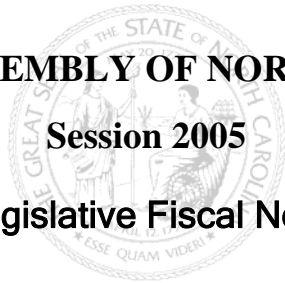


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 651 (First Edition)

SHORT TITLE: Bereavement Leave for School Employees.

SPONSOR(S): Representative Wainwright

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:	N/A	N/A	N/A	N/A	N/A
EXPENDITURES:	Up to \$8.6 million annually				
State General Fund	***See Assumptions and Methodology Section***				
Local Governments	***See Assumptions and Methodology Section***				
POSITIONS:	N/A	N/A	N/A	N/A	N/A
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Public Instruction (DPI), State Board of Education (SBE), Local Education Agencies (LEAs)					
EFFECTIVE DATE: Effective July 1, 2005.					

BILL SUMMARY:

The bill enacts a new statute (GS 115C-336.1) that grants all public school 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.

Source: Bill Digest H.B. 651 (03/16/0200).

ASSUMPTIONS AND METHODOLOGY:

Overview

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

1. Granting up to three additional paid leave days to any public schools employee who uses Bereavement Leave, and
2. Potentially increasing the need for substitute teachers.

The bill also potentially affects payouts over time from the Retirement Fund, but is not likely to produce significant impact on the Fund 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 NC public schools leave policy.

Background: NC Public Schools Leave Policy

Sick Leave

Current State Board policy allows 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. Most public schools employees are employed for ten months per year and therefore accrue ten sick leave days per year.

Personal Leave

Current State Board policy allows 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.

Annual Vacation Leave

Current State Board policy allows all public schools 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 at the same rate provided for state employees. 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. A single employee working in two or more positions may not earn more than the benefits allowed for one full-time position.

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

Years of State Service	Days of Leave Earned Per Month of Employment
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 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 public schools 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. Since there is no data available on the reasons for which employees use personal, sick, and annual vacation leave, however, there is also 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 public schools employee therefore creates a potential additional cost to the State, whether in terms of lost productivity or increased expenditures.

Employees Not Requiring Substitutes

Use of Bereavement leave by the approximately 52,000 State-paid 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	Earlier retirement	Retirement Fund (over time)
Employee “banks” 3 Vacation days	Payment at separation or Earlier retirement	3 days @ average separation payment rate (different for each class of employee), or Retirement Fund (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 \$71/day
Teacher uses 2 “additional” Personal days, one “additional” Sick day	Substitute teacher	2 days @ average of \$21/day (substitute cost minus \$50 “substitute deduction”), 1 day @ average of \$71/day
Teacher uses 2 “additional” Personal days, one “additional” Vacation day	Substitute teacher	2 days @ average of \$21/day (substitute cost minus \$50 “substitute deduction”), 1 day @ average of \$71/day
Teacher uses 3 “additional” Vacation days	Lost productivity	N/A
Teacher “banks” 3 Sick days	Earlier retirement	Retirement Fund (over time)
Teacher “banks” 3 Vacation days	Payment at separation or Earlier retirement	3 days @ average separation payment of \$176/day, or Retirement Fund (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 78,424 State-paid teachers and 2,153 State-paid media specialists (combined total: 80,577) employed in FY 2004-05:

Percent (Number) of Teachers Using 3 Days of Bereavement Leave	Cost if Teacher uses 3 “additional” Sick days (@ \$71)	Total Additional Expenditures
10% (8,058)	8,058 x (\$71 x 3)	\$1,716,290
25% (20,144)	20,144 x (\$71 x 3)	\$4,290,725
40% (32,231)	32,231 x (\$71 x 3)	\$6,865,160
50% (40,289)	40,289 x (\$71 x 3)	\$8,581,451

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 27,460 locally-paid employees (6,200 of whom are teachers or media specialists) and 15,100 federally paid employees (6,100 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 63,780 and 27,000 days of lost productivity, respectively (combined total of 90,780 days). Similarly, applying the above analysis to the locally- and federally-paid teachers and media specialists produces **up to approximately \$660,000 and \$650,000, 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, 2004-05.

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DATE: April 11, 2005



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