



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

KRISTIN WALKER
STATE BUDGET DIRECTOR

May 9, 2023

TO: Senator Phil Berger
President Pro Tempore

Representative Tim Moore
Speaker of the House

FROM: Casey Harris Pratt, Assistant State Budget Officer

Casey Harris-Pratt

SUBJECT: Use of Legislatively Mandated Salary Increases and Benefits Adjustments

Sec. 39.18 of S.L. 2021-180, as amended by S.L. 2022-74, requires a report to the Joint Legislative Commission on Governmental Operations detailing how State Agencies and Universities used appropriations for Legislatively mandated salary and benefits changes. The Office of State Budget and Management is granted flexibility to use excess funds appropriated to support General Fund positions salary and benefit increases to meet shortfalls at other agencies for the same purpose. After adjusting for those shortfalls, the Office is required to credit funds to the Pay Plan Reserve to meet any need for employees that fall under a Statutory Pay Plan.

This report provides the following legislatively mandated requirements:

- The total amount of funds that the agency received for legislatively mandated salary increases and employee benefits.
- The total amount of funds transferred from the agency to other State agencies pursuant to subsection of this section.
- The total amount of funds used by the agency for legislatively mandated salary increases and employee benefits.
- The amount of funds credited to the Pay Plan Reserve

The Legislature appropriated the following amounts to each State Agency and University System for the Salary and Benefits:

- Increase in salary of 3.5% for positions filled as of June 30, 2022 and related payroll taxes and retirement benefits.
- Increase in State Health Plan Contributions of \$378 per position
- Changes in Retirement Contributions as follows:

System	FY 2021-22 ADEC	FY 2021-22 (Recurring)	FY 2022-23 ADEC	FY 2022-23 Recurring Change	FY 2022-23 Nonrecurring Change	Total Change
Teachers and State Employees Retirement (TSERS)	22.89%	22.25%	24.50%	0.69%	1.56%	2.25%
TSERS (Law Enforcement Officer)	27.89%	27.25%	29.50%	0.69%	1.56%	2.25%
Consolidated Judicial Retirement System	46.31%	44.99%	46.84%	-1.36%	3.21%	1.85%
Optional Retirement System	13.22%	13.22%	13.83%	0.34%	0.27%	0.61%
Legislative Retirement System	34.72%	33.44%	31.80%	-4.77%	3.13%	-1.63%

Agencies are required to distribute all available funding appropriated to the salary, retirement, benefits, and related payroll taxes before making a request for additional funds. Agencies that have too much funding are required to return appropriations to the Salary Adjustment Fund. Agencies then request funds from the Salary Adjustment Fund to cover any shortages. The remaining funds are transferred to the Pay Plan Reserve.

One item of note is that due to the presence of recurring and non-recurring funds, the entire transfer to the Pay Plan Reserve was not made. This was to avoid a negative non-recurring shortfall in the Salary Adjustment Fund. Only the required amount to fulfill the transfer to the Pay Plan Reserve was made.

The Salary Adjustment Fund began the year with \$21,702,388 in funding available. This is due to transfers that occurred in Fiscal Year 2022. After the distribution of reserves, \$26,533,830 was returned to the fund. A non-recurring amount of \$9,186,171 was needed to satisfy non-recurring retirement shortfalls throughout the state. State Agencies, subject to statutory pay plans required \$15,540,124. After all the transfers outlined above, there is \$23,509,923 remaining in the Salary Adjustment Fund to revert at the end of the Fiscal Year. The table below summarizes the actions taken and the appendix (Certified Salary and Benefits and Reserves and Transfers) provides detailed information:

Table 1: Summary of Salary Adjustment Fund

	FY 2023 Movement of Funds
Starting Balance	\$21,702,388
Recurring Transfers	26,533,830
Non-Recurring Transfers	(9,186,171)
Pay Plan Transfer	(15,540,124)
Ending Balance	\$23,509,923

Pay-Plan Reserve: Three agencies required funds from the Pay Plan Reserve to meet statutory pay plans. The transfers were as follows:

Table 2: Summary of Pay Plan Reserve Movements

Agency	Pay Plan	FY 2023 Movement of Funds
	FY 2022 Approved Movement	\$3,548,578
Administrative Office of the Courts	Deputy and Assistant Clerks of Superior Court	2,628,264
Department of Adult Correction	Correctional Officers	9,186,171
Department of Public Safety	Sworn Law Enforcement Officers	197,228
	Ending Balance	\$15,540,124

Attachment: Certified Salary and Benefit Reserves, and Transfers

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