent increase.
- The LI report has two versions, Original and Updated. The original version is the LI report. The updated version may be used by the agency to track the necessary updates that are a result of the validation process.

#### **Funding Sources/Preparation of Budget Revisions**

Once agencies have certified fiscal year 2021-22 compensation and benefit increases into agency reserves, they must submit budget revisions to OSBM to realign legislative salary increases, retirement, health plan, and social security contributions out of these reserves. General Fund appropriations should not be used to provide salary increases and retirement, health plan, and social security contributions for persons paid from non-General Fund sources. OSBM Budget Development analysts will work with agencies on the allocation of these reserves in the coming weeks.

#### **Post-2021 LI Operational Procedures for Personnel Actions**

- Reminder: After the LI program runs to process the 2.5% based on the June 30, 2021, salary, that dollar amount will be added to every salary-impacting action in the system with 7/1/2021 date or later. (Refer to the FAQs for specific examples.)
- The LI program inserts the action and therefore the agency does not need to do anything additional for employees who are on LOA.
- If the agency does not want this amount added to any action on an employee’s record a ticket must be submitted to BSS no later than COB January 18, 2022, in order to make January payroll. The ticket request must include an approved PCR number with the correct annual salary. If you have more than 5 employees who need to be corrected, you may submit the information via spreadsheet.
- Agencies should use BOBJ Report B0017 Last Salary Action Excluding LI to monitor their salary impacting actions dated July 1, 2021, or later.
- If you need to separate an employee with a PCR effective date prior to 12/31/2021 who received the LI, (after the LI program is run) you will need to submit a ticket to have the 7/1/2021 Salary Adjustment-Legislative Increase deleted from the employee’s record. If there were salary-impacting actions on the employee’s record after 7/1/2021, you will need to include those approved PCR numbers as well in your ticket request so OM/PA can correct those salaries back to the pre-LI amount. Ticket must be submitted no later than COB January 18, 2022, to make January payroll.

## CONTACTS

- For questions concerning the eligibility requirements of the Legislative Increase, contact Lorence Crossett at [lorence.crossett@nc.gov](mailto:lorence.crossett@nc.gov) or 984-236-0852.
- For questions concerning the transaction processing of the LI or associated LI reports, please submit a ticket to the OM/PA Team at [best@osc.nc.gov](mailto:best@osc.nc.gov) or 919-707-0707.
- For questions about budget revisions or fiscal data, contact your OSBM Analyst at 984-236-0600.

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