



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Public Workforce Modernization Act.
Bill Number: Senate Bill 1041 (Third Edition)
Sponsor(s): Sen. Kevin Corbin, Sen. Todd Johnson, and Sen. Michael V. Lee

SUMMARY TABLE

FISCAL IMPACT OF S.B. 1041, V.2 (\$ in millions)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	6.2	6.2	6.2	6.2	6.2
General Fund Impact	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)
NET STATE IMPACT	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)

FISCAL IMPACT SUMMARY

The Fiscal Research Division (FRD) estimates Senate Bill 1041 would have an annual fiscal impact of \$6.2 million annually due to the cost of providing substitutes and/or paying additional overtime to cover the duties of employees on leave.

Senate Bill 1041 repeals Chapter 126 of the General Statutes and enacts a new Chapter 126A that creates two possible fiscal impacts. Article 2 of the proposed Chapter 126A (G.S. 126A-21(c)) would authorize the Office of State Human Resources (OSHR) to charge fees to cover the costs of services. Article 7 of the proposed Chapter 126A (G.S. 126A-71 and G.S. 126A-74) would expand the following leave benefits: vacation leave for newer employees and paid parental leave. Article 7 (G.S. 126A-70) would also require OSHR to adopt rules or policies for bereavement leave for all executive branch employees.

FISCAL ANALYSIS

Fees (Article 2)

The proposed G.S. 126A-21 authorizes OSHR to charge fees to cover the cost of education, training, and consultation services not required by statute. OSHR currently charges fees for certain learning and development programs, certain local government trainings, and for Temporary Solutions, which is renamed JoinNC in this bill. This authorization is not expected to have a fiscal impact.

The agency has noted that they do not expect to make any changes to the fee amounts or program participation as a result of this bill. The language authorizing fees is broad however, and there is

potential for OSHR to make future changes that could result in future fiscal impacts to other State entities.

Paid Leave (Article 7)

The fiscal impact of additional paid leave is primarily composed of:

1. The cost of hiring substitutes or paying other employees overtime due to the employee's absence if the employee would not have used existing paid leave. This is not needed in all cases or may only be needed for some portion of the absence.
2. If the employee would have used existing paid leave but uses the additional paid leave instead and later retires from the State, the cost of additional retirement benefits due to leave conversion at retirement.

Vacation Leave and Bereavement Leave

The proposed G.S. 126A-70 directs the State Human Resources Commission to establish policies on bereavement leave for all executive branch employees, excluding temporary employees. The current policy allows full-time employees up to 40 hours of paid leave following the loss of immediate family members and up to 8 hours of paid leave following the loss of a colleague, to be used within 180 days of the loss. The policy currently only applies to cabinet agencies, though other agencies may choose to provide bereavement leave and most appear to offer it. The expansion of bereavement leave is expected to have minimal impact on the State due to the small number of employees impacted and the magnitude of the change.

The proposed G.S. 126A-74 would increase the leave earned by leave-earning employees with less than five years of service by one day per year. The expansion of vacation leave for these employees is expected to have a minimal impact on the State due to the magnitude of the change.

Paid Parental Leave

The proposed G.S. 126A-71 would increase the paid parental leave (PPL) benefit from 4 weeks for non-birthing parents and 8 weeks for birthing parents to 12 weeks for birthing and non-birthing parents in executive branch agencies; local boards of education and boards of trustees for community colleges would be required to adopt equivalent PPL policies. The estimated fiscal impact of \$6.2 million is associated with hiring substitutes and/or paying overtime in public schools, correctional facilities, and State-operated healthcare facilities. S1041 does not include an appropriation.

The estimate was developed using recent expenditure data for PPL substitutes in public schools, demographic data of public school employees, and PPL utilization in executive branch agencies reported annually by OSHR. Utilization was assumed to be constant, meaning that the change in the leave benefit would not affect the number of events, just the number of leave days taken. The utilization data reported by OSHR for the Department of Health and Human Services and the Department of Adult Correction was used as a proxy for direct cost data for those entities as most employees in those agencies staff 24-hour facilities. Impacts to other agencies are expected to be minimal.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Office of State Human Resources, Department of Public Instruction

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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