



FAQs

FY27 Compensation Changes Authorized by Chapter 1, 2026 Acts of Assembly, Special Session 1

Summary

The following compensation change authorized in Chapter 1, 2026 Acts of Assembly, Special Session 1 to become effective on July 25, 2026 (See the [Fiscal Year 2027 Authorizations and Compensation Activities memo](#) for specific citations):

- July 25, 2026 Base Salary Adjustment:
 - A 3.5% base salary adjustment 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 3.5% salary increase.

Frequently asked questions and related instructions on how to apply the salary adjustment are provided throughout this document.

Employee Eligibility

1. Who is subject to the July 25, 2026 base salary adjustment?

All classified and other salaried employees, except elected officials, who were employed in salaried positions as of April 25, 2026, and who received a rating of at least "Partially Successful" on their most recent performance evaluation or more recent interim evaluation are eligible to receive the 3.5% base salary adjustment effective July 25, 2026 and paid on August 14, 2026.

2. Who is NOT subject to the July 25, 2026 base salary adjustment?

Employees who were hired or rehired after April 25, 2026 and employees who received a rating of “Unsuccessful” on their last performance evaluation or more recent interim evaluation.

3. Why was April 25, 2026 selected as the cutoff employment date for the increases defined above?

These base salary adjustments are performance-driven increases. The three-month period from April 25, 2026 to July 25, 2026, provides a reasonable period for an agency to assess the probationary progress of a new employee.

4. Will employee performance ratings affect eligibility for the July 25, 2026 salary adjustments?

Yes. The July 25, 2026 salary adjustments are performance-driven. Employees must have received a rating of at least “Partially Successful” on their latest performance evaluation or more recent interim evaluation in order to be eligible to receive a salary adjustment. Agencies should ensure that [performance ratings for classified employees are entered in Cardinal HCM](#) in order for the data to accurately populate to the [Legislative Salary Increase Tool](#).

5. Can written notices under the Standards of Conduct policy be used to deny a July 25, 2026 salary adjustment?

*No. Written Notices were not included in the eligibility criteria approved by the Governor and General Assembly. For this reason, and because written notices are issued for a wide range of infractions, they should not be used exclusively to deny the increase – an interim performance evaluation is also needed. If an employee’s performance has declined to the extent that it is at the “Unsuccessful” level, the supervisor should conduct an interim performance evaluation (note: as always, a written notice may be considered as documentation of performance during the interim performance evaluation process). Interim evaluations may be completed at any time before the file upload deadlines. **Agency management is responsible for assuring that all agency employees who receive the July 25, 2026 salary adjustment are performing at the “partially successful” level or above.***

6. How should agencies treat employees whose performance has changed significantly since their 2025 evaluation so that their eligibility for the July 25, 2026 salary increases cannot reasonably be based on that evaluation?

Agencies are responsible for ensuring that sufficient documentation exists to support satisfactory performance for any employees who are unblocked or unsatisfactory performance for employees who are blocked from receiving the increase and that [performance ratings are entered in Cardinal HCM](#) in order for the data to accurately populate to the [Legislative Salary Increase Tool](#). This documentation could include interim evaluations; probationary progress review

forms. Performance Improvement Plans, or written notices addressing unsatisfactory performance. Agencies should ensure that all employees are aware of their current performance rating and its impact on these salary increases.

7. Are employees whose positions are funded entirely by federal grants or other special funding sources subject to the July 25, 2026 salary changes?

Yes. As with other general, performance, role specific, or across-the-board increases that are funded in the state budget, the increases apply to employees whose positions are funded by grants or other special funding sources in addition to those funded by the General Fund.

8. Are wage employees eligible for the salary adjustment?

Yes. The base rates of pay for wage employees may be adjusted by up to 3.5% no earlier than July 25, 2026. The cost of such increases for wage employees shall be borne by existing funds appropriated to each agency.

The Legislative Salary Increase Tool does not support wage employees. Therefore, agencies using Cardinal HCM must either enter these increases 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 salary adjustments in their system and include on the HR003 Employee Data Upload interface.

9. Will the Minimums and Maximums of the Statewide and Expanded NOVA Pay Band Ranges be adjusted on July 25, 2026?

Yes. Effective July 25, 2026 DHRM will increase the minimums and maximums of the state classified salary plans (Statewide and NOVA) by 3.5%. No salary increase shall be granted to any employee as a result of this action.

10. Will employees whose salaries are at or near the maximum of their pay bands receive the July 25, 2026 salary adjustments?

Yes, provided that they meet the eligibility criteria. If the salary adjustments will place an employee's new salary over the maximum of the new pay band, the employee's base pay will be increased to the new maximum and the remaining amount will be paid as a one-time bonus. Additional information will be provided in the Statewide Legislative Salary Increase [Payroll Bulletin](#) distributed in July.

11. Will employees whose salaries are frozen above the maximum of their current pay bands receive the July 25, 2026 salary adjustments?

Yes, provided that they meet the required eligibility criteria. If an employee's salary is frozen at an amount that exceeds the maximum of the new pay band, the employee will receive a bonus rather than a salary increase for the amount in excess of the new pay band maximum.

12. For employees separating effective July 25, 2026 will the July 25, 2026 salary adjustments apply to their leave payments or other benefits?

No. The last day worked for an employee separating effective July 25, 2026, is July 24, 2026, therefore, the employee is not employed on July 25, 2026, and is not eligible for the salary increases.

Effect on Employees' Compensation

13. How will this change affect "take-home pay"?

*Each employee's situation is somewhat unique, depending on their salary and the deductions that are taken from their paycheck. The higher annual salary will result in an increase in all payroll tax withholdings and other salary-based withholdings like Hybrid Defined Contribution benefits and percentage-based annuities. Therefore, it is likely that the change in take-home amounts may vary somewhat among employees as a result of payroll deductions. **Note:** Optional Group Life withholding only changes on January 1 of each year, regardless of salary changes during the year.*

14. When will employees see the changes in their paychecks?

For salaried employees, the July 25, 2026, salary adjustments will first appear in the August 14, 2026, paycheck.

15. Can all or part of the July 25, 2026 salary adjustment be deposited into Deferred Compensation?

Yes. The salary adjustments become part of an employee's new regular salary. As such, part or all of the increase may be deferred, subject to VRS Defined Contribution Plan guidelines and limitations. See plan information at www.varetire.org for instructions. Employees should be reminded that deferrals are subject to FICA taxes which may impact net pay if "all" of the increase is deferred.

16. How will the July 25, 2026 salary adjustment affect an employee's retirement benefit calculation?

The salary adjustments will increase employees' defined benefit creditable compensation. Any future salary increases will be applied to this higher salary. Therefore, any months beginning with August 2026 that are included in an employee's Average Final Compensation (AFC) will increase the employee's defined benefit retirement benefit accordingly.

17. Will the July 25, 2026 salary adjustment affect other benefits?

The salary increase amount is subject to payroll deductions for Social Security and Medicare as well as federal and state income taxes. This may result in an increase in an employee's future Social Security entitlement depending on their individual situation. It will also affect the rate used in calculating payments for accrued leave hours and will increase state life insurance benefits which are based on gross salary.

Calculating the Salary Adjustments

18. How will the employee's new salary be calculated?

Full-Time Salaried Employees: *If Cardinal HCM indicates that an employee is employed 100% (40 hours per week for 12 months), the system will calculate the salary increase by multiplying the employee's current annual salary, including cents if applicable, by the appropriate percentage. The resulting salary is rounded to the nearest whole dollar (.50 and above rounds up).*

Quasi/PT/<100% Salaried Employees: *For salaried employees employed at less than 100% and/or on less than 12 months, the 3.5% salary increase is applied to the employee's current salary, which already reflects the employees percent of full-time employment. The resulting salary rate is rounded to the nearest cent, consistent with existing part-time salary calculations.*

Wage/Hourly Employees: *Wage employee increases must be calculated **outside** of Cardinal HCM. For hourly employees, the employee's current hourly rate should be multiplied by the appropriate percentage. The resulting hourly rate should be rounded to the nearest cent (e.g. .495 rounds up to .50; .494 rounds down to .49). Agencies using Cardinal HCM must either enter these increases 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 salary adjustments in their system and include on the HR003 Employee Data Upload interface file.*

19. Are the general base salary adjustments calculated on base pay or total state pay?

Cardinal HCM records for affected employees will automatically reflect the appropriate salary adjustment to base state salary effective July 25, 2026.

20. Do special rates count toward the calculation of the salary adjustments?

No. Special rate differentials, which are entered into Cardinal HCM as annual salary amounts, do not factor into the calculation of the new base state salary. The special rates will not be adjusted by the Legislative Salary Increase Tool. Agencies paying special rate differentials, whether percentages or flat amounts, must assess the impact and adjust the rate, if appropriate, outside of the Legislative Salary Increase Tool. For further guidance on how to update Special rates, please refer to question 28 below.

21. Do “non-state salary” supplements count toward the calculation of the salary adjustments?

No. The amounts of non-state salary supplements are determined by non-state entities. Therefore, the amounts will not be adjusted automatically effective July 25, 2026. Affected state agencies will need to process any adjustments to non-state supplements individually. For further guidance on how to update non-state rates, please refer to question 29 below.

22. Does Temporary Pay count toward the calculation of the salary adjustments?

No. Temporary Pay is paid when an agency assigns an employee to perform different key duties on an interim basis for critical assignments associated with a special time-limited project, or for employees serving in an acting capacity in a higher-level position. Because these assignments are temporary, the additional pay associated with them is not creditable for retirement purposes. Therefore, these amounts will not be automatically adjusted effective July 25, 2026.

Cardinal HCM agencies may enter temporary pay changes online or utilize the [Additional Pay Mass Upload Template](#). Refer to the instructions in the template and the [Performing a Mass Upload Job Aid](#) for additional guidance. Cardinal HCM interfacing agencies may submit temporary pay changes through the HR003 Employee Data Upload interface.

Processing the Increases

23. My agency has multiple HR Administrators. Will we all have access to the [Cardinal HCM Legislative Salary Increase Tool](#)?

Yes, all HR Administrators will all have access to the tool. However, Cardinal strongly encourages agencies to select one HR Administrator to be responsible for the reviews, data updates, and final verification.

24. My agency will be interfacing our increases to Cardinal HCM via the HR003 interface. Do we need to take any action in the tool?

Yes. Agencies planning to process salary increases via the HR003 Employee Data Upload interface into Cardinal HCM must still access the Legislative Salary Increase Tool and select the Opt Out option once the Cardinal communication is received announcing that the new Salary Increase Cycle is available. At that time, navigate to:

Legislative Salary Inc Review (Navigator > Workforce Administration > Job Information > Legislative Salary Increase > Legislative Salary Inc Review)

*Search for your business unit, and check the “**Opt Out**” checkbox, and Save.*

Opting Out will EXCLUDE the entire business unit from the centralized processing. Once an agency opts out, HR Administrator’s work on this page is complete. No additional review or verification is required. If you support multiple business units that would like to opt out, you need to opt out for each one.

25. My agency plans to enter some agency-specific pay increases before the FY27 Statewide Legislative Salary Increase. When should we take this action?

*If Cardinal sends your data to VRS’ VNAV and your agency wants agency-specific salaried pay increases **reflected before** the FY27 Statewide Legislative Salary Increase, you are strongly encouraged to obtain the necessary approval, use a July 10, 2026 effective date, and enter the transaction into Cardinal no later than 7:59 pm on Friday, July 17, 2026.*

If your agency must stack pay increases with a July 25, 2026 effective date, you have two options:

- a. Enter your agency-specific increase effective July 25, 2026 by July 17, 2026 at 7:59 pm, which will allow the agency to use the centrally processed Legislative Salary Increase Tool in Cardinal; however, the **agency must manually update VNAV with the correct compensation rate.***
- b. Agency **Block** the affected employees in the Legislative Salary Increase Tool and manually enter the pay changes **on the same day** into Cardinal HCM with a July 25, 2026 effective date. Cardinal will process the top sequenced compensation rate to VNAV.*

Important: *VNAV does not accept multiple transactions with the **same** effective date. As a result, stacking compensation rate changes with a July 25, 2026 effective date may result in an incorrect compensation rate in VNAV. To mitigate this issue, Cardinal sends a special file to VRS after the Legislative Salary Increase is loaded that contains the compensation rate from the highest sequenced July 25, 2026 effective-dated row.*

26. My agency has other employee status changes effective July 25, 2026. When should we take this action?

*Actions such as intra-agency transfers that are entered into Cardinal HCM prior to July 24, 2026 with an effective date of July 25, 2026, will be processed **before** any the FY27 Statewide Legislative Salary Increases are applied. Agencies are strongly encouraged to enter these July 25, 2026 transactions into Cardinal by 7:59 pm on Friday, July 17, 2026.*

*If the July 25, 2026 transaction also includes a compensation rate change, the Legislative Salary Increase may error out when loading to VNAV. Therefore, agencies should closely monitor the VNAV Cancelled Records Report and **manually update VNAV with the correct compensation rate**. Refer to the response in Question 25 for additional information.*

If an agency must enter a pay action after 8 pm on Friday, July 17, 2026 with an effective date of July 25, 2026 or earlier, [submit a ticket](#) to the [VCCC Service Desk](#) with “Cardinal HR” in the subject line to ensure the order of transactions in Cardinal are accurate.

27. What sequence should be followed for employee status changes effective after July 25, 2026?

*Promotions or other employment changes effective dated after July 25, 2026 **should not be entered** into Cardinal until after the legislative salary adjustments have been applied. Future-dated job transactions with an effective date after July 25, 2026 entered prior to the legislative salary adjustment will **cause the centrally processed statewide increase to error out**.*

28. Will VRS VNAV be automatically updated if additional transactions effective dated July 25, 2026 are entered after July 25, 2026?

*No. VRS VNAV will reject any additional July 25, 2026 effective dated rows. Therefore, agencies should closely monitor the VNAV Cancelled Records Report and **manually update VNAV with the correct compensation rate**.*

29. How should an eligible employee’s Statewide Legislative Increase (SLI) be processed within VNAV if the employee is also receiving a non-state and/or special rate increase?

The processing depends on whether Cardinal sends your agency’s data to VNAV.

If Cardinal sends your agency’s data to VNAV:

*For employees receiving a non-state or special rate adjustment, the agency should Agency **BLOCK** the Statewide Legislative Increase (SLI) within the statewide Legislative Salary Increase Tool. To ensure total correct compensation is reported to VRS, the state base rate and non-state/special rate adjustments*

must be entered on a single entry in Cardinal. This is required because VNAV only accepts one row of data for each effective date.

Agencies should either enter these increases 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 salary adjustments in their system and include on the HR003 Employee Data Upload interface.

If Cardinal does not send your agency's data to VRS:

For employees receiving a non-state rate or special rate adjustment, the agency does not need to BLOCK the employee. The agency may use the Legislative Salary Increase Tool to centrally process the increase to the state base rate. The agency should then add another row to adjust the non-state or special base rate using either online, mass upload, or interfacing method. Agencies are to wait until after salary adjustments are made to the State Rates, and no later than the end of the day on Wednesday, August 5, 2026, before adjusting non-state and special rates in Cardinal HCM.

30. What happens to employees on leave?

- a) Otherwise-qualified employees who are on short-term disability or other paid leave will receive the salary adjustments effective July 25, 2026.*
- b) Employees on long-term disability-working will also have the salary adjustments applied to their current rates of pay. The adjustments do not apply to individuals who are on long-term disability-non-working.*
- c) Employees on leave without pay are not eligible for the salary adjustments until they return to work or paid leave. With few exceptions (e.g. approved military leave or layoff leave without pay), agencies should enter the same effective date for both the legislative salary increase and return from leave (RFL).*
- d) Agencies should adjust the military supplements of eligible employees on leave without pay-military to reflect the salary adjustments.*
- e) The salary adjustments will not be automatically applied for any employee who has an overdue leave end-date or expected return date in Cardinal HCM as of July 25, 2026. Agencies should review and update these employees' expected return dates timely when extensions are approved. Agencies may enter future-dated Return from Leave and Paid Leave Extensions if effective dated between July 20-24, 2026. Any Paid Leave extensions entered in Cardinal after 8 pm on Friday, July 17, 2026 will not populate to the Legislative Salary Increase Tool for certification purposes. Agencies will process these salary increases when their expected return dates have been extended or Return-to-Work transactions have been entered.*

- i. *For those returning from paid leave: Enter effective date of legislative salary increase before entering return from leave (RFL) or Paid Leave Extension date.*
- ii. *For those returning from an unpaid leave: Enter the same effective date for both the legislative salary increase and return from leave (RFL).*

NOTE: These rules are based on policies that apply to classified employees.

31. What Cardinal transaction should agencies use to update the salaries of employees on leave without pay or, for less than 12-month employees who are not actively working on July 25, 2026 in order to grant the salary adjustments when they return to work?

Agencies using Cardinal HCM should either enter these increases 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](#) after the employee returns to work. Refer to the instructions in the template and the [Performing a Mass Upload](#) Job Aid for support. Cardinal HCM interfacing agencies may make salary adjustments in their system and include on the HR003 Employee Data Upload interface.

Agencies should enter the same effective date for both the legislative salary increase and return from leave.

32. How will the July 25, 2026 salary adjustment be processed for classified employees who are indicated in Cardinal HCM as working less than 12 months each year?

These salary increases will be processed through the Legislative Salary Increase Tool unless the agency takes action to opt out of the tool or use the AGENCY BLOCKED indicator for this population. Agencies may choose to send their salary increases through the Job Data Mass Upload or, if interfacing, via the Employee Data Upload.

33. How will the July 25, 2026 salary adjustment be processed for non-classified employees who are indicated in Cardinal HCM as working less than 12 months each year (e.g. faculty working 9-10 month schedules)?

These salary increases will be processed through the Legislative Salary Increase Tool unless the agency takes action to opt out of the tool or use the AGENCY BLOCKED indicator for this population. Agencies may choose to send their salary increases through the Job Data Mass Upload or, if interfacing, via the Employee Data Upload.

