

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

S

1

SENATE BILL 99

Short Title: Reform UI Tax Structure/Expedite Analysis. (Public)

Sponsors: Senators Clary, Rucho, and Hartsell.

Referred to: Finance.

February 22, 2011

1 A BILL TO BE ENTITLED
2 AN ACT TO EXPEDITE THE ANALYSIS OF THE TAX STRUCTURE FOR
3 UNEMPLOYMENT INSURANCE IN NORTH CAROLINA GIVEN THE
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

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

14 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

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

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

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

25 Whereas, major reforms regarding the unemployment insurance tax structure must
26 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,
35 and other financial options, might be used in servicing and liquidating the State's debt and
36 deficits incurred to pay unemployment insurance benefits.



1 **SECTION 2.** The Department of Commerce shall begin work immediately to
2 identify a qualified independent consultant with the expertise to conduct a thorough analysis of
3 the State's unemployment insurance tax structure then expedite entering into a contract with
4 that qualified consultant. The consultation contract may be funded from departmental funds
5 available. The Department of Commerce may seek and accept non-State funds, grants, and
6 in-kind contributions specifically designated for the purpose of carrying out the analysis
7 required by this act.

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

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

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