



SENATE BILL 1041: Public Workforce Modernization Act.

2025-2026 General Assembly

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| Committee: | Senate State and Local Government. If favorable, re-refer to Judiciary. If favorable, re-refer to Rules and Operations of the Senate. If favorable, re-refer to Appropriations/Base Budget | Date: | June 3, 2026 |
| Introduced by: | Sens. Corbin, Johnson, Lee | Prepared by: | Ike McRae and Michael Whitfield |
| Analysis of: | PCS to First Edition S1041-CSBNf-14 | | Committee Co-Counsel |

OVERVIEW: Senate Bill 1041 would repeal Chapter 126 of the General Statutes and enact a new Chapter 126A, primarily mirroring the current provisions of Chapter 126 while modernizing and simplifying the statutes.

The PCS would make organizational and clarifying changes to Senate Bill 1041.

CURRENT LAW and BILL ANALYSIS:

Part I. Modernized State Human Resources Act:

Part I repeals Chapter 126 and replaces it with Chapter 126A as follows:

Article 1 would:

- Set out the purposes and goals of Chapter 126A.
- Establish definitions of terms used in the Chapter.
- Set out the applicability of the Chapter, including delineating those employees to which provisions of the Chapter apply in their entirety, in part, and those that are exempt from the Chapter.

Article 2 would:

- Maintain the current structure of the State Human Resources Commission (Commission).
- Authorize the Office of State Human Resources (OSHR) to charge fees to cover the full costs for participation in education, training, or consultation services, except for those services OSHR is required by statute to provide.
- Authorize the Director of the OSHR to grant exceptions or variances from Commission rules or policies.
- Require OSHR to make an annual report to cited legislative committees and Fiscal Research Division on the State employee workforce, statewide human resources programs, and the results of an annual compensation survey.

Article 3 would:

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- Authorize the Commission to adopt policies and rules for (i) the process of position classification and reclassification, (ii) the hiring of employees on the basis of demonstrated competency rather than years of experience or education, (iii) a classification system that organizes positions based on duties and responsibilities, (iv) a classification system that sets minimum qualifications for classification of positions, which may include skills, competencies, education, experience, certifications, or other requirement pertinent to the work to be performed, and (v) a procedure for the periodic review of classification specifications.
- Provide that State agencies are granted flexibility to classify or reclassify positions in accordance with the Commission classification system if the employee meets the minimum requirements for the classification.

Article 4 would:

- Authorize the Commission to establish policies or rules for the setting of employee compensation that (i) makes State government a competitive and attractive employment option, (ii) provides substantially similar compensation levels for positions with similar work, and (iii) recognizes and rewards employee performance.
- Grant State agencies the flexibility to establish employee salaries within Commission determined salary ranges and the ability to set the salary of exempt policymaking and exempt managerial positions within minimum and maximum rates set by the Commission plus ten percent (10%).
- Provide that the minimum salary range in the amount of \$31,200 applies only to full-time State employees who are not placed on leave without pay during the year.

Article 5 would:

- Organize and incorporate requirements for recruiting and hiring employee currently located throughout Chapter 126 into one article.
- Require that all vacancies for which any State agency openly recruit be posted on a website maintained by OSHR.
- Authorize State agencies to determine if a vacancy is open only to applicants internal to the agency or State government and marked as “internal” on a website maintained by OSHR.
- Require that a publicly posted position includes a closing date unless the State agency approves a continuous position.
- Authorize a State agency head to determine that based on business needs, and in accordance with Commission policy, the agency will not openly recruit to fill a vacancy.
- Authorize State agencies to retain employee search firms to assist with finding candidates for State employment.
- Provide that an applicant for employment who meets the minimum education and experience for a vacancy is a “qualified person” for a position and that any additional knowledge, skills, and abilities listed in the job posting are interpreted as management preferences.
- Authorize State agencies to employ (i) skills-based hiring that allows the agency to assess whether a person meets the minimum job qualifications based on demonstrated competencies without relying solely on education, length of experience, or documented credentials or (ii) work-based learning that allows the agency to offer registered apprenticeships through the Apprenticeship

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Council or informal apprenticeships, fellowships, and other work-based learning program in an experiential appointment.

- Maintain the limitation regarding the consideration of political affiliation or influence in certain hirings.
- Authorize State agencies to hire an employee serving in a non-permanent appointment into a vacant permanent position if the employee has worked a minimum of three months in a substantially similar role, meets the minimum education requirements for the position, and the hire is approved by the hiring manager and hiring manager's supervisor.
- Clarify that eligible persons including veterans, the spouses of disabled veterans, and the spouse or dependent of a deceased veteran, must be granted preference in employment for State agency positions and would add eligible members of the National Guard and the spouse of a service member who is serving in the Armed Forces of the United States on active duty as persons who would also be granted the employment preference.
- Authorize a State agency to transfer an existing employee into any vacant position at the same agency which is in the same classification and at an equal or higher salary, without posting the position.

Article 6 would:

- Authorize the Commission to (i) establish policies or rules governing the confirmation of eligibility to work in the United States, (ii) verify credentials and employment history, and (iii) authorize OSHR to operate a centralized program to electronically offer E-verify access to agencies.

Article 7 would:

- Authorize the Commission to establish policies or rules governing paid parental leave and bereavement, benefits, terms, and conditions of employment, and voluntary shared leave.
- Provide for the operation of a flexible compensation plan by the Director of OSHR.

Article 8 would:

- Recodify and reorganize Article 8 of Chapter 126 pertaining to employee appeals of grievances and disciplinary actions.
- Codify factors to establish "just cause" for unacceptable personal conduct, clarify how factors are considered, and provide that no disciplinary action will fail solely for failing to consider one of the factors if "just cause" is present.
- Provide that in accordance with G.S. 150B-34(a), an administrative law judge shall decide a disciplinary appeal based upon the preponderance of evidence, giving due regard to demonstrated knowledge and expertise of the agency within specialized knowledge of the agency.
- Authorize that when criminal charges are filed against an employee, a State agency may redeploy the employee without just cause and without agreement of the employee to a different position or different set of job duties.
- Provide (i) that the grievance procedure approved by the Commission must include mandatory mediation, (ii) for an increase in the time for completion of an agency grievance procedure from 90 days to 120 days, and (iii) that the Office of Administrative Hearings is authorized to issue gatekeeper orders to prevent abuse of the grievance process.

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Article 9 would:

- Recodify and reorganize Article 2 of Chapter 126 pertaining to employee separation from service and reductions in force.
- Provide that, after consultation with the Director of the State Office of Management and Budget, an agency head must determine whether a State employee separated from employment as a result of the closure of a State institution or reduction in force will be paid a discontinued service retirement allowance or severance wages.

Article 10 would:

- Recodify and reorganize Article 5 of Chapter 126 pertaining to political activity of employees.

Article 11 would:

- Change the program that Cabinet agencies that utilize temporary employees are required to use to employ temporary employees from Temporary Solutions to JoinNC.
- Authorize JoinNC to assist with recruiting State employees for any State government position, including permanent positions.

Article 12 would:

- Maintain the (i) discretion available to local governments to adopt certain personnel rules and regulations that supersede the rules and regulations adopted by the Commission, (ii) ability of the Director of OSHR to make certain services and facilities of OSHR available to local governments, (iii) authorization of boards of county commissioners to establish and maintain a personnel system for employees of local departments of social services, local health departments, area mental health programs, and local emergency management services with the approval of the Commission, and (iv) authorization of local governments to offer bonuses to employees subject to this act.

Article 13 would:

- Recodify Parts 1 and 2 of Article 63 of Chapter 143 pertaining to the State Employees Workplace Requirements Program for Safety, Health, and Workers' Compensation.
- Remove an annual reporting requirement of OSHR to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on General Government on the safety, health, and workers' compensation activities of State agencies, compliance with this Article, and the fines levied against State agencies pursuant to the Occupational Safety and Health Act of North Carolina.

Article 14 would:

- Recodify and reorganize Articles 14 and 15 of Chapter 126.

Article 15 would:

- Recodify and reorganize provisions of Article 6 of Chapter 126 pertaining to equal employment and compensation opportunities.

Article 16 would:

- Recodify and reorganize Article 7 of Chapter 126, except for those provisions related to fraudulent and willful nondisclosure on applications for State employment which are recodified in Article 6 of this act.

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- Remove age from the list of information that each agency shall maintain a record of with respect to each employee.

Part II. Legislative Human Resources System and Part III. Judicial Human Resources System:

Part II would mirror current laws pertaining to the human resources system for the legislative branch in a new article located in Chapter 120 of the General Statutes.

Part III would mirror current laws pertaining to the human resources system for the judicial branch in a new article located in Chapter 7A of the General Statutes.

Neither Part II or Part III would substantively alter the operation of the human resources system for the legislative or judicial branch.

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:

- 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 a confidential assistant and employees designated as an exempt warden would be automatically redesignated as an exempt warden.

Section 5.2 would provide that, in conflicts between a provision of Chapter 126A and existing rules in Title 25, Chapter 01 of the North Carolina Administrative Code, the provision of Chapter 126A would control. It would require the Commission to review rules in Title 25, Chapter 01 of the North Carolina Administrative Code and repeal any rules it determines to be unnecessary after enactment of the act.

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

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would also provide that no action or proceeding brought by or against the Commission, OSHR, or the State that is 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.