



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

PAT MCCRORY  
GOVERNOR

ANDREW T. HEATH  
STATE BUDGET DIRECTOR

June 13, 2016

**Memorandum**

TO: Department Heads  
Department Chief Fiscal Officers  
Department Human Resources Directors

FROM: Andrew Heath, State Budget Director  
Office of State Budget and Management

Handwritten signature of Andrew Heath in black ink.

C. Neal Alexander, State Human Resources Director  
Office State Human Resources

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**RE: Salary Adjustment Fund and Workers' Compensation Allocations**

The General Assembly appropriated funding for the Salary Adjustment Fund (SAF) in Session Law 2015-241, House Bill 97. The enacted legislation required that the fund be used to adjust salaries for job classifications in response to changes in the labor market as documented through data collection and analysis in accordance with accepted human resources practices and standards. The purpose of this memorandum is to provide guidance on the distribution to state agencies receiving salary adjustment funding. In addition, this memo contains information regarding distribution of the remaining workers' compensation reserve funding.

**June Payroll**

June payroll will include all approved SAF increases along with appropriate retroactive payments for employees on payroll as of June 1, 2016. Employees will receive an increased salary as of June 1, 2016 along with a full 5-month retroactive payment if on payroll as of January 1, 2016; employees hired after that date will receive pro-rated payments based on their hire date.

**Salary Adjustment Fund Budget Revisions and Revised Allotments**

Agencies receiving SAF should submit a type-11 budget revision to OSBM by June 17, 2016. As a reminder, the reserve only covers position salaries and associated fringe benefits funded by appropriations. Agencies should include the proper adjustments to cover any positions partially or fully funded by receipts. To receive appropriations from the SAF, please use budget code 19004 on the budget revision.

Also please include the following on your SAF budget revision(s):

- The effective date of the budget revision should be January 1, 2016. The SAF provides enough funding for six months of Fiscal Year 2015-16, with an annualized amount included for Fiscal Year 2016-17.
- To ensure that the annualized salary amounts are updated accurately in the salary control system, please remember to include the annualized salary adjustments in the position section. Agencies will not have to include individual position numbers.
- On the Budget Detail Tab, the 2015-16 fiscal year should reflect the proper funding required to cover the partial year payments for employees receiving salary adjustments. The 2016-17 fiscal year should reflect the annualized salary and benefit adjustments.
- Agencies should attach a detailed list (by position number) of all positions receiving an adjustment, the analysis used to determine the fund and cost center distribution, and the fringe benefit calculations applied to each increase. A listing of the retirement rates can be found in OSBM's October 12, 2015 memorandum, [Summary of Provisions in the 2015 Appropriations Act](#).

### **Positions Directly Billed by Other State Agencies**

OSBM will work with the billing agencies and client agencies to determine the funding split of General Fund appropriation and receipts for positions recommended by OSHR for salary adjustment fund increases. If sufficient non-General Fund receipts are available to support an increase, each client agency will determine whether to provide the increase recommended by OSHR, consistent with any agreements with their billing agency.

OSBM will provide client agencies with the state share for any approved increases back dated for FY 2015-16 and for FY 2016-17. Due to time constraints of the upcoming June payroll, any such positions authorized by OSHR will not be processed until July. This will allow both the billing and client agencies time to verify availability of funds prior to July payroll.

### **Revised Allotments**

Agencies should review the estimated impact of June's salary adjustment payments to determine if a revised allotment is required. Revised allotments should be submitted to your OSBM analyst along with proper justification by June 24, 2016.

### **Distribution of Remaining State Workers' Compensation Reserve**

During December and January of this fiscal year, OSBM distributed 95% or \$20,425,516 of the statewide Workers' Compensation reserve based on a three-year historical average of each agency's appropriated workers' compensation expenditures. Your OSBM analyst will contact you if your agency is set to receive any of the remaining 5% in the reserve.

Each agency receiving additional funds should submit a type-11 budget revision, requesting an allocation from statewide budget code 19048. The budget revision should be submitted by June 17, 2016.

If you have any human resources questions, please contact Dennis Schoch, OSHR – Classification & Compensation Manager at 919-807-4803. For budget questions, please contact your OSBM budget analyst at (919) 807-4700.