

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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SENATE BILL 99  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S99-PCS15084-RB-11

Short Title: Reform UI Tax Structure/Expedite Analysis.

(Public)

Sponsors:

Referred to:

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,



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1 and other financial options, might be used in servicing and liquidating the State's debt and  
2 deficits incurred to pay unemployment insurance benefits.

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

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

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

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