

Compensation

Recommendation

Provides \$691 million recurring and \$863 million nonrecurring to increase compensation and provide retention bonuses for all state employees and state-funded local employees and to give retirees a cost-of-living adjustment. Recommendations address the major issues facing the state workforce: loss in purchasing power, a competitive marketplace for labor, and employee retention.

Table 1: Compensation Funds

	Recurring	Nonrecurring
Employee Purchasing Power	\$477,813,500	
Compensation Increases for most state-supported employees	\$258,918,500	
Increases for Educators and School-based Administrators ¹	\$209,895,000	
Master's Pay for Educators	\$9,000,000	
Competitive Marketplace for Labor	\$165,148,000	
Labor Market Adjustment Fund	\$162,618,000	
Salary to Market Range Minimum	\$2,530,000	
Employee Retention		\$827,000,000
Retention Bonus		\$705,000,000
Additional Teacher and School-based Administrator Bonus		\$122,000,000
Retiree Cost of Living Adjustment	\$48,673,500	\$35,964,000
Grand Total	\$691,635,000	\$862,964,000

Statement of Need

Across all types and sectors of employment, the labor market has been extremely volatile since the onset of the COVID-19 pandemic. North Carolina state government is not immune to those trends.

- Private sector wages have grown by over 5% in the past year, compared to 2.7% for state and local governments, making it harder for state government to compete for talent².
- Total state and local government employment was down 3.7% in January 2022 relative to February 2020; the private sector has experienced a 1.7% decline over the same period³.
- In 2021, the turnover rate for state agencies increased from a long-standing average of approximately 11% annually to 16%. Turnover for first year state employees exceeded 36%.
- Inflation rose to 8.5% for the period from March 2021 to March 2022, reducing the purchasing power of state employees⁴.
- The Consumer Price Index for the southern region of the US is up 9.1%⁵.
- A national survey by the Mission Square Research Institute, released January 27, 2022, found that 52% of state and local workers were considering changing jobs, retiring, or leaving the workforce.⁶

¹ Educators includes Teachers and Instructional Support Personnel

³ [Pew Research](#)

³ Ibid.

⁴ [Bureau of Labor Statistics](#)

⁵ [Bureau of Labor Statistics](#)

⁶ [Mission Square Research Institute](#)

Recommendation Detail

Employee Purchasing Power

- **Compensation Increase:** Funds an additional 2.5% across-the-board salary increase for most state employees and state-funded local employees, including employees of state agencies and the University of North Carolina (UNC) system, state-funded local community college employees, and state-funded non-certified personnel, principals, and central office staff within public schools. These funds build upon the 2.5% legislative increase provided in S.L. 2021-180, resulting in a total increase of 5% in FY 2022-23.
- **Additional Increase for Law Enforcement Officers (LEO) and Health Professionals:** Provides funding for an additional salary increase of 2.5% for LEO and health professionals within state agencies and the UNC system. This increase is in addition to both the 2.5% across-the-board salary increase and the 2.5% increase provided in SL 2021-180.
- **Educator and Assistant Principal Compensation Increase:** Adjusts the Teachers Salary Schedule to ensure all educators receive at least a 7.5% increase over the biennium, on par with state employees. Salary increases include state agency teachers who are paid in accordance with the statewide teacher salary schedule. In addition, the proposed teacher salary schedule minimizes plateaus for veteran teachers and increases starting pay to \$36,600. Assistant principal compensation is tied to the teacher salary schedule, thus their salaries increase accordingly. The recommended FY 2022-23 salary schedule is provided in Table 2 at the end of this summary.
- **Educator Master's Pay:** Provides \$9 million to reinstate Master's pay for educators who have or obtain a relevant Master's degree.

Competitive Marketplace for Labor

- **Labor Market Retention and Adjustment Reserve:** Provides 2% of payroll to allow agencies, including state agencies, the UNC system, and community colleges, to address specific labor market concerns unique to their staffing needs. Agencies can use these funds to address turnover, equity, and compression and to adjust salaries to better compete for and retain talent.
- **Salary to Market Range Minimum:** Provides funding to bring all employees to the minimum of newly established pay grade salary ranges. Mercer Consulting, in consultation with the Office of State Human Resources, has updated all salary ranges and reassessed position range assignments to better align with market wage rates. Assuming a total compensation increase of 5% for FY 2022-23, Mercer has calculated approximately 1,855 positions will be below the new salary minimums. Of these, 1,128 are General Fund supported; the total cost to bring the General Fund supported employees to the new minimums, including benefits, is just over \$2.5 million.

Employee Retention

- **Retention Bonuses:** Repeats and increases the FY 2021-22 pandemic bonuses provided in SL 2021-180, providing bonuses to all state employees and local employees regardless of funding source. These funds will be used to provide a \$1,500 bonus to all state employees and local employees making more than \$75,000 and a \$2,000 bonus to:
 - Employees with an annual salary of less than \$75,000, including employees of public schools such as bus drivers, school nutrition staff, and locally-funded employees,
 - Law enforcement officers,
 - Employees in the Department of Public Safety, Division of Juvenile Justice or the Department of Correction and Rehabilitation, with job duties requiring frequent in-person contact, or

- Employees of the Department of Health and Human Services in a position at a 24-hour residential or treatment facility

To be most effective at retaining employees, the retention bonus will be paid in two equal installments, the first in October 2022 to employees continuously employed since July 1, 2022, and the second in April 2023 to employees continuously employed since October 1, 2022. The bonus shall be adjusted pro rata for otherwise eligible part-time employees.

- **Teacher and School-based Administrator Retention Bonus:** Continues and expands the FY 2021-22 bonus funded through the Elementary and Secondary School Emergency Relief Fund, providing an additional \$1,000 bonus to all teachers and instructional support personnel as well as assistant principals and principals regardless of funding source. This increases the total bonuses a teacher can expect to receive to \$3,000 during FY 2022-23. As with the retention bonus, this bonus shall be paid half in October 2022 and half in April 2023.

Expected Impact

These proposals will support the state's workforce by offering targeted increases in compensation.

Expected impacts include:

- Providing approximately 145,000 employees with a 5% total compensation increase in FY 2022-23, helping keep up with rising private-sector compensation.
- Giving agencies flexible funds to target compensation increases where they are most needed. Agencies will be able to raise the wages of experienced staff to prevent the loss of valuable knowledge. They will also be able to raise the salary offerings of open positions to attract talent.
- Increased retention by rewarding employees who remain with their current employer.
- Increased retention of experienced educators by investing in veteran educator salaries and removing plateaus in the educator salary schedule.

Table 2: Annual Statewide Teacher Salary Schedule Comparison

Years of Exp.	Current FY 2021-22	SL 2021-180 FY 2022-23	Recommended FY 2022-23
0	35,460	35,920	36,600
1	36,470	36,940	37,600
2	37,480	37,970	38,600
3	38,490	38,990	39,600
4	39,510	40,020	40,600
5	40,520	41,050	41,250
6	41,530	42,070	42,150
7	42,550	43,100	43,500
8	43,560	44,130	44,500
9	44,570	45,150	45,500
10	45,590	46,180	46,500
11	46,600	47,210	47,500
12	47,610	48,230	48,500
13	48,620	49,250	49,500
14	49,640	50,290	51,000
15	50,650	51,310	52,000
16	50,650	51,310	52,950
17-18	50,650	51,310	53,750
19-20	50,650	51,310	54,000
21-22	50,650	51,310	54,250
23-24	50,650	51,310	54,500
25-26	52,680	53,360	54,750
27-28	52,680	53,360	55,900
29-30+	52,680	53,360	56,500