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July 1, 2026

MEMORANDUM

TO: Agency Human Resource Directors

FROM: Stacy Pendleton
Deputy Director, Department of Human Resource Management (DHRM)

SUBJECT: FY27 Authorizations and Compensation Activities

Please be advised of the following information concerning compensation activities for FY27. The following compensation activity is included in the directives found in [Chapter 1, 2026 Acts of Assembly, Special Session 1](#).

1) **Employee Salary Increases Payable on July 25, 2026**

Item 469 paragraph R, Chapter 1, 2026 Acts of Assembly, Special Session 1 authorizes a three and a half percent salary increase effective July 25, 2026 for eligible full- and part-time classified and other salaried state employees, including appointed, at-will, and faculty employees, *unless otherwise specified in this memorandum*. Adjunct Faculty employees at two- and four-year colleges and universities are also eligible for the three and a half percent salary increase.

2) **Employment Dates and Eligibility Requirements**

All employees in salaried positions as of April 25, 2026 and who remain employed on July 25, 2026 are eligible for the statewide salary increase.

Employees covered by the Virginia Personnel Act must also have achieved a performance rating of "Partially Successful" or higher on the most recent performance assessment to be eligible.

Agencies are responsible for ensuring that sufficient documentation exists to support satisfactory performance assessments for employees. This documentation could include

An Equal Opportunity Employer

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annual performance evaluations, interim evaluations, or probationary progress review forms.

Salary increases for state employees **not** subject to the Virginia Personnel Act shall be consistent with the performance eligibility provisions as determined by the appointing or governing authority.

The governing authorities of those state institutions of higher education with non-classified employees may provide a salary adjustment based on performance and other employment related factors, as long as the increases do not exceed the three and a half percent increase, on average.

3) Wage Employees

The base rates of pay for wage employees may be increased by up to three and a half percent effective no earlier than July 25, 2026. The cost of such increases for wage employees shall be borne by existing funds appropriated to each agency.

4) Elected Officials

Elected Officials are not eligible for the increase.

5) Classified Salary Structure

The Department of Human Resource Management shall increase the minimums and maximums of the state classified salary plans (Statewide and NOVA) by three and a half percent on July 25, 2026. No salary increase shall be granted to any employee as a result of this action. A table of the proposed new salary bands is provided on the [DHRM webpage](#).

6) Differential Authorizations

P-14 authorizations for differentials that are scheduled to end on June 30, 2026, are extended through June 30, 2027 unless otherwise noted on the approval document. These authorizations should be reviewed at least annually to confirm that they are still appropriate and being used. Please continue to use the P-14 form to authorize any new differential payments. If your agency is a member of a parent agency (e.g., Department of Corrections), to support compensation practices that are consistent in all facilities or sub-agencies under the parent, you may choose to send in a single P-14 form rather than a separate form for each sub-agency. However, the agency codes for all sub-agencies covered by the authorization should be listed on the form. Individual P-14 forms will still be required for practices that are unique to single sub-agencies.

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7) Supplements

Supplements, decentralized to agencies in 2000, are payments that are made only when employees meet the criteria for earning them. The decentralized supplements that have been identified include: On-Call Pay, Call-Back Pay, Camp Supplement, Charge Duty, Medication Supplement, Shift Pay, and Working Conditions Supplement.

Agencies that may need to pay a supplement that has not been previously identified should submit a P-14 request to the [Compensation Group](#) at DHRM for approval. If appropriate, any approved new supplements will be available for use by all agencies.

8) Wage Authorizations

The employment records of all existing and new wage employees must be recorded and maintained in Cardinal HCM. Form P-14 for wage employment is not required for hourly employees hired into any existing Role. Contact the [Compensation Group](#) at DHRM if you need to establish an additional Role solely for the purpose of wage employment. DHRM will continue to monitor use of the pre-approved Roles for wage employees.

9) Demonstration Projects

Agencies may consider compensation for demonstration projects. Demonstration projects must have clearly defined objectives and specified time frames. They are limited to two years' duration. Any requests for projects must be discussed with the [Compensation Group](#) at DHRM before being submitted for approval.

10) Alternate Bands and Sub-bands

Where appropriate, the alternate band fields in Cardinal may be used by agencies to establish sub-bands within pay bands. Sub-bands are intended for situations where a clear distinction must be maintained within roles, such as for rank structures in law enforcement agencies.

Please note: Any changes or additions to alternate/sub bands must be programmed directly by DHRM. Please submit requests for alternate/sub band changes or additions to the [Compensation Group](#) at DHRM.

11) Language Pursuant to Workforce Transition Act Retirement

The Appropriation Act, Item 469, paragraph K.1, requires enhanced retirement actions be pre-certified by DPB and DHRM to be fully funded by the VRS:

Notwithstanding the provisions of § 2.2-3205(A), Code of Virginia, the terminating

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agency shall not be required to pay the Virginia Retirement System the costs of enhanced retirement benefits provided for in § 2.2-3204(A), Code of Virginia, for employees who are involuntarily separated from employment with the Commonwealth if the Director of the Department of Planning and Budget certifies that such action results from 1. budget reduction enacted in the Appropriation Act, 2. budget reduction executed in response to the withholding of appropriations by the Governor pursuant to § 4-1.02 of the Act, 3. reorganization or reform actions taken by state agencies to increase efficiency of operations or improve service delivery provided such actions have been approved by the Governor, or 4. downsizing actions taken by state agencies as the result of the loss of federal or other grants, private donations, or other non-general fund revenue, and if the Director of the Department of Human Resource Management certifies that the action comports with personnel policy. Under these conditions, the entire cost of such benefits for involuntarily separated employees shall be factored into the employer contribution rates paid to the Virginia Retirement System.

[Note: Code of Virginia §§ 2.2-3200 through 2.2-3206 comprise Title 2.2, Chapter 32, the Workforce Transition Act of 1995.]

If you have questions about the certification process, please contact the [DHRM Policy Team](#).

12) Performance Evaluations

Performance evaluations for classified employees' latest performance cycle need to be completed as required by [Policy 1.40](#). Agencies are responsible for tracking and keeping records of performance cycle evaluation ratings in Cardinal HCM for all classified employees. Please refer to the [HR351_Performance Ratings](#) job aid for support.

Following is a list of additional resources:

- [FAQs](#);
- Agencies can use the Cardinal Legislative Salary Increase Tool to process increases for salaried employees. Additionally:
 - Monitor upcoming Cardinal communications for the latest guidance.
 - Updated [web-based video](#) providing guidance for utilizing or opting out of the tool.
 - The [HR354 - Using the Legislative Salary Increase Tool](#) job aid remains available.
 - Visit the Cardinal website for updates: [FY27 Legislative Salary Increase](#).

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- Agencies using Cardinal HCM should either enter increases for wage employees online using an Action of Pay Rate Change (PAY) and a Reason of FY27 Statewide Increase (SLI) or may utilize the [Job Data Mass Upload Template](#). Refer to the instructions in the template and the [Performing a Mass Upload](#) job aid for support. Cardinal HCM interfacing agencies may make base rate adjustments in their system and include on the HR003 Employee Data Upload interface.
- The revised salary structure related resources are available on the [Salary Increase Resources](#) page.

Please ensure that a copy of this memorandum is provided to all human resource staff and to your agency's fiscal officer. If you have questions, please contact the [Compensation Group](#) at DHRM.

cc: Janet L. Lawson, Director of Human Resource Management
Sharon Lawrence, State Comptroller
Michael Maul, Director of Planning and Budget
Mike Tweedy, Senate Finance and Appropriations Committee
Michael Jay, House Appropriations Committee