



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

May 7, 2018

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers
Human Resource Directors

FROM: Charles Perusse *Charles Perusse*
Budget Director

SUBJECT: Classification and Compensation Reserve

This memo aims to clarify questions regarding agency requests for funds to increase salaries to the minimum of new salary ranges from the Classification and Compensation System reserves. In S.L. 2017-57, the General Assembly appropriated an annualized \$7.8 million from the General Fund and \$1.0 million from the Highway Fund into reserves for this purpose. Before June 8, 2018, General Fund agencies should submit type-11 recurring budget revisions requesting their allocation from the reserve, budget code 19005.

Please use separate budget revisions to request funds for filled positions, vacant positions, trainee positions, and receipt-supported positions paid by net appropriation. All requests should include employer Social Security (7.65%) and retirement contributions (see Table 1).

Table 1: Retirement Contributions by System

System	FY 2017-18	FY 2018-19
TSERS	17.13%	18.44%
TSERS – LEO	22.13%	23.44%
CJRS	37.10%	39.53%

Filled Positions

Most Filled Positions

As noted in the April 11 memo from the Office of State Human Resources (OSHR) and Office of State Budget and Management (OSBM), the Office of State Controller (OSC) will run a mass salary adjustment for most filled positions. All filled positions below the minimum of the new

salary range are eligible. Please consult the April 11 memo for additional details related separations, new hires, and employees on leave of absence.

Agency requests for funding from the reserve should use the instructions provided in the April 11 memo as the basis for calculations. Your request should include funding for salary increases retroactive to February 1, 2018 for eligible employees. Salary increases for employees hired between February 1, 2018, and May 1, 2018, should be pro-rated for FY 2017-18. All requests should be annualized for FY 2018-19. The effective date of the budget revision should have a February 1, 2018 date.

Trainee Positions

Trainee position salaries must be increased to the new salary range minimum and should be requested on their own revision. If the employee's training progression is scheduled to be completed next fiscal year, agencies should request the annualized difference of the position's current budgeted salary (current minimum) and the new minimum salary for FY 2018-19. The effective date of the budget revision should be July 1, 2018.

If the employee finishes their trainee status between February 1, 2018 and July 1, 2018, the agency should request funds at the pro-rated amount for FY 2017-18 based on the month the individual completed their training progression, and the annualized amount for FY 2018-19.

Receipt-supported positions paid by Net Appropriation

Using a separate revision, agencies may request funds for salary increases for positions funded by a transfer of General Fund or Highway Fund net appropriation from one agency to another (e.g., attorney positions with the Department of Justice, State Capitol Police positions within the Department of Public Safety). The primary agency will alert OSBM and the client agency of the increase and the amount that is required. Adjustments for these positions should be completed in their own revision.

Vacant Positions

The salaries of vacant positions must also be increased to the new salary range minimum. OSC's mass salary adjustment will not affect the salaries and grades of vacant positions until full implementation of the new system on June 1, 2018. Funding for vacant position salary adjustments should be for June only and not include any retroactive salary adjustments. Please request funding for vacant positions on a separate budget revision with a June 1, 2018 effective date.

Positions Filled between May 1 and June 1

If a vacant position is filled before the mass update on June 1, 2018, a budget revision increasing the salaries of any newly filled positions below the new minimum should be submitted with an effective date of the new hire date for the employee(s).

Funding Sources

Funds appropriated to the OSHR Minimum of Market Adjustment and Highway Fund Minimum of Market Adjustment Reserves are available for General Fund and Highway Fund net appropriation supported positions respectively. Salary increases for positions supported in part or whole by receipts must be increased using the appropriate source and ratio of funds. The Director of the Budget is authorized to increase expenditures of receipts from these sources by the amount necessary to provide adjustments to receipt-supported personnel in the certified budget.

cc: Barbara Gibson, Director, OSHR
OSBM