

Salary – Legislative Increase - FAQ
Session 2021-2022, SL 2021-180 Section 39.17
(2021-22 School Year)

**LEGISLATIVE SALARY INCREASE and RETROACTIVE SALARY BONUS
PAYMENT SECTION**

Overview: This section of the FAQ document addresses the legislative salary increases authorized by SL 2021-180

Who qualifies for the legislative salary increase?

All employees paid from State funds whether or not subject to or exempt from the NC Human Resources act, including employees of public schools, community colleges, and the University of North Carolina (Section 29.17 (d)).

Definition of “**Public School Employees**”

PSE includes all personnel employed by a Local Education Agencies (LEA), Innovative school district, Charter Schools, Lab Schools and Regional Schools

Definition of “**Bonus**” under Section 39.17

“Bonus” refers to the legislative salary increases authorized for the period from July 1 to December 31, 2021. This is the salary differential between the new state salary schedules that go into effect on January 1, 2022 and what the employee earned on the state salary schedules that were in effect prior to January 1, 2022. This differential is to be paid as a “**bonus**” per the legislation.

We will refer to this “bonus” in this document as a retroactive salary bonus payment.

Legislation for is based on Session 2021-2022, SL 2021-180, **Section 39.17** and Part VII-A
<https://www.ncleg.gov/BillLookup/2021/s105>

1. What are the basic requirements to be eligible for the legislated salary increase?

All state funded employees who worked through December 31, 2021.

It does “not apply to persons separated from service prior to December 31, 2021, ...” (technical corrections bill).

2. If an employee has an effective retirement day of January 1, 2022, are they eligible?

Yes, staff with an effective retirement date of January 1, 2022 are eligible for the **retroactive salary bonus payment** as long as their last workday is December 31, 2021 and not before.

3. Are locally funded and federally funded personnel eligible to be paid from state funds?

State funded employees are to receive the increase through state funds. Other funding sources would need to be used to provide the increase to employees not paid from state funds should the PSUs determine they are matching that salary increase.

5. If an employee is employed after January 1, 2022, do they receive a salary increase?

No. The new salary scales go into effect January 1, 2022 so anyone employed January 1 and after would be placed on the new scales.

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6. ***Are personnel who were employed after July 1, 2021 but before December 31, 2021 eligible for the retroactive salary bonus payment?***

Yes, provided they meet the criteria set above. They would receive the pro-rate share of the ***retroactive salary bonus payment***.

7. ***Are employees on leave without pay eligible for the retroactive salary bonus payment?***

Employees on leave without pay receive the ***retroactive salary bonus payment*** IF they return to pay status without a break in service and are considered an employee as of December 31, 2021.

8. ***What if the employee is on sick leave or some other extended absence?***

Yes, provided they are in pay status on December 31, 2021, they receive the ***retroactive salary bonus payment***.

9. ***Are part time employees eligible?***

Yes, part time employees are eligible for the ***retroactive salary bonus payment***. The legislation stipulates that an employee who was not employed continuously on a full-time basis since July 1 shall receive this payment on a prorated and equitable basis.

10. ***Are substitutes eligible?***

No, substitutes would not be eligible unless employed in a permanent position with the LEA (such as a full-time substitute position) and they meet the other requirements above. In a general sense a substitute is a daily employee and not considered a permanent employee, as they terminate their assignment daily or weekly.

11. ***If Longevity payments were made between July 1, 2021 and December 31, 2021 do those payments need to have the legislative salary increase applied and be part of retroactive salary bonus payment process?***

Yes, any state paid compensation related to an employees' annual rate of pay may be considered in the ***retroactive salary bonus payment*** process as long as that compensation was originally subject to retirement. We understand that state agencies will be applying the legislative increase to longevity payments made between July and December 2021, as the total state salary includes the longevity salary.

The technical corrections bill changed the language to "...may be applied to the employee's base annual rate of pay", rather than "shall" to allow for executive/local interpretation and the difficulties in how the salary increase could be applied towards longevity, salary differentials, overtime, supplements, etc.

Bonuses and similar payments not subject to retirement would not be considered eligible for the legislative salary increase.

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- 12. If an employee receives a local supplement based on a percentage of their base salary does that need to be adjusted to account for the new legislative salary increases retroactively to July 1, 2021?**

The local salary supplement and supporting schedules are governed by your local board of education. See the answer above related to longevity payments.

- 13. Is overtime pay part of the retroactive salary bonus payment?**

Please see the Longevity pay answer above. The technical corrections bill was changed to allow some flexibility in determining what is included as “state salary” in the application of the retroactive salary payment. Once we receive guidance on how the Office of State Controller will be applying that to state agency personnel we will update this answer.

- 14. Are there tax implications related to the retroactive salary bonus payment?**

NCDPI is not the cognizant agent related to taxing implications for an individual. This will be considered compensation in the calendar year 2022 for the employee.

The bonus is subject to all applicable taxes.

- 15. If an employee resigns after January 1, 2022, will they receive the retroactive salary bonus payment?**

Yes, they are eligible for the *retroactive salary bonus payment* as long as they were employed on December 31st.

- 16. If an employee moved between PSUs or came from a State agency do they receive the legislative increase from the time of employment with the PSU on December 31, 2021 and/or do they receive the increase for the time at the other state agency/PSU?**

TBD. We are waiting on further guidance on how that would be implemented across the state.

At minimum, you would pay the retroactive salary bonus payment for the time the employee has been employed with your PSU as long as the employee is employed on December 31, 2021.

- 17. Other Questions?**

TBD ???.

- 18. Other Questions?**

TBD ???.

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PAYMENT AND CODING for the Retroactive Salary Bonus Payment

19. Is the “bonus” subject to retirement withholding and matching?

Yes, this bonus related to capturing the salary differential for the period of July 1 thru December 31 is considered compensation for retirement purposes and is subject to the retirement rate. It is meant to be applied to the employee’s base annual rate of pay.

20. When should the retroactive salary payment be paid?

There is no date stipulated in legislation as to when this “bonus” must be paid.

Note: There has been some flexibility built into the legislation to allow for the implementation of this part of the statute to allow time for all agencies and PSUs to meet the new minimum requires for the greater of the \$13 an hour or the 2.5% that could require local board of education actions. It would be incumbent upon the PSU to fairly communicate the timing expectations for this “retroactive salary bonus” payment to its employees.

21. Where should the expenditures be posted?

LEA’s Only

For Certified and School Administrators: All retroactive salary bonus payments should be coded to **object code 129** and the purpose code used for their regular salary.

For all other staff: All retroactive salary bonus payments should be coded to their normal salary object code **and NOT a bonus code.**

- Funding for LEA is included across all state program report codes according to the normal application of state salary increases. As such the retroactive salary payment should be made to align with the source program for the employees’ base salary.

Other Public School Units

Per the legislation, DPI provided a per pupil share of the funds for the retroactive salary bonus payment in the base allocation for the following PSUs:

- Charter Schools - PRC 036
- ISD – PRC 044
- Regional/Lab Schools – PRC308

Remember the intent is for this payment to be included as an employees’ annual salary when reported and summarized, etc.

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22. *If the employee is split funded between State and local (or federal), is the retroactive salary bonus payment also split funded.*

Yes, if the employer is applying the legislative salary increase to all employees regardless of funding source, then the employees' retroactive salary bonus payment should be split funded to align with the percentage employed by each funding source accordingly for the period of July 1 through December 31, 2021.

23. *Are we required to code the retroactive salary payment to the school level?*

Yes. Uniform Education Reporting System requires that these payments are coded to the school level.

24. *How should this be calculated?*

We will be talking with your vendors and others on how to assist with this calculation.

This will be a very time-consuming process and will not be easy.

Clear communication and realistic expectations for your staff will be critical.

- We have not yet confirmed the official retirement rate to be used for this payment and await guidance from the State Retirement Office.
- You may need to build and set new noncertified salary schedules for your district to meet the minimum wage requirement which may take some time for the PSUs, especially those not already at the \$13 minimum wage level.
- Your system may first have to run a payroll based on the new rates in January prior to being able to calculate the correct retroactive salary bonus payments.
- Your vendors will be in touch to help address these questions.