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New NC unemployment law takes effect as jobs remain scarce

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Paul Moore, 53, of Raleigh, will be losing his unemployment benefits later in June. Although he struggles to find a new job, he is unsure about his financial future. He is worried, that despite his being lowered twice to \$304, that if he doesn't find work soon, he could lose his home. "If I can't afford that," he says, "I don't. My ego can't take that. The end is not till then end. Something good is going to come up." - June 4, 2013

COREY LOWENSTEIN — clowenstein@newsobserver.com [Buy Photo](#)

By David Ranii — dranii@newsobserver.com

Paul Moore's back was against the wall when he accepted a new job as security guard in June after more than six months of looking for work.

The Raleigh resident was among the 70,000 unemployed workers statewide who faced the end of their federally funded extended unemployment benefits – which kicked in after they exhausted their state-funded benefits – as the result of a state law that went into effect July 1.

While Moore's new job is a welcome change from the months of rejection that preceded it, his paycheck hasn't

improved his financial situation.

The take-home pay from his \$10.50-an-hour a job is less than the unemployment checks he received. After taxes and other deductions, including child support for his 11-year-old daughter who lives with her mom, his \$840 gross earnings every two weeks is whittled down to \$407.03.

"I'm trying to budget," said Moore, 53, who especially worries about keeping up on the mortgage payments for his three-bedroom house in Southeast Raleigh. "I'm a strong man, but this is nothing I have ever been through before."

Still, Moore is better off than thousands of others who lost the safety net of extended federal unemployment benefits and haven't been able to find work in a state where the 8.9 percent unemployment rate is tied for third-worst in the nation.

The state's new unemployment law reduced the maximum state benefits a laid-off worker can receive by roughly one-third, as well as the maximum weeks of benefits, for workers who lost their jobs as of July 1. The changes also triggered the end of extended federal unemployment benefits for North Carolina's jobless.

The effects of the new law are not limited to the 70,000 unemployed workers who relied on extended federal unemployment benefits. Tens of thousands of unemployed workers receiving state-funded unemployment benefits today can't look forward to the life line that federally funded benefits offered if they aren't able to find employment.

A total of 81,423 individuals across North Carolina received state-funded unemployment benefits in July, a decrease of 9,555 compared to June, according to state data. That decline was mostly due to people finding jobs or because their benefits were exhausted.

Cuts an effort to pay off debt

The driving force for the new law when it was debated in the legislature was the more than \$2 billion that the state owed the federal government, money that was borrowed to cover state-funded unemployment benefits after unemployment soared beginning in 2008. That debt galvanized the N.C. Chamber to lobby hard for the bill because businesses must pay higher federal unemployment taxes until the debt is paid off – an increase of \$21 more per employee each year.

The law was passed on the premise that it would pave the way to repayment of the debt by late 2015 or early 2016, whereas doing nothing would have meant that the debt wouldn't be repaid until 2018. But those are projections, and the unemployment rate will affect the timetable.

The full financial impact of the new law on debt repayment won't be felt until the end of the year. That's because workers who became eligible for state-funded benefits before July 1 continue to receive benefits governed by the old law – including 26 weeks of unemployment checks and higher maximum checks.

Meanwhile, the amount of the debt is fluctuating significantly as a result of the state's cash flow.

The debt totaled \$2.546 billion at the beginning of the year and had declined to \$1.9 billion as of Aug. 27, according to the U.S. Department of Labor.

But that's somewhat misleading because the state's debt isn't decreasing in a straight line. Rather, it's zig-zagging based on the flow of federal and state unemployment taxes paid by businesses. (It's a popular misconception that workers pay unemployment taxes; only employers do.)

"It's not the level of the debt," said Dale Folwell, who heads the state Division of Employment Security. "It's when you ask the question about the level of the debt because of the timing of how we get money in this agency. ... Think about a zig-zag with a downward progression."

Fluctuation hard to track

Indeed, the state is both paying down the debt and borrowing money as needed, with the debt at the end of the year expected to be higher than it is now. The Division of Employment Security estimates that the debt will be \$2.112 billion at year's end, an increase of about \$197 million from today but a decrease of about \$434 million from the beginning of the year.

The governing factor is the timing of unemployment tax payments.

The unemployment taxes paid by employers are pegged to just a portion of the wages earned by their employees – the first \$7,000 in salary for federal unemployment taxes; the first \$21,000 in salary for state unemployment taxes.

Consequently, collection of the unemployment taxes is front-loaded and then drops off as those caps are reached. The state typically receives half its state unemployment taxes in the first quarter and 30 percent in the second quarter.

Another factor in play: The slowly improving economy is enhancing the state's ability to pay down its debt. The addition of 69,200 jobs in the state over the past 12 months is boosting the amount of state and federal unemployment taxes paid by employers.

"You have (unemployment) taxes being paid for more employees than you had a year ago," said John Quintero of South by North Strategies, a Chapel Hill firm specializing in economic and social policy.

At the same time, the declining unemployment rate is contributing to the state paying out less in benefits.

Quintero said that, according to U.S. Department of Labor data, the state paid out \$93 million in benefits last month – versus \$119 million in state-funded benefits in July 2012. The year-ago number excludes federally funded benefits.

Some cuts would have come

North Carolina is the only state that has lost extended federal unemployment benefits because of a change in state law, but federally funded benefits are taking a hit in other states.

Folwell said that if the state still had extended federal benefits, they would have been trimmed, for a couple of reasons.

First, sequestering has triggered cuts in benefit amounts of at least 10.7 percent, according to the National Employment Law Project.

Second, the drop in North Carolina's unemployment rate below 9 percent would have triggered trimming the maximum length of extended federal benefits by 10 weeks.

Some Republican lawmakers have argued that the new law, with its lower unemployment checks for fewer weeks, would push unemployed workers back into the workforce.

For Moore, the prospect of losing his unemployment check was a consideration in his decision to take a job as a security guard.

Would he have taken the job otherwise? "I don't know," Moore said. "I was so ready to go to work. I'm a working man. I've been working for 30-odd years."

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