I. ELIGIBILITY & SPECIAL POPULATIONS

1. <u>Are temporary employees supposed to get the LSI? What about the Bonus?</u>

- *As of 7/16/2026, OSHR and OSBM are working with the General Assembly to determine whether stipend-based or flat-rate temporary employees are eligible for the LSI. They are also working to confirm applicability to regular temps. The UNC System belief is that regular hourly temps are covered, but you may elect to delay implementation until further guidance can be confirmed.*

- In contrast to prior budgets, the legislation states that <u>"Temporary and permanent hourly State employees"</u> are eligible (SB257, Section 41.21) and accordingly, we believe they should receive the mandatory 3% increase. For these employees, the amount of the increase should be calculated as a 3% adjustment to the hourly wage, based on the hourly wage in effect as of June 30.
- Temporary employees are <u>NOT eligible to receive the one-time Bonus</u>, which is expressly allocated for permanent employees only.
- Student employees are NOT covered by the legislation and are not due to receive the LSI. Institutions retain the authority to set student wages and may consider adjustments as funds allow.

2. <u>If an employee is entering Faculty Phased Retirement, on or after July 1st, are they eligible for the 3% increase?</u>

- Faculty members that entered Phased Retirement on July 1, 2026, are NOT eligible for a legislative salary increase.
- Consistent with the Policy on The UNC Phased Retirement Program (Policy 300.7.2, Sect. III.A.3):
  - ♦ *Participating Faculty Members initially receive a salary equal to fifty percent (50%) of the full-time salary they received immediately prior to phased retirement (e.g., based on the Faculty Member's prior nine- or twelve-month contractual terms, as applicable*). In addition, compensation paid during phased retirement is paid over twelve (12) months irrespective of the pattern of duties under the Faculty Member's work plan. Subject to any limitations imposed under the State Retirement System and the legislative appropriations process, **Participating Faculty Members are eligible for salary increases and merit pay in subsequent years of Program** participation based on annual evaluations.
- Faculty members that entered the Phased Retirement Program prior to July 1, 2025, or prior years, are eligible for a legislative salary increase.

3. <u>Are Lab School employees eligible for LSIs?</u>

- While some lab schools do align closely with the state salary ranges for K-12 teachers, rather than systemwide or campus-based ranges, the state-mandated LSI (3%) should be applied to all UNC laboratory school employees as it would with all other university EHRA or SHRA employees.

4. <u>For UNCSA and NCSSM Teachers paid according to the Teacher Salary Schedule outlined in Section 7A.1, do they get a 3% increase? Or the standard Bonus based on their June 30 salary?</u>

- System Office staff are actively working with UNCSA and NCSSM on identifying the most appropriate implementation plan for high school teachers at those institutions. Teachers at UNCSA and NCSSM who are paid according to the Teacher Salary Schedule DO NOT receive the 3% increase but instead are paid beginning July 1 and thereafter according to a new monthly pay schedule as outlined in Section 7A.1 of the Appropriations Act of 2026.
- Yes. According to the legislature's Fiscal Research Division staff, we can confirm that teachers at UNCSA and NCSSM who are paid according to the Teacher Salary Schedule DO qualify to receive the standard state bonus, equivalent to either $1750 for employees whose June 30 salary was $65k or less or $1000 for employees whose June 30 salary was greater than $65k.

5. <u>Regarding Law Enforcement Officers -- SECTION 41.3.(a) specifies a $1,750 bonus for "local law enforcement." Is that applicable, or do we follow the +/- $65k salary threshold?</u>

- This section is specifically for local law enforcement (i.e.: municipalities), not State agencies. <u>It DOES NOT apply to our University LEOs</u>.
- UNC System sworn law enforcement officers and sworn LEO leadership will receive a 13% increase to base salary plus either a $1000 or $1750 bonus that is in line with all other permanent university employees. (Local/municipal LEOs will receive a straight bonus of $1750 but do not receive ANY recurring change in salary.)

6. **<u>Can we pay employees more than the LSI 3% if funds are available?</u>**
   - Institutions maintain their authority under standard delegations to adjust pay, but any amount above the LSI would (1) fall under any current pre-approval rules; (2) would not be an LSI and must be arranged through another source of funding; (3) should be argued under a valid reason, such as market or equity; and (4) would not be retroactive to July 1.

7. **<u>What is the expectation regarding athletic coaches with contracts that include annual salary increases? Should they also receive the LSI?</u>**
   - Unless the coaching contract has specific stipulations on how to handle coinciding annual performance increases and legislative salary increases for a particular coach or athletic director, the LSI should be awarded as it is with all SHRA and EHRA employees.
   - Questions regarding the terms of athletic coaching contracts may be directed to Samantha Barbusse, Assistant General Counsel – sjbarbusse@northcarolina.edu.

II. TRANSFERS, HIRES, & SEPARATIONS

1. **<u>How should we handle new hire employees who terminated a prior State role after July 1st? Will their previous (UNC or State agency) employer be required to pay any portion that happened during that employment period?</u>**
   - *<u>For employees who are hired at a constituent institution from another campus or state agency with a start date on July 1:</u>* You, as the receiving/current employer, are responsible for paying the full LSI for which the employee is eligible. If you're having any difficulty in obtaining prior salary history from another state agency or UNC institution, please contact SystemComp@northcarolina.edu for assistance in coordinating with OSHR or other institutions as needed for research.
   - *<u>If they move positions after July 1:</u>* They are NOT entitled to the dollar amount increase once they move to their new position. However, the institution can make that determination if they want to add the $ amount on top of the employee's new salary.
     - ♦ For state agencies, the dollar amount is added to the new salary automatically if the employee moves before the legislative increase upload program initiates. The agency would then take steps to remove the LI dollar amount increase if they only want the employee to receive the amount that was agreed to in the offer letter only.
   - LSI-eligible employees who fully separate from the State of North Carolina – meaning employees who <u>did not transfer</u> to another campus or state agency – after June 30, 2026, but prior to the payroll implementation of the mandatory 3% LSI are due a pro-rated LSI payment, retroactive to July 1, payable by the active employer between 6/30 and the separation date.
   - Similarly, bonus-eligible employees who separate from the State after June 30, 2026, but prior to the payout of the legislative Bonus are due to receive the appropriate Bonus amount, based on their salary as of June 30, 2026. Constituent institutions should deliver the pro-rated LSI and/or Bonus amount in a lump sum payment as part of the employee's final paycheck unless some other lump sum payment option is determined.

2. **<u>Are community college transfers eligible for LSIs?</u>**
   - Community College System office employees are state employees; Community College campus employees are not, they do not receive the LI.

3. **<u>Does transfer eligibility include teachers under DPI (working outside the UNC System) or county employees?</u>**
    - No, these are not included under transfer eligibility.

4. **<u>What if the employee has already been terminated in our system? Will we need to reactivate them to make a final payment?</u>**
    - Yes, you should apply the legislative increase and appropriate Bonus to eligible employees who are separated from service but were employed and in pay status on July 1, 2026 – the effective date for the LSI and Bonus.

5. **<u>Regarding terminated employees receiving the LSI, does it matter whether they were terminated with or without cause OR whether they were voluntarily or involuntarily separated?</u>**
    - The LSI rules apply to all terminated employees, regardless of the reason for separation.

III. BUDGET, SALARY CALCULATIONS, & PAYMENT ADMINISTRATION

1. **<u>How should we handle positions that are split-funded? Is the LSI only on the state-funded amount of the employee's salary? What about federally funded or receipts-funded positions?</u>**
    - The increases and bonuses outlined in the state budget are specifically geared toward State-funded positions. Money is allocated by the General Assembly to the respective agencies (including to the UNC System) for funding these increases.
    - Federally-funded or receipts-funded positions DO NOT receive State appropriations.
    - Each institution has the authority and is <u>encouraged to assess their available funding and determine whether non-appropriated funds exist to support an equivalent 3% increase and/or Bonus</u>. Whenever feasible and when funds allow, a comparable increase for employees in these circumstances is encouraged.
    - For split-funded positions, the only guaranteed increase is on the appropriated percentage of the salary. *(e.g.: a position funded as 50% state funds and 50% earned revenue would receive the 3% increase on the state-funded portion only. Institutions would need to identify whether sufficient funds exist to provide the increase on the non-appropriated portion of the employee's salary.)*

2. **<u>We have situations where a highly compensated dean retreated to faculty on July 1, which means the June 30 dean salary is very high compared to the ongoing faculty role. The same logic applies to any demotion that occurred since June 30. Do they still get the LSI calculated on their prior role?</u>**
    - While institutions have the latitude to decide whether to apply the LSI to long-running secondary appointments, they should *not* calculate the LSI based on the secondary appointment if the employee is retreating to their original role this year with its attending base salary. For instance, in situations where a dean is retreating to a base faculty position on June 30, they should have the LSI calculated from the faculty salary they return to on July 1, not the supplemental salary earned while dean.

3. **<u>Is there an obligation to recalculate and prorate additional longevity payments for employees who separated/retired after July 1st but prior to processing the LSI?</u>**
    - Yes, longevity payments are to be recalculated and prorated to reflect the legislative salary increase, effective July 1.

4. **<u>Should differential payments that are based on base salary (e.g., shift differential, holiday premium pay, etc.) be included in any possible retro payment, like longevity?</u>**
    - Yes, they should be included in the retro process as well.

5. **<u>How do we handle the LSI for an employee who received a salary increase after June 30?</u>**

- The 3% LSI, as calculated using the June 30 salary, may be added on top of any salary increase that happened after June 30, *at the institution's discretion*. We understand that some employees may have been offered a new role or salary that already incorporates fair market pay, making an LSI potentially redundant. Please document these circumstances and be consistent in your approach.
- When an employee takes on a new position, they are no longer entitled to the LSI tied to their former position.
- Any salary requests submitted in PRISM that have an effective date of July 1 or later will be limited to the newly approved amount. Institutions may not apply an additional 3% to these requests on top of the amount requested without submitting a new request.
- *Example: An employee's June 30 base salary is $50,000. On July 1, they began in a new role with a new base salary of $55,000. The employee's potential LSI adjustment would be $1,500 (3% of $50k). In this instance, the employee's new salary ($55k) already surpasses the potential increase of the LSI ($51.5k), and the institution is not required to add the additional funds to the already-increased salary. The institution is permitted to make the decision whether or not they are going to add the LI increase to the employee's new salary, but these actions should be executed as consistently as possible.*

IV. EMPLOYMENT STATUS, PERFORMANCE, & LEAVE

1. **Can you clarify whether employees on leave – paid or unpaid – are eligible?**
   - Employees currently on disability or who are on a leave of absence (paid or unpaid) are eligible for the mandatory legislative increase upon their return if they satisfy all other criteria as set forth in the ARP instructions.
   - Institutions are not required to process payments for employees on leave without pay until the employee returns, and those payments are to be made on a current basis, not retroactive.
   - Since employees on leave with pay are active in payroll and must be paid both the LSI and its retroactive component, we recommend that you process those actions now or in an upcoming payroll cycle as well.

2. **Is LSI eligibility based on a performance rating of at least "meets expectations"? What about employees facing disciplinary action?**
   - LSI eligibility this year is not based on performance ratings and does include all active employees, including those facing disciplinary action.