# GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2011

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### SENATE BILL 99 House Committee Substitute Favorable 3/16/11

Short Title: Reform UI Tax Structure/Expedite Analysis.

Sponsors:

Referred to:

### February 22, 2011

#### A BILL TO BE ENTITLED

- 2 AN ACT TO EXPEDITE THE ANALYSIS OF THE TAX STRUCTURE FOR 3 NORTH CAROLINA UNEMPLOYMENT INSURANCE THE IN GIVEN 4 SUBSTANTIAL NEGATIVE BALANCE IN THE STATE'S UNEMPLOYMENT 5 INSURANCE TRUST FUND AND THE SUBSTANTIAL FEDERAL LOAN BALANCE 6 OWED BY THE STATE FOR PAYMENT OF UNEMPLOYMENT INSURANCE 7 BENEFITS.
- 8 Whereas, North Carolina's Unemployment Insurance Trust Fund balance had a 9 deficit of \$2,500,000,000, as of December 31, 2010, according to the Employment Security 10 Commission; and

Whereas, the State owes the federal government \$2,500,000,000 for loan liabilities
incurred by the Employment Security Commission to continue unemployment insurance
benefits payments to jobless North Carolinians during the current economic crisis; and

Whereas, the total collected by the State in unemployment insurance taxes in the 15 12-month period ending December 2010 amounted to \$955,200,000, while the sum paid in 16 unemployment insurance benefits for the same period totaled \$1,900,000,000; and

Whereas, businesses large and small pay into the unemployment insurance system with the expectation that their contributions will be sufficient to provide assistance to their qualified former jobless employees; and

Whereas, it is in the best interest of the employers and employees of this State to have the most efficient and cost-effective unemployment insurance tax structure; and

Whereas, the current unemployment insurance tax structure no longer serves the businesses and citizens of this State in the manner required by these and future economic times; and

Whereas, major reforms regarding the unemployment insurance tax structure must
be developed and implemented as soon as practicable; Now, therefore,

27 The General Assembly of North Carolina enacts:

28 **SECTION 1.** The General Assembly finds that the State must take swift and 29 prudent action to address the two billion five hundred million dollars (\$2,500,000,000) in debt 30 liability for unemployment insurance benefits currently owed to the federal government and the 31 substantial deficit in the North Carolina Unemployment Insurance Trust Fund. To that end, the 32 Department of Commerce shall contract with an independent consulting firm specializing in 33 unemployment insurance and employment security reform to obtain recommendations on what 34 tax structure changes would be fair to the employers of North Carolina and how these revenues, and other financial options, might be used in servicing and liquidating the State's debt and 35 36 deficits incurred to pay unemployment insurance benefits.



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(Public)

## **General Assembly Of North Carolina**

1 **SECTION 2.** A contract to obtain services of a consultant pursuant to this act is not 2 subject to Article 3C of Chapter 143 of the General Statutes. The consultation contract may be 3 funded from (i) funds available within the Employment Security Commission, including State 4 funds and any federal funds that may be used for the purposes of this act, and (ii) non-State or 5 nongovernmental funds, grants, and in-kind contributions specifically designated for the 6 purpose of carrying out the analysis required by this act.

7 **SECTION 3.** The Department of Commerce shall provide the Fiscal Research 8 Division and the Program Evaluation Division with periodic updates on the progress of the 9 analysis. Within 45 days from the completion of the independent consultant's analysis, the 10 Department of Commerce shall report to the Governor and to the General Assembly on the 11 independent consultant's recommendations for reform of the State's unemployment insurance 12 tax structure.

13 **SECTION 4.** The Employment Security Commission and the Department of 14 Revenue shall cooperate fully with the Department of Commerce, the Fiscal Research Division, 15 and the Program Evaluation Division by giving all information and all data within their 16 possession or ascertainable from their records necessary to carry out the purposes of this act.

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**SECTION 5.** This act is effective when it becomes law.