

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 1172 (Second Edition)

**SHORT TITLE:** Take Voluntary Furloughs/State Gov. & Schools.

**SPONSOR(S):** Representatives Owens and Gibson

### FISCAL IMPACT

	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
<b>REVENUES</b>	n/a				
<b>EXPENDITURES</b>					
General Fund	up to (\$41,299,498) per furlough day – See Assumptions and Methodology				
Highway Fund	up to (\$ 2,234,894) per furlough day – See Assumptions and Methodology				
<b>POSITIONS (cumulative):</b>	n/a				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	The executive, legislative, and judicial branches of State government, the University of North Carolina, the North Carolina Community College System, and local school administrative units.				
<b>EFFECTIVE DATE:</b>	When it becomes law.				

### BILL SUMMARY:

Section 1 adds new GS 126-8.6 to Article 2 of Chapter 126 of the General Statutes relating to voluntary furloughs of public employees as may be directed by the Governor under certain circumstances. The new section defines public agency to include a state agency, department or institution; and the executive, legislative, and judicial branches of State government, the University of North Carolina, the North Carolina Community College System and local school administrative units. It defines public employee as an employee employed by a public agency. Also defines voluntary furlough as a temporary voluntary period of leave from employment without pay up to a maximum of 30 days per fiscal year for nonessential positions and a maximum of 10 days per fiscal year for essential positions. Additionally, it holds voluntarily furloughed employees harmless for purposes of the State Retirement System and State Health Plan. Lastly, it imposes special restrictions on employees employed in essential positions.

Section 2 amends GS 126-5 to direct that the provisions of proposed GS 126-8.6 apply to all exempt and nonexempt employees in the executive, legislative, and judicial branches; to employees of the University of North Carolina, to employees of the North Carolina Community College System, and to employees of local school administrative units.

Section 3 directs the State Personnel Commission, in consultation with the Office of State Budget and Management, to adopt emergency rules for the implementation of voluntary furloughs in accordance with GS 150A-21.1A, except that the rules will remain in effect until July 30, 2010.

**ASSUMPTIONS AND METHODOLOGY:**

The number of voluntary furlough days public employees elect to take as well as which employees elect to take voluntary furlough days are undeterminable. Thus, the total General Fund and Highway Fund savings attributable to voluntary furloughs is undeterminable.

The total General Fund and Highway Fund per furlough day savings estimated above is based upon current employee salary data obtained from the BEACON HR/Payroll system, the University of North Carolina, the North Carolina Community College System Office, the Department of Public Instruction, and the North Carolina General Assembly. The maximum per furlough day savings assumes all employees employed by the executive, legislative, and judicial branches of State government, the University of North Carolina, the North Carolina Community College System, and local school administrative units (including public school teachers) elect a one-day voluntary furlough regardless of whether the positions are designated as essential or nonessential. However, the salaries of justices, judges and elected officers of the Council of State are excluded from the maximum per furlough day savings as the North Carolina Constitution prohibits the reduction of those salaries. The maximum per furlough day savings takes into account the employer and employee retirement contributions that are required to be paid by the employing unit. In other words, the maximum per furlough day savings stated above have been reduced by the value of the employer and employee retirement contributions to be paid on the salary savings.

As stated above, the estimated per furlough day savings is based upon the salaries of current employees employed across all government sectors. Potential per day savings will be affected or reduced by vacancies that occur over the biennium. Therefore, the per furlough day savings assumes a 10% risk adjustment factor to account for vacancies.

**SOURCES OF DATA:**

BEACON HR/Payroll System, the Office of State Controller, the Department of Public Instruction, the University of North Carolina, the North Carolina General Assembly, and the North Carolina Community College Systems Office.

**TECHNICAL CONSIDERATIONS:**

The Bill may not adequately address the constitutional separation of powers issue relative to the executive, legislative and judicial branches of State government.

It should be noted that the maximum estimated per furlough day savings will be affected or reduced in the event positions are eliminated over the biennium as any savings related to those positions will have been realized by the position eliminations. Edition 3 of Senate Bill 202 (the

Senate's budget) eliminates in excess of 1,900 positions not including teaching positions that may be eliminated due to the increases in classroom size.

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**DATE:** April 24, 2009



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