



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

August 16, 2022

MEMORANDUM

TO: CFOs of Agencies with Employees Below the New Market Minimums

FROM: Charles Perusse *Charles Perusse*
State Budget Director

SUBJECT: Use of Operating Funds to Bring Employee Salaries to the Minimum of Market

Effective June 1, 2022, the Office of State Human Resources (OSHR), after consultation with agencies and a comprehensive study and review by Mercer, revised the Statewide Compensation System to include pay plans that more closely align with the labor market. At the time of implementation, no new funding was available to ensure that employees were paid at the minimum nor did the North Carolina General Assembly appropriate additional funding for this purpose during the 2022 legislative session.

Given unprecedented turnover and vacancy rates across state government, the Office of State Budget and Management (OSBM) is providing an exception to [Section 3.8.2 of the Budget Manual](#) to allow the transfer of operating funds to the 1XXX object class exclusively to increase salaries for employees below the minimum of the new pay ranges.

These transfers are subject to the following restrictions:

- Only funds sufficient to bring employees to the new minimum may be transferred.
- Agency transfers will be limited to the funding need, including benefits, as identified by OSHR and Mercer in June 2022. (See Appendix 1)
- [G.S. 143C-6-6\(b\)](#) applies. Adjustments must be made using the same source of funds as the employee's salary. Agencies must utilize General Fund or Highway Fund "only to the extent of the proportionate part paid from the General Fund or Highway Fund, in support of the salary of the employee, and the remainder of the employer's contribution requirements shall be paid from the same source that supplies the remainder of the employee's salary."

If an agency does not have operating funds sufficient to increase all salaries to the new salary pay range minimums, the agency can choose to (1) not increase certain salaries to the new minimum, (2) utilize existing salary reserve, or (3) use Labor Market Adjustment Reserves (LMAR) funds for this purpose. Agencies should consider ongoing operating needs to avoid creating a recurring deficit in operating line items.

Agencies are strongly encouraged, but not required, to bring all employees to the new salary pay range minimums. Agencies with indirectly supported employees (for example, through DIT optimization or DOT transfer) should work collaboratively with the funding agency to bring these employees to the minimum.

Please contact your OSBM Budget Execution Analyst if you have any questions about budget revisions related to the transfer of funds. For questions related to the use of LMAR, contact Lanier McRee (Lanier.McRee@osbm.nc.gov) at OSBM or Ronnie Condrey (Ronnie.Condrey@nc.gov) at OSHR.

Thank you.

cc: Ronnie Condrey
Blake Thomas

Appendix 1: Total Salary and Benefit Need for Minimum of Market Adjustments, June 2022

Agency	Est. Salary + Benefits Needs for Market Minimum*
Administration	\$ 59,158
Administrative Hearings	\$ 61,775
Agriculture Consumer Services	\$ 848,780
Commerce (including DES & DWS)	\$ 303,083
Community Colleges	\$ 15,152
DIT EBS	\$ 46,250
Elections	\$ 10,733
Environmental Quality	\$ 644,180
Health Human Services	\$ 5,083,822
Information Technology	\$ 191,677
Insurance	\$ 263,289
Justice	\$ 393,285
Labor	\$ 31,567
Military and Veterans Affairs	\$ 46,665
Natural and Cultural Resources	\$ 1,050,174
Public Instruction	\$ 208,697
Public Safety	\$ 1,340,113
Revenue	\$ 561,260
Secretary of State	\$ 153,663
State Budget & Management	\$ 4,214
State Controller	\$ 27,296
State Ethics	\$ 23,371
State Treasurer	\$ 18,399
Transportation	\$ 552,038
Wildlife Resources Commission	\$ 330,178

* Estimate cost to bring all employees below the minimum to new minimums including FICA and retirement costs (TSERS and LEO) for all funding sources.