



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

PAT MCCRORY
GOVERNOR

LEE HARRISS ROBERTS
STATE BUDGET DIRECTOR

November 25, 2015

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Lee Harriss Roberts 
State Budget Director

SUBJECT: Further Guidance on Select General Provisions in the 2015 Appropriations Act, House Bill 97 (Session Law 2015-241) as amended by House Bill 259 (Session Law 2015-268) and Senate Bill 119 (Session Law 2015-264)

This is a follow-up to the October 12, 2015 memorandum, providing additional detailed guidance for agency action on certain salary and personnel-related provisions in S.L. 2015-264, Sections 6.4, 30.10, 30.18, and 30.18A.

**State Agencies/Reports on Legislative Liaison and Salary Information
Section 6.4, Page 12**

Liaison and PIO reporting: The Office of State Human Resources has developed a template and guidance for agencies. Please respond as directed in the OSHR guidance issued to agency human resources directors today.

Salary reserve and lapsed salaries reporting: As indicated in the previous memo, please provide the information to your OSBM Budget Analyst in an electronic format of your choice by December 1. Salary reserve data should be provided by budget code for each code that has funded positions. As a reminder, the amount of lapsed salary generated should include wages and benefits, consistent with the definition of lapsed salary in the State Budget Manual. Agencies should delineate both salary reserve and lapsed salary totals by appropriations and receipts.

Lapsed salary and salary reserve policies: Please submit your current policies in electronic format to your OSBM Budget Analyst.

**Use of Funds Appropriated for Legislatively Mandated Salary Increases, Compensation Bonuses, and Employee Benefits and Closure of Workers' Compensation Claims
Section 30.10, Page 390**

The appropriations set forth in the act include certain employee salary and benefit adjustments at the agency level, instead of placing them in a statewide reserve. At the beginning of each agency's individual Conference report section, you will find reserves for salaries and benefits displaying each agency's appropriated Compensation, State Retirement Contributions, and State Health Plan adjustments. Reserves

for salaries and benefits for the University of North Carolina were certified to UNC General Administration. Additional guidance on the procedures for distributing these reserves to UNC campuses will soon follow. To meet the obligations of section 30.10.(b), OSBM certified agencies' budgets within the appropriate state reserve accounts listed below:

Statewide NCAS Accounts:

- 537202 Reserve - Compensation Bonus
- 537204 Reserve - Legislative Increase Compensation Reserve (All increases other than the Bonus and Statutory Step Increases)
- 537205 Reserve - Statutory Step Increase Reserve
- 537206 Reserve - State Retirement System Contributions
- 537208 Reserve – State Health Plan

By December 7, 2015, OSBM analysts will notify their assigned agencies of the amount they will be allocated from the Retirement and State Health Plan reserves.

Each agency should have completed the distribution of Retirement and Health Plan funds from agency reserves by the close of December's accounting records with OSC, using a type-11 budget revision. As a reminder, the reserve only covers positions funded in full or part by appropriations. Agencies are responsible for preparing a type-11 budget revision to budget the necessary adjustments to cover any positions partially or fully funded by receipts. Please work with your analyst if you have any questions.

Per Session Law 2015-241, any excess reserve funding will be moved to a statewide budget code for possible redistribution to other agencies per Section 30.10.(b). By January 20, 2016 each agency with Retirement and Health Plan appropriations that exceed OSBM's allocation should prepare a type-11 budget revision to send funding to the corresponding statewide budget codes:

- 19047 – Statewide Retirement Adjustment Reserve
- 19043 – Statewide Employee Major Medical Plan

Per Section 30.10(b), OSBM will work with any agencies to redistribute funding to agencies who were given insufficient funding to support their payments.

Agencies that have step increases effective January 1, 2016 should distribute funding to cover those increases by the close of the January's accounting records with OSC.

State agencies that received salary adjustment reserves within their budget and are required to send excess funding to a statewide reserve, should submit a type-11 budget revision by February 12, 2016. Funds should be directed to the statewide reserve listed below:

- 19003 – Reserve for Compensation

As with the Retirement and Health Plan funds, OSBM will work with the proper agencies to comply with Section 30.10(b).

Distribution of State Workers' Compensation Reserve

Section 30.18; Conference Report Page L-1, Item #6

Thank you for your responses to the OSBM survey on funding sources for workers compensation claims. OSBM is compiling the results and will notify agencies of their initial allocation from the Workers' Compensation Reserve by December 4, 2015. The initial distribution will be 95% of the statewide reserve (\$20,425,516), and will be distributed based on a three-year historical average of each agency's appropriated workers' compensation expenditures. The remaining 5% will be distributed to agencies no later than the beginning of the fourth quarter of FY 2015-16, to account for more complete fiscal year data for the current year.

Once notification is received for the initial allocation, each agency will have until December 14, 2015 to submit a type-11 budget revision to OSBM, requesting an allocation from statewide budget code 19048. Agencies can elect to initially place the funds in an agency reserve if the agency needs more time to analyze the proper fund/cost centers to apply the additional funding. If the agency elects to use an agency reserve, a second type-11 budget revision should be submitted at a later date to distribute the workers' compensation funding within the agency. The December 14 date will enable OSBM to approve budget revisions and work with the Office of State Controller to perform the necessary journal entries to move funding from the statewide reserve to each agency's budget code before the end of December.

The additional workers' compensation funding, along with any existing dedicated funding, shall be budgeted in the proper workers' compensation account line items. Funding may not be moved out of the workers' compensation accounts; however, agencies may increase these accounts with non-recurring resources within agency budgets to address obligations that are greater than the certified budget.

Compensation Bonus Awarded for Fiscal Year 2015-2016

Section 30.18A, Pages 394-395

This section provides that anyone employed in a State-funded position on November 1, 2015, shall be awarded a one-time, lump-sum compensation bonus for the 2015-2016 fiscal year in the amount of \$750, payable during the month of December 2015. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

As enacted, the bonus payment is ineligible for inclusion in employees' retirement wages for state retirement. In order to separate the bonus from regular wages, OSC has set up the following accounts to track the bonus payment:

NCAS Chart of Accounts

531471 Bonus/Incentive Wages - Appropriated

531472 Bonus/Incentive Wages - Receipts

531473 Bonus/ Incentive Wages – Undesignated

531474 Bonus/Incentive Wages - Universities

For agencies on BEACON and NCAS, payroll will apply the bonus to the proper fund/cost centers in which the employee is currently paid. Before agencies close their December accounting records with OSC, agencies should have budgeted sufficient funds from the agency's Bonus Reserve to cover the expenditures shown from the payroll interface. This should be completed using a type-11 budget

revision. Since December payroll is early, all bonus expenditures from BEACON should be reflected in NCAS by December 22, 2015.

As with the Retirement Plan and Health Plan, the bonus reserve only covers positions that are partially or totally appropriated. Please prepare a separate non-recurring, type-11 budget revision to cover any positions that are partially or totally receipt supported.

University System and local community college systems that are not on BEACON should work with their budget analyst on distribution of the bonus from agency reserves.

By January 20, 2016, agencies that have compensation bonus appropriations that exceed OSBM's allocation should submit a type-11 budget revision returning the funds to the statewide budget code listed below:

- 19003 – Reserve for Compensation

Per Section 30.10(b), OSBM will work with any agencies to redistribute funding to agencies that were given insufficient funding to support their payments.

If you have any questions about the information outlined in this memorandum, please contact your OSBM budget analyst at (919) 807-4700.

cc: Neal Alexander, State Human Resources Director