



STATE OF NORTH CAROLINA  
OFFICE OF STATE BUDGET AND MANAGEMENT



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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: Anca Grozav, Chief Deputy Director for Kristin Walker, State Budget Director  
Mark Bondo, Assistant State Budget Officer

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

GS 143C-4-9(c) requires a report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division detailing how State Agencies and Universities used appropriations for legislatively mandated salary and benefits changes. The Office of State Budget and Management is granted flexibility to use excess funds appropriated to support General Fund positions salary and benefit increases to meet shortfalls at other agencies for the same purpose. After adjusting for those shortfalls, the Office is required to credit funds to the Pay Plan Reserve to meet any need for employees that fall under a Statutory Pay Plan.

This report provides the following statutorily mandated requirements:

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

The Legislature appropriated the following amounts to each State Agency and University System for the salary and benefits:

- Increase in salary of 3.0% for positions filled as of June 30, 2024 and related payroll taxes and retirement benefits.
- Increase in State Health Plan Contributions of \$538.
- Changes in Retirement Contributions as follows:

Retirement System	FY23-24 Recurring Rate	FY24-25 Recurring Rate Change	FY24-25 Recurring Rate
TSERS	23.82%	0.22%	24.04%
LEO	28.82%	0.22%	29.04%
CJRS	13.96%	0.00%	13.96%
ORP	39.98%	4.01%	43.99%
LRS	25.75%	3.24%	28.99%

Agencies are required to distribute all available funding appropriated to the salary, retirement, benefits, and related payroll taxes before making a request for additional funds. Agencies that have too much funding are required to return appropriations to the Salary Adjustment Fund. Agencies then request funds from the Salary Adjustment Fund to cover any shortages. The remaining funds are transferred to the Pay Plan Reserve.

The Salary Adjustment Fund began the year with \$36.9 million in availability. This constitutes the remaining surplus in the Pay Plan Reserve from FY 2024 and the surplus left in the Salary Adjustment Fund from prior year's nonrecurring transfers. At the start of the fiscal year, the surplus Pay Plan Reserve funds were transferred to the Salary Adjustment Fund to prepare for Agencies to implement the legislatively mandated salary and benefit changes for FY 2025.

After the allocation of reserves appropriated to State Agencies and Campuses, \$14.3 million was returned to the Salary Adjustment Fund. The amount of transfer to the Pay Plan Reserve after these adjustments was \$51.2 million. The table below provides additional detail:

	FY 2025 Movement of Funds
<b>Starting Balance</b>	<b>\$36,896,733</b>
Recurring Transfer	14,304,217
<b>Ending Balance</b>	<b>\$51,200,950</b>

Three agencies required funds from the Pay Plan Reserve to meet statutory pay plans. The transfers were as follows:

Agency	Pay Plan	FY 2025 Movement of Funds
<b>Salary Adjustment Fund Transfer</b>		<b>\$51,200,950</b>
Administrative Office of the Courts	Deputy and Assistant Clerks of Superior Court	(5,918,749)
Department of Adult Correction	Correctional Officers and Probation Parole Officers	(8,299,899)
Department of Public Safety	Juvenile Justice Youth Court Councilors	(883,249)
<b>Pay Plan Reserve Ending Balance</b>		<b>\$36,104,481</b>

If you have any questions please contact Mark Bondo, Assistant State Budget Officer at [mark.bondo@osbm.nc.gov](mailto:mark.bondo@osbm.nc.gov) or 984-236-0684 and Sam Barber, Senior Budget Analyst at [samuel.barber@osbm.nc.gov](mailto:samuel.barber@osbm.nc.gov) or 984-236-0676.