



Nonprofits and Unemployment Insurance in North Carolina

- Thank you, Madam Chair, Senator Rucho, and members of the committee for seeking the input of nonprofits on the parts of this bill that affect nonprofit employers.
- I am David Heinen, Director of Public Policy and Advocacy at the N.C. Center for Nonprofits, a network of more than 1,600 nonprofits serving all 100 counties of North Carolina.
- Nonprofits recognize that the \$2.5 billion debt in the UI Trust Fund is a problem for all employers in North Carolina, including for-profit businesses, nonprofits, and local governments. We appreciate that all employers are being asked to make sacrifices to pay off this debt as quickly as possible and to make the Trust Fund solvent for the future.
- Many nonprofit employers pay state unemployment taxes like for-profit businesses, while about 600 North Carolina nonprofits elect to reimburse the state for claims rather than pay state UI tax.
- I would like to address four provisions in this bill that affect the latter group of nonprofits.
- First, the provision to convert these nonprofits from annual to quarterly payments is a good change. It is consistent with how other states handle payments by nonprofits, it gives the state greater protection against nonprofits that go bankrupt, and it allows nonprofits to budget better for UI claims that occur during the course of a year. We support this change.

- Second, we thank the committee for including transition rules that will hopefully prevent the unintended consequences of double-payments or penalties for nonprofits affected by this bill.
- Third, we suggest that it may be advantageous for the state to consider allowing *small* nonprofits to continue to have the option of securing their election to reimburse with surety bonds. These small nonprofits are the ones that are most likely to go out of business and leave the state with unreimbursed unemployment claims. If these small nonprofits continue to have the option of using surety bonds, the state would have better insurance against this.
- Fourth, we note that the new 20% surcharge on 1% of payroll will have a significant financial impact for many nonprofits, particularly at a time when a third of nonprofits are operating at a deficit, 40% have cut staff pay, and a third have laid off staff.
 - Last year, 93% of North Carolina nonprofits experienced an increase in demand for services, and 58% were unable to fully meet these demands for services.
 - As benefits are reduced, more unemployed North Carolinians will rely on nonprofits to meet basic needs including food, housing, health care, financial assistance, and job training. This will add to the financial strain nonprofits are already dealing with.
 - We understand why you're asking nonprofits to continue to do more with less to help bring solvency to the UI Trust Fund, and we appreciate that a strong unemployment system will ultimately benefit all employers in the state.
- Thank you, particularly to Representatives Howard, Starnes and Warren and Senator Rucho, for seeking the input of the Center and nonprofits as you make these important changes to the state's unemployment system.