



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



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GOVERNOR

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TO: Senator Phil Berger
President Pro Tempore

Representative Destin Hall
Speaker of the House

Brian Matteson
Director of Fiscal Research Division

FROM: Kristin Walker, State Budget Director *Kristin Walker*
Mark Bondo, Assistant State Budget Officer *Mark Bondo*

SUBJECT: Annual Report on Salary Adjustment Fund and Pay Plan Reserve

GS 143C-4-9(c) requires the Office of State Budget and Management (OSBM) to report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on how state agencies and universities used appropriations for legislatively mandated salary and benefits changes.

This report provides the following statutorily mandated requirements:

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

The legislature appropriated the following amounts to each state agency and university for the salary and benefits:

- Increase in State Health Plan contributions of \$405 per employee, and
- Changes in retirement contributions as follows:

Retirement System	FY 2024-25 Recurring Rate	FY 2025-26 Recurring Rate Change	FY 2025-26 Recurring Rate
TSERS	24.04%	0.63%	24.67%
LEO	29.04%	0.63%	29.67%
CJRS	42.95%	2.11%	45.06%
ORP	13.96%	0.28%	14.24%
LRS	26.31%	-0.72%	25.59%

Agencies are required to distribute all available funding appropriated to the retirement, benefits, and related payroll taxes before making a request for additional funds. Agencies that have surplus funding must return appropriations to the Salary Adjustment Fund. OSBM has flexibility to allocate funds from the Salary Adjustment Fund to cover agency shortfalls resulting from the mandatory adjustment. Any remaining funds are transferred to the Pay Plan Reserve.

After state agencies and campuses completed distribution of all reserve accounts, there was a statewide deficit of \$448,865. Agencies with a deficit were required to realign from available funds to close the shortfall. No funds were available to transfer into the Pay Plan Reserve.

SL 2025-97 appropriated \$25 million to support agencies with employees on a statutory pay plan. Six agencies required funds from the Pay Plan Reserve to meet salary needs for those employees.

The transfers were as follows:

Agency	Pay Plan	FY 2026 Movement of Funds
Pay Plan Reserve Starting Balance		\$25,000,000
Department of Public Instruction	Teachers, Principals, and Assistant Principals	(\$12,455,747)
NC School of the Deaf	Teachers, Principals, and Assistant Principals	(\$20,772)
State Highway Patrol	State Highway Troopers	(\$766,125)
Department of Adult Corrections	Correctional Officers	(\$7,657,524)
State Bureau of Investigation	Alcohol Law Enforcement	(\$295,733)
Department of Public Safety	Probation and Parole Officers	(\$3,804,099)
Pay Plan Reserve Ending Balance		\$0

If you have any questions please contact Mark Bondo, Assistant State Budget Officer at mark.bondo@osbm.nc.gov or 984-236-0684.

Attachments include:
FY2025-26 Fringe Distribution Tracker

Agency	Budget Code	Legislative Increase		Recurring Retirement		Health Plan		Salary Adjustment Fund
		LI Certified	Revision Amount	Retirement Certified	Revision Amount	Health Certified	Revision Amount	Return/(Request)
Agriculture, Natural, and Economic Resources								
Department of Agriculture and Consumer Services	13700	-		501,375	506,270	538,696	542,003	(8,202)
Department of Labor	13800	-		103,405	107,947	89,436	91,477	(6,583)
Department of Environmental Quality	14300	-		245,366	264,775,00	222,519	239,380	(36,270)
Wildlife Resources Commission	14350	-		66,625	68,161	61,034	61,034	(1,536)
Department of Commerce	14600	-		53,503	55,562	46,648	47,556	(2,967)
Department of Natural and Cultural Resources	14800	-		658,627	674,964	759,270	766,425	(23,492)
Education								
DPI - Agency	13510	-		239,363	232,613	175,058	173,316	8,492
DPI - Public Schools	13510	-		49,286,025	49,221,771	65,454,371	65,518,625	-
University of North Carolina	16011	-		14,330,923	14,330,923	14,673,739	14,673,739	-
NCCS - System Office	16800	-		114,539	114,884	72,910	76,731	(4,166)
NCCCS – Community Colleges	16800	-		7,355,823	7,320,044	7,221,515	7,253,128	4,166
Governor Morehead School	13520	-		31,065	32,645	37,768	38,542	(2,354)
NC School for the Deaf	13530	-		40,608	41,924	50,556	50,556	(1,316)
Eastern NC School for the Deaf	13540	-		36,138	36,913	45,316	43,833	708
General Government								
General Assembly	11000	-		298,086	298,086	370,170	370,170	-
Office of the Governor	13000	-		21,900	25,837	21,465	16,419	1,109
Office of State Budget and Management	13005	-		42,958	44,543	26,811	27,864	(2,638)
Department of Military and Veterans Affairs	13050	-		31,058	31,309	34,615	34,580	(216)
Office of the Lieutenant Governor	13100	-		5,817	5,679	3,645	3,645	138
Department of Secretary of State	13200	-		65,590	65,590	65,590	74,918	(9,328)
Office of the State Auditor	13300	-		99,533	102,157	21,106	-	18,482
Department of State Treasurer	13410	-		-	-	-	-	-
Department of Insurance	13900	-		206,468	209,153	169,997	172,837	(5,525)
Department of Insurance - Industrial Commission	13902	-		47,814	58,945	40,844	45,927	(16,214)
Department of Administration	14100	-		147,517	147,789	133,465	133,122	71
Office of State Human Resources	14111	-		38,597	38,349	24,219	23,490	977
Office of the State Controller	14160	-		112,588	113,409	75,328	75,328	31,119
Department of Information Technology	14660	-		103,285	120,900	54,068	62,979	(26,526)
Department of Revenue	14700	-		374,211	381,179	331,379	332,044	(7,633)
State Board of Elections	18025	-		34,123	39,403	24,300	26,325	(7,305)
Office of Administrative Hearings	18210	-		29,093	30,249	22,797	22,797	(1,156)
Health and Human Services								
Central Management and Support	14410	-		330,976	253,356	248,932	253,973	72,579
Aging and Adult Services	14411	-		15,744	16,311	13,821	13,831	(577)
Child Development and Early Education	14420	-		10,511	13,195	10,242	12,239	(4,681)
Public Health	14430	-		182,180	192,137	146,488	150,815	(14,284)
Child and Family Well-Being	14435	-		106,602	109,585	104,393	104,515	(3,105)
Social Services	14440	-		68,374	73,005	65,468	67,569	(6,732)
Health Benefits	14445	-		102,809	139,608	76,470	107,590	(67,919)
Services for the Blind/Deaf/Hard of Hearing	14450	-		19,383	19,607	21,273	21,233	(184)
Mental Hlth/Dev. Disabl./Subs. Abuse Serv.	14460	-		1,479,029	1,546,264	1,579,272	1,577,041	(65,004)
Health Service Regulation	14470	-		116,730	125,745	100,796	104,381	(12,600)
Vocational Rehabilitation Services	14480	-		85,132	84,963	98,059	98,161	67
Justice and Public Safety								
Administrative Office of the Courts	12000	-		4,576,552	4,511,429	2,613,708	2,623,612	55,219
Indigent Defense Services	12001	-		510,826	530,045	293,625	293,625	(19,219)
Department of Justice	13600	-		263,168	263,576	224,198	224,198	(408)
Department of Public Safety	14550	-		1,919,294	1,985,548	1,820,540	1,855,454	(101,168)
State Bureau of Investigations	15020	-		208,115	208,315	177,998	177,998	(200)
Department of Adult Correction	15010	-		6,529,749	6,666,371	7,493,999	7,518,650	(161,273)
NC State Highway Patrol	15030	-		-	13,111	-	8,100	(21,211)
Grand Total		-	-	91,247,197	91,474,144	105,957,917	106,211,775	(448,865)