



# SENATE BILL 1041: Public Workforce Modernization Act.

2025-2026 General Assembly

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<b>Committee:</b> House State and Local Government	<b>Date:</b> June 23, 2026
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<b>Analysis of:</b> Fourth Edition	Committee Co-Counsel

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**OVERVIEW:** *Senate Bill 1041 would make changes to the State Human Resources Act (SHRA), including the following:*

- *Repealing the current SHRA statutes (Chapter 126), reenacting the SHRA as Chapter 126A, and making technical, clarifying, and conforming changes to the text.*
- *Codifying current State Human Resources Commission rules and polices related to employee classifications.*
- *Authorizing fees for the costs for certain education, training, or consultation services provided by Office of State Human Resources.*
- *Streamlining hiring processes and authorizing use of skills-based hiring and experiential learning programs in hiring.*
- *Codifying criteria for use in just cause disciplinary actions and establishing the standard of review for final agency appeals.*
- *Renaming Temporary Solutions Programs as JoinNC and expanding use for employee recruitment.*
- *Creating separate human resources statutes for the legislative and judicial branches.*

## CURRENT LAW:

The State Human Resources Act (SHRA) establishes laws related to State government employment, including employee classifications, hiring and recruitment, salaries, benefits, dismissal and disciplinary processes, and employee protections. The SHRA establishes the State Human Resources Commission (Commission), which adopts employment rules and policies consistent with the SHRA, and the Office of State Human Resources, which administers those rules and policies. The SHRA establishes categories of employees that are partially exempt from the SHRA statutes, referred to as "exempt" employees. Exempt employees include all employees of the legislative and judicial branches.

## BILL ANALYSIS:

### Part I. State Human Resources System

SB 1041 would repeal the current SHRA statutes (Chapter 126) and reenact the SHRA as Chapter 126A to reorganize and clarify the SHRA to improve organization and readability. In addition, SB 1041 would make the following substantive changes in Part I:

- Classifications of employees:
  - Codify classifications of employee appointment types for permanent employees (career, probationary, and permanent experiential) and non-permanent employees (temporary, time-limited, and non-permanent experiential).

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- Extend the current 12 month probationary period for career appointment by 6 months if a supervisor determined additional assessment was needed.
- Fees: Allow the Office of State Human Resources (OSHR) to charge fees to cover costs for statutorily-required services that are receipt supported, administrative costs for JoinNC, and training and consultation services requested by a unit of local government.
- Reports: Consolidate various reports by OSHR into a single annual State of the State Workforce report.
- Compensation:
  - Provide authority for policies on compensation that include salaries, longevity and performance pay, bonuses, and awards to make State employment competitive and attractive, award employee performance, and provide similar rates of pay to similar positions.
  - Codify session law establishing the minimum salary for full-time employment with the State at \$31,000.
- Hiring:
  - Clarify the posting process for State positions.
  - Allow use of employee search firms, subject to certain restrictions.
  - Allow flexible hiring approaches to find the most qualified candidates, including using skills-based hiring or experiential learning programs.
  - Authorize lateral transfers within agencies to fill vacant positions.
  - Clarify the order of hiring priorities among various statutory hiring preferences.
  - Authorize the Commission to establish policies to provide for hiring preferences for veterans, National Guard members, and spouses of active-duty troops in place of existing statutory requirements related to experience credit.
- Benefits:
  - Authorize polices for paid bereavement leave.
  - Authorize up to 12 weeks of parental leave (currently 8 weeks for birthing parents).
  - Authorize up to 13 paid holidays per year to account for the variability in the day of the week upon which New Year's Day falls.
  - Authorize at least 120 hours of vacation leave per year for full-time employees.
  - Eliminate statutes related to paid leave for certain athletic competition, replacement of law enforcement officers on final sick leave, and sick leave for adverse reactions to vaccination.
  - Streamline statutes related to voluntary sick leave to remove caps on leave.
  - Provide that vacation and sick leave would be transferrable between all branches of State government.
- Just Cause, Disciplinary Actions, and Grievances:
  - Codify five factors identified by State appellate courts that must be used in determining whether just cause exists for dismissal for unacceptable personal conduct.
  - Codify standards to be used in assessing whether just cause exists for dismissal for unsatisfactory and grossly inefficient job performance.
  - Require administrative law judges to use the preponderance of the evidence standard for appeals of final agency decisions from just cause disciplinary actions or dismissals.

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- Authorize agencies to redeploy employees to a different position or set of job duties without just cause or the employee's agreement.
- Authorize 120 days (instead of the current 90 days) for completion of the agency grievance procedure and OSHR review of files grievances.
- Authorize the Office of Administrative Hearings to issue gatekeeping orders to prevent abuse of the grievance process.
- Reductions in Force: Allow reductions in force to be used to reorganize positions to better accomplish functions.
- Temporary employees:
  - Rename the Temporary Solution Program for temporary employees as JoinNC.
  - Authorize JoinNC to assist with recruiting employees (including permanent employees) for agencies using funds generated by the program.
- Personnel Records:
  - Remove age as a publicly available part of an employee's personnel record.
  - Allow personnel file information to be provided to a grievant during a grievance hearing to the extent necessary to adjudicate the grievance.

## **Part II. Legislative Human Resources System**

**Part II** would establish an independent human resources program for legislative employees governed by the Legislative Services Commission (Commission). The Commission would be responsible for establishing employment policies for legislative employees, including classification, compensation, benefits, leave, and hiring, including the use of E-verify. The Commission could also request OSHR assistance with programs, training, and benefits.

The General Assembly would be required to be an equal opportunity employer and to maintain confidentiality of employee personnel records, subject to limited exceptions.

## **Part III. Judicial Human Resources System**

**Part III** would establish an independent human resources program for judicial employees. The Director of the Administrative Office of the Courts would be responsible for use of E-Verify to verify work authorization and establishment of leave policies for judicial employees. The Director could also request OSHR assistance with programs, training, and benefits.

The judicial branch would be required to be an equal opportunity employer, provide protections against compelled speech, provide protections for whistleblowers, and maintain confidentiality of employee personnel records, subject to limited exceptions.

## **Part IV. Conforming Changes:**

Part IV would make the necessary conforming changes to reflect the repeal of Chapter 126 and enactment of Chapter 126A.

## **Part V. Clarifying and Transition Provisions:**

Part V would provide for the transition from governance of the State human resources system under Chapter 126 to governance under Chapter 126A and require OSHR and the Commission to take certain actions to facilitate the transition.

**Section 5.1** would provide that the provisions of Chapter 126 as they exist immediately prior to repeal would continue to govern the following:

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- Contested cases pending before the Commission or Office of Administrative Hearings, including any pending judicial review of those cases, on the effective date of the act.
- Unresolved grievances, disciplinary actions, or appeals initiated under Chapter 126 prior to the effective date.
- Claims for back pay, reinstatement, or other relief arising from employment actions that occurred prior to the effective date.
- Rights to career State employee status vested under G.S. 126-1.1 prior to the effective date.
- Any cause of action arising under Chapter 126 accrued prior to the effective date.

It would further provide:

- The extension of the probationary period authorized in the act and certain provisions related to time-limited appointments would only apply to employees hired on or after the effective date.
- Employees designated as a confidential assistant or confidential secretary would be automatically redesignated as an employee of a policymaker and employees designated as an exempt warden would be automatically redesignated as an exempt warden.

**Section 5.2** would provide that the new Chapter 126A would apply in conflicts with the existing human resources administrative rules, and require the Commission to review those administrative rules and repeal any unnecessary rules.

**Section 5.3** would provide that decentralization agreements, delegation agreements, and memoranda of understanding between OSHR and any agency, department, or institution in effect on the effective date of the act remain in effect until modified or terminated by their terms or superseded by future agreements. It would also provide that no action or proceeding brought by or against the Commission, OSHR, or the State pending on the effective date of the act would be affected by the enactment of the act.

**Section 5.4** would require OSHR to assess the State's classification and compensation system, identify opportunities for improvement, and report findings to the chairs of the Senate Appropriations/Base Budget Committee, the chairs of the House Appropriations Committee, the Joint Legislative Commission on Governmental operations, and the Fiscal Research Division by October 1, 2027. After the initial report, OSHR would be required to contemplate a pilot program on classification and compensation recommendations. OSHR would additionally be required to incorporate trends and recommended findings from this assessment into the annual State of the State Workforce Report. It would further require executive branch State agencies to annually report certain information pertaining to recruitment and retention challenges to OSHR upon request.

**Section 5.5** would require OSHR to submit a revised disciplinary policy containing an improved process for managing state employee performance and conduct to the Commission by December 1, 2026. The Commission would be required to adopt a revised Disciplinary Action Policy by April 1, 2027.

**EFFECTIVE DATE:** This act would become effective October 1, 2026.

*\*This summary was substantially contributed to by Kara McCraw, Division Director of the Legislative Analysis Division, and Samantah Yarborough, Michael Whitfield, and Ike McRee, Staff Attorneys for the Legislative Analysis Division..*