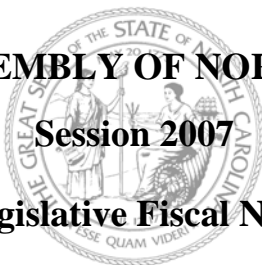


**GENERAL ASSEMBLY OF NORTH CAROLINA**



**Session 2007**

**Legislative Fiscal Note**

**BILL NUMBER:** Senate Bill 894 (First Edition)

**SHORT TITLE:** Bereavement Leave/State and School Employees.

**SPONSOR(S):** Senator Malone

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>
<b>REVENUES</b>	N/A	N/A	N/A	N/A	N/A
<b>EXPENDITURES</b>	<b>Up to \$8.9 million annually</b>				
<b>State General Fund</b>	<b>****See Assumptions and Methodology Section****</b>				
<b>Local Governments</b>	<b>****See Assumptions and Methodology Section****</b>				
<b>POSITIONS (cumulative):</b>	N/A	N/A	N/A	N/A	N/A
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Office of State Personnel, State agencies, departments, Universities, Department of Public Instruction (DPI), State Board of Education (SBE), Local Education Agencies (LEAs)					
<b>EFFECTIVE DATE:</b> July 1, 2007					

**BILL SUMMARY:** The bill enacts new statutes (GS 126-8.6 and GS 115C-336.2) that grant State employees and all public schools employees three days of paid Bereavement leave upon the death of an immediate family member. "Immediate family member" includes "the employee's spouse, child, parent, sibling, grandparent, and grandchild, and any of the corresponding step, half, or in-law relationships." Employees may not accumulate Bereavement leave or use it for creditable service toward retirement.

**ASSUMPTIONS AND METHODOLOGY:**

**Overview**

The bill creates potential additional costs to the State and/or Local Governments by:

1. Granting up to three additional paid leave days to State and public schools employees who use Bereavement Leave, and
2. Potentially increases the need for substitute teachers in the public schools.

The bill also potentially affects payouts over time from the Teachers’ and State Employees’ Retirement System, but is not likely to produce significant impact on the System in the time period considered by this fiscal note. In order to understand how the bill creates potential additional costs to the State and/or Local Governments by increasing accrual of leave days, one must first understand current leave policies.

**Background: State Personnel and NC Public Schools Leave Policies**

*Sick Leave*

Current State Personnel Policy and State Board of Education policy allow all State employees subject to the State Personnel Act (SPA) and all public schools employees to use accrued sick leave for bereavement purposes. All full-time employees earn one day of sick leave per month employed and part-time employees earn sick leave on a pro rata basis. Most State employees earn twelve sick leave days per year. Most public schools employees are employed for ten months per year and therefore earn ten sick leave days per year.

*Personal Leave*

Current State Board of Education policy allows public schools employees who earn personal leave to use it for bereavement purposes. Personal leave is earned only by classroom teachers and school media specialists who require substitutes. In order to be eligible, the employee must be in a permanent full- or part-time position. Personal leave is earned at the rate of 0.20 days for each full month of employment not to exceed two days per year. Part-time personnel earn a pro rata share of the rate for full-time employees. Unused personal leave may be carried forward from one year to another and may be accumulated to a maximum of five days. State employees subject to the SPA do not earn personal leave.

*Annual Vacation Leave*

Current State Personnel policy and State Board of Education policy allows employees to use accrued vacation leave for bereavement purposes. All full-time and part-time permanent employees who work or are on paid leave (including paid holidays and workers' compensation) for one-half or more of the workdays in a monthly pay period are entitled to earn annual vacation leave. Leave for a part-time employee is computed on a pro rata basis of the amount earned by a full-time employee in that class of work

The rate of earning is based on the length of total State service as follows:

<b>Years of State Service</b>	<b>Days of Leave Earned Per Month of Employment</b>
Less than 2 years	1.00
2 but less than 5 years	1.15
5 but less than 10 years	1.40
10 but less than 15 years	1.65
15 but less than 20 years	1.90
20 years or more	2.15

## **Background: Limitations of Data**

There is no data available on the use of leave by State employees or NC public schools employees for bereavement purposes. As a result, this analysis must attempt to make a reasonable assumption regarding the likely use of the Bereavement leave granted by the bill. It does not seem reasonable to assume that no employees will use the three days of granted Bereavement leave in a given year, nor does it seem reasonable to assume that all employees will use three days per year. This analysis therefore assumes that an estimated 10-50% of all employees will utilize all three days of Bereavement leave annually. To the extent that 50% is too conservative an estimate of the upper bound on utilization, the cost estimate presented in this analysis is understated. It seems unlikely that 10% could be an overestimate of utilization, therefore it is unlikely that this analysis overstates the lower bound on potential costs.

Employees who use the new Bereavement leave will be “supplanting” other paid leave they would have had to take if the Bereavement leave were not available. There is no data available on the reasons for which employees use personal, sick, and annual vacation leave. Likewise, there is no data upon which to base predictions about which type of leave Bereavement leave will supplant. The only situation in which Bereavement leave would not supplant other paid leave would be if an employee simply would not have used any leave in the absence of Bereavement leave (and therefore not participated in bereavement activities during the scheduled workday). These occurrences are assumed by this analysis to be few if any.

## **Estimate of Additional Cost to the State**

### *Increased Accrual of Leave Time = Lost Productivity and/or Increased Expenditures*

As mentioned above, Bereavement leave will supplant other types of paid leave that otherwise would have been used for bereavement purposes. Use of Bereavement leave by any employee therefore creates a potential additional cost to the State, whether in terms of lost productivity or increased expenditures.

### *State Employees*

Use of Bereavement leave by the approximately 90,000 State employees generates days of lost productivity. Consider the following scenarios for a hypothetical State employee (a DOT worker, for example) who experiences the death of a family member:

#### Existing policy:

12 accrued Sick days + 12 accrued Vacation days – 3 days (of some type) used for bereavement purposes = 21 remaining leave days to use for various purposes

#### New policy (as created by the bill):

12 accrued Sick days + 12 accrued Vacation days + 3 Bereavement days granted – 3 Bereavement days used = 24 remaining leave days to use for various purposes

**NET EFFECT: The new policy in effect creates/grants three additional accrued leave days which may or may not be used by the employee within this year.**

Several reasonable scenarios exist through which these “additional” days could create cost:

Scenario	Type of Cost	Additional Expenditure
Employee uses 3 “additional” Sick days	Lost Productivity	None (assumes no temps hired)
Employee uses 3 “additional” Vacation days	Lost Productivity	None (assumes no temps hired)
Employee “banks” 3 Sick days	Possible earlier retirement	Retirement System (over time)
Employee “banks” 3 Vacation days	Payment at separation or conversion to sick leave which may equal earlier retirement	3 days @ average separation payment rate (different for each class of employee), or Retirement System (over time)

*Employees Not Requiring Substitutes*

Use of Bereavement leave by the approximately 57,000 State-paid public schools employees who do not require substitutes in their absence generates days of lost productivity. Consider the following scenarios for a hypothetical 10-month non-certified employee (a school custodian, for example) who experiences the death of a family member:

Existing policy:

10 accrued Sick days + 10 accrued Vacation days – 3 days (of some type) used for bereavement purposes = 17 remaining leave days to use for various purposes

New policy (as created by the bill):

10 accrued Sick days + 10 accrued Vacation days + 3 Bereavement days granted – 3 Bereavement days used = 20 remaining leave days to use for various purposes

**NET EFFECT: The new policy in effect creates/grants three additional accrued leave days which may or may not be used by the employee within this year.**

Several reasonable scenarios exist through which these “additional” days could create cost:

Scenario	Type of Cost	Additional Expenditure
Employee uses 3 “additional” Sick days	Lost Productivity	None (assumes no temps hired)
Employee uses 3 “additional” Vacation days	Lost Productivity	None (assumes no temps hired)
Employee “banks” 3 Sick days	Possible earlier retirement	Retirement System (over time)
Employee “banks” 3 Vacation days	Payment at separation or conversion to sick leave which may equal earlier retirement	3 days @ average separation payment rate (different for each class of employee), or Retirement System (over time)

*Employees Requiring Substitutes*

Use of Bereavement leave by classroom teachers and media specialists (i.e., the employees who require substitutes) has the greatest potential to generate additional State expenditures. Consider the following scenarios for a hypothetical 10-month classroom teacher who experiences the death of a family member:

Existing policy:

10 accrued Sick days + 10 accrued Vacation days + 2 accrued Personal days – 3 days (of some type) used for bereavement purposes = 19 remaining leave days to use for various purposes

New policy (as created by the bill):

10 accrued Sick days + 10 accrued Vacation days + 2 accrued Personal days + 3 Bereavement days granted – 3 Bereavement days used = 22 remaining leave days to use for various purposes

**NET EFFECT: The new policy in effect creates/grants three additional accrued leave days which may or may not be used by the teacher within this year.**

Several reasonable scenarios exist through which these “additional” days could create cost:

Scenario	Type of Cost	Additional Expenditure
Teacher uses 3 “additional” Sick days	Substitute teacher	3 days @ average of \$68/day
Teacher uses 2 “additional” Personal days, one “additional” Sick day	Substitute teacher	2 days @ average of \$18/day (substitute cost minus \$50 “substitute deduction”), 1 day @ average of \$68/day
Teacher uses 2 “additional” Personal days, one “additional” Vacation day	Substitute teacher	2 days @ average of \$18/day (substitute cost minus \$50 “substitute deduction”), 1 day @ average of \$68/day
Teacher uses 3 “additional” Vacation days	Lost productivity	N/A
Teacher “banks” 3 Sick days	Possible earlier retirement	Retirement System (over time)
Teacher “banks” 3 Vacation days	Payment at separation or conversion to sick leave which may equal earlier retirement	3 days @ average separation payment of \$212/day, or Retirement System (over time)

*Range of Possible Increased Expenditures*

While it is not possible to predict with any precision how these scenarios will translate Bereavement days used into additional State expenditures, a responsible fiscal analysis must consider some “highest cost” examples in order to estimate an upper bound on the bill’s potential

fiscal impact. The following examples consider some possible expenditure-generating scenarios for the 84,831 State-paid teachers and 2,213 State-paid media specialists (combined total: 87,044) employed in FY 2006-07:

Percent (Number) of Teachers Using 3 Days of Bereavement Leave	Cost if Teacher uses 3 "additional" Sick days (@ \$68)	Total Additional Expenditures
10% (8,704)	8,704 x (\$68 x 3)	\$1,775,616
25% (21,761)	21,761 x (\$68 x 3)	\$4,439,244
40% (34,818)	34,818 x (\$68 x 3)	\$7,102,872
50% (43,522)	43,522 x (\$68 x 3)	\$8,878,488

Since LEAs are responsible for paying the costs of substitute teachers, the additional cost technically would be the responsibility of the LEAs. The State appropriates General Fund dollars through the Non-Instructional Support Allotment, however, to cover the costs of substitute teachers. **The additional expenditures would need to be funded, therefore, either out of additional local dollars or additional State appropriation for Non-Instructional Support.**

*Costs and Expenditures for Locally-Paid and Federally-Paid Employees*

The NC public schools employ approximately 29,973 locally-paid employees (6,049 of whom are teachers or media specialists) and 14,844 federally paid employees (5,982 of whom are teachers or media specialists). Applying the same logic as above with regard to the locally- and federally-paid employees who do not require substitutes produces approximately 71,772 and 26,586 days of lost productivity, respectively (combined total of 98,358 days). Similarly, applying the above analysis to the locally- and federally-paid teachers and media specialists produces **up to approximately \$617,000 and \$610,000, respectively, in increased expenditures for substitute teachers to be funded out of local and federal funds, respectively.**

**SOURCES OF DATA:** Department of Public Instruction, NC Public Schools Benefits & Employment Manual, the Office of State Personnel, State Personnel Manual.

**TECHNICAL CONSIDERATIONS:** It is not clear whether the three days of paid bereavement leave are granted annually or upon each occurrence of the death of an immediate family member in the instance of an employee having multiple immediate family members die within a one year period. The fiscal analysis above assumes employees are granted no more than three days of paid bereavement leave annually.

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Fiscal Research Division

**DATE:** May 21, 2007



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