NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Fair Minimum Wage Act.
Bill Number: House Bill 1059 (First Edition)
Sponsor(s): Rep. Prather, Rep. Longest, Rep. Buansi, and Rep. K. Brown

SUMMARY TABLE

FISCAL IMPACT OF H.B. 1059, V.1 ($ in millions)

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
State Impact					
General Fund Revenue	3.1	9.2	16.1	24.1	33.8
Less Expenditures	-	-	-	-	-
General Fund Impact	**3.1**	**9.2**	**16.1**	**24.1**	**33.8**
Special Fund Revenues	-	-	-	-	-
Less Expenditures	-	-	-	-	-
Special Fund Impact	**Partial Estimate Available – See Fiscal Analysis Section**				
NET STATE IMPACT	**3.1**	**9.2**	**16.1**	**24.1**	**33.8**

FISCAL IMPACT SUMMARY

The Fiscal Research Division (FRD) estimates House Bill 1059 would have an annual fiscal impact of $3.1 million in FY 2026-27 due to the inflation adjustment to the minimum wage required in January 2027, as well as the funds appropriated to the Department of Labor (DOL) to establish the North Carolina Wage Board.

Section 1 of House Bill 1059 sets a statewide minimum wage of $15 per hour, to be adjusted annually for inflation beginning January 2027. The current minimum wage for State employees and State-supported local employees is $15; the annual inflation adjustment required by Section 1 has an estimated fiscal impact of $2.9 million in FY 2026-27. Estimated costs increase in subsequent years due to inflation and full-year costs. It also establishes the North Carolina Wage Board within DOL, tasked with establishing competitive wage targets. The bill appropriates $150,000 in non-recurring funds for FY 2026-27 to DOL; so, the fiscal impact in FY 2026-27 of this section is $150,000. FRD estimates DOL can implement the provisions of Section 1 of H.B. 1059 within its existing appropriation.

Section 3 of House Bill 1059 establishes a short-time compensation (STC) program to be administered by the Division of Employment Security (DES) at the Department of Commerce. DES is funded through an administrative grant from the U.S. Department of Labor (USDOL). USDOL determines the amount of the grant using a formula based on projected national unemployment insurance workload and other factors. Because DES is supported by federal funds, there will be no General Fund impact.

FISCAL ANALYSIS

Section 1

Section 1 of House Bill 1059 sets a statewide minimum wage of $15 to be adjusted annually by inflation beginning in January 2027. This change affects State employees and State-supported local employees, as the current minimum wage for such employees is currently set to $15 without any automatic adjustment.

FRD used Moody's Analytics projections of the Consumer Price Index to estimate the inflation-adjusted minimum wage for each year beginning in January 2027. FRD then used data from the State's personnel system and survey data from entities not captured by the State's personnel system to determine the affected positions and hours worked. There are roughly 200 net-General Fund-supported FTE who would be affected by the change.

The latest available data for State-supported local employees is from 2021 and was therefore further adjusted to account for turnover. The public school data measured hours instead of positions; in 2021, there were roughly 47 million hours worked that were impacted by the $15/hour minimum wage. The community college data was measured by positions; in 2021, there were roughly 1,070 positions that were impacted by the $15/hour minimum wage. The initial calculation measured the gap between the projected minimum wages under this bill and $15/hour, plus the cost of associated benefits. These figures were then adjusted to account for turnover and baseline salary increases. Table 1 below shows the estimated cost (including the cost of associated benefits) of the net-General Fund wage gap that would occur under this bill. House Bill 1059 does not appropriate funds for these costs. Insufficient data exist to estimate the potential impact of the bill on locally paid local employees.

Table 1: Estimated Costs to Implement Inflation Adjusted Minimum Wage

	FY 2026-27	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**
Salaries and Benefits	$2,900,000	$9,200,000	$16,100,000	$24,100,000	$33,800,000

Note: Costs in FY 2026-27 are much lower than subsequent years because there are no direct costs to the State due to minimum wage changes prior to January 2027.

Section 1 also establishes the North Carolina Wage Board within the Department of Labor (DOL). Section 4 of H.B. 1059 appropriates $150,000 in nonrecurring funds for FY 2026-27 to DOL to implement the bill. Therefore, the fiscal impact of DOL's implementation will be $150,000 in FY

2026-27. DOL did not respond to repeated requests for estimates of the cost to implement the bill. In FRD's estimation, DOL can support the North Carolina Wage Board within its existing appropriation. Therefore, there will be no fiscal impact of DOL's implementation of Section 1 after FY 2026-27.

Section 3

Section 3 of House Bill 1059 establishes a short-time compensation (STC) program. STC is a program within the federal Unemployment Insurance (UI) system. Under STC programs, employers may reduce workers' hours in lieu of layoffs. The workers in turn would be compensated on a pro-rated basis for the reduced hours through STC. As part of the UI system, STC would be administered in NC by the Division of Employment Security (DES) at the Department of Commerce. DES is funded by federal funds and does not receive General Fund support. Therefore, the cost to implement STC will not result in a General Fund impact, but will have a special fund impact.

To participate in STC, employers must file a short-time plan with DES identifying the affected units and individuals within the units who would be placed on reduced hours. The individuals then apply to DES for STC when the reduced hours go into effect. Individuals are considered eligible for STC only if they are identified in the employer's short-time plan, if their hours were reduced by at least 10% and no more than 60%, and if they are able and available to work for their employer.

Costs to implement STC are driven by two factors: the need to update information systems at DES to handle STC claims, and the need for additional staff to process STC claims. Implementing STC would require personnel in the following roles.

Table 2: DES Units and Business Functions Needed to Implement STC

Unit	**Business Functions**
Benefits: Special Programs	Program administration, employer plan processing, participant enrollment, and ongoing program coordination.
Benefits: Adjudication	Resolution of claimant eligibility issues, adjudication of disputed claims, and benefit determinations.
Support Center	Employer and claimant assistance, application support, and contact center operations.
Tax Audit/Plan Review	Employer eligibility verification, STC plan review, and employer compliance activities.
Tax Payment & Wage Processing	Wage reporting, employer account maintenance, and payment processing support.
Appeals	Processing employer and claimant appeals arising from STC eligibility or benefit determinations.
Integrity	Program integrity, fraud detection, investigations, and compliance monitoring.

Source: NC Division of Employment Security

DES estimates 0.5% of North Carolina employers would participate in STC. There are an estimated 290,000 employers in North Carolina; 0.5% of 290,000 is 0.005*290,000 = 1,450 participating employers. Therefore, DES estimates it would need to review 1,450 employer plans annually.

FRD estimates the employer participation rate will be lower than the estimate provided by DES. Using national data from the U.S. Department of Labor (USDOL), FRD estimates that among states with active STC programs, an average of 0.03% of employers participated in STC over the last five years, compared to all covered employers. In North Carolina, 0.03% of 290,000 employers would be 87 employers (.0003*290,000 = 87). Based on this estimate, DES would need to review 87 employer plans annually.

DES further estimates there would be 35 claimants per employer plan. DES based this estimate on national data showing 20 to 50 employees per employer plan. 35 claimants per employer plan would lead to 50,750 STC claims annually in NC (35 claimants per employer plan*1,450 participating employers), or an additional 4,229 claims per month (50,750 claims annually/12 months). Currently, DES receives an average of 14,200 initial claims per month. An increase of 4,229 claims per month would be an increase of approximately 30% (4,229/14,200 = .298, or 30%).

Again, FRD estimates the number of claims is likely to be lower than the estimate provided by DES. National data from USDOL show STC claims account for less than one percent of all UI claims. For program years 2021-2025, the average ratio of STC claims to all UI claims was 0.7%. According to USDOL, there were 184,413 initial claims in North Carolina in 2025. Applying the average ratio of 0.7% to North Carolina's initial claims leads to an estimate of 1,291 initial STC claims (0.7%*184,413) per year, or an additional 108 claims per month (1,291 claims annually/12 months). This is substantially lower than DES's estimate of 50,750 STC claims annually or 4,229 claims per month.

The table below shows the position titles by business unit needed to implement STC. The number of FTE needed will vary based on the employer participation rate and claim rate; the lower estimate is based on FRD's estimate and the upper estimate is based on DES's estimate.

Table 3: Estimated Range of FTE Needed to Implement STC by Business Unit and Position Title

Unit	Position Title	FTE Needed based on Lower Estimate	FTE Needed based on Upper Estimate
Benefits: Special Programs	Program Coordinator II	1	1
	Administrative Specialist I	1	7
Benefits: Adjudication	Program Coordinator I	1	5
Support Center	Govt. Program Eligibility Rep II	1	7
Tax Audit/Plan review	Finance & Business Compliance Analyst II	1	5
Tax Payment & Wage Processing	Administrative Specialist I	1	3
Appeals	Agency Legal Consultant I	1	2

Integrity	Program Coordinator II	1	5
	TOTAL FTE	**8**	**35**

The table below shows the total position costs by position title based on the lower and upper estimates of employer participation and claims under STC.

Table 4: Total Salary and Benefit Costs to Implement STC based on Lower and Upper Estimates, FY 2026-27

Position Title	Annual Salary	Social Security Cost	Retirement Cost	Health Cost	FTE	Total Salary and Benefits
Lower Estimate						
Program Coordinator II	$43,267	$3,310	$11,293	$8,925	2.000	$133,589
Administrative Specialist I	$39,244	$3,002	$10,243	$8,925	2.000	$122,828
Government Program Eligibility Rep II	$32,287	$2,470	$8,427	$8,925	1.000	$52,109
Program Coordinator I	$39,244	$3,002	$10,243	$8,925	1.000	$61,414
F&B Compliance Analyst II	$47,703	$3,649	$12,450	$8,925	1.000	$72,728
Agency Legal Consultant I	$69,704	$5,332	$18,193	$8,925	1.000	$102,154
					Total Position Costs	**$544,822**
Upper Estimate						
Program Coordinator II	$43,267	$3,310	$11,293	$8,925	6.000	$400,768
Administrative Specialist I	$39,244	$3,002	$10,243	$8,925	10.000	$614,139
Government Program Eligibility Rep II	$32,287	$2,470	$8,427	$8,925	7.000	$364,762
Program Coordinator I	$39,244	$3,002	$10,243	$8,925	5.000	$307,069
F&B Compliance Analyst II	$47,703	$3,649	$12,450	$8,925	5.000	$363,639
Agency Legal Consultant I	$69,704	$5,332	$18,193	$8,925	2.000	$204,308
					Total Position Costs	**$2,254,684**

Note: Numbers may not sum due to rounding.

The table below shows the position costs at the lower and upper estimates for the 5-year period of the fiscal note, adjusted for inflation using the standard inflation rates from Moody's as of January 2026.

Table 5: Estimated Range of Position Costs to Implement STC, FY 2026-27 through FY 2030-31

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31

Lower Estimate					
FTE	8.000	8.000	8.000	8.000	8.000
Total Cost	**$544,822**	**$564,144**	**$582,902**	**$599,913**	**$619,596**
Upper Estimate					
FTE	35.000	35.000	35.000	35.000	35.000
Total Cost	**$2,254,684**	**$2,333,959**	**$2,410,919**	**$2,480,709**	**$2,561,462**

Implementing STC would require additional operating costs. Due to the additional personnel, DES would need to purchase additional equipment and supplies. DES estimated $5,000 per FTE in FY 2026-27 to purchase equipment and $2,000 each year per FTE for supplies. At the lower estimate of 8 FTE, this results in $40,000 (8*$5,000) for equipment in FY 2026-27 and $16,000 (8*$2,000) for supplies. At the upper estimate, this results in $175,000 (35*$5,000) for equipment and $70,000 (35*$2,000) for supplies.

Further, DES would need to update the information systems used to handle claims, including NC State Unemployment Insurance Tax System (SUITS) for employers and Southeast Consortium for Unemployment Benefits Integration (SCUBI) for claimants, to include STC. The cost to update and manage the IT systems is fixed and will not depend on the employer participation rate, number of claims received, or number of FTE needed to implement STC. DES estimates the cost to update the systems at $1,000,000 per year for two years, based on its experience with other IT system updates.

The estimated operating costs, including purchased services to update and manage the IT systems, and supplies and equipment to support the personnel, are shown in the table below for the 5-year period of the fiscal note. The costs in later years are adjusted for inflation using the standard inflation rate from Moody's as of January 2026.

Table 6: Estimated Range of Operating Costs to Implement STC, FY 2026-27 through FY 2030-31

	FY 2026-27	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**
Lower Estimate					
Purchased Services	$1,105,000	$1,107,583	$109,885	$111,819	$113,653
Supplies	$16,000	$16,394	$16,744	$17,039	$17,162
Equipment	$40,000	$0	$0	$0	$0
Total Cost	**$1,161,000**	**$1,123,977**	**$126,629**	**$128,858**	**$130,815**
Upper Estimate					
Purchased Services	$1,105,000	$1,107,583	$109,885	$111,819	$113,653
Supplies	$70,000	$71,722	$73,257	$74,546	$75,769
Equipment	$175,000	$0	$0	$0	$0
Total Cost	**$1,350,000**	**$1,179,305**	**$183,142**	**$186,365**	**$189,421**

Note: Numbers may not sum due to rounding.

The table below shows the total estimated cost to implement Section 3 of H.B. 1059, including position and operating costs, for the five years of the fiscal note period, based on the lower and upper estimates of employer participation and claims.

Table 7: Estimated Range of Total Costs to Implement STC, FY 2026-27 through FY 2030-31

	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Lower Estimate					
Position Cost	$544,822	$564,144	$582,902	$599,913	$619,596
Operating Cost	$1,161,000	$1,123,977	$126,629	$128,858	$130,815
Total Cost	**$1,705,822**	**$1,688,121**	**$709,531**	**$728,771**	**$750,411**
Upper Estimate					
Position Cost	$2,254,684	$2,333,959	$2,410,919	$2,480,709	$2,561,462
Operating Cost	$1,350,000	$1,179,305	$183,142	$186,365	$189,421
Total Cost	**$3,604,684**	**$3,513,264**	**$2,594,061**	**$2,667,074**	**$2,750,883**

Note: Numbers may not sum due to rounding.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

MOODY'S ANALYTICS, STATE PERSONNEL SYSTEM (BEACON), FRD/OSBM SALARY SURVEY, LOCAL EDUCATION AGENCY AND COMMUNITY COLLEGE MINIMUM WAGE SURVEY, NC DIVISION OF EMPLOYMENT SECURITY, US DEPARTMENT OF LABOR

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

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