

House Bill 4, S.L. 2013-2
House Bill 743, S.L. 2013-224
Senate Bill 420, S.L. 2013-391



FOCUS: DEBT REDUCTION UNEMPLOYMENT INSURANCE TRUST FUND & SOLVENCY CHANGES

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Issue of Trust Fund Solvency

- NC began receiving federal advances in February 2009
- Trust Fund Loan Balance
 - \$2.5 billion (September 2012)
 - \$1.9 billion (September 2013)
- Interest Payments
 - \$78.5 million (September 2011, 4.1% interest)
 - \$83.9 million (September 2012, 2.94% interest)
 - \$62.4 million (September 2013, 2.58% interest)
- States with a Balance
 - 18 states in 2013 v 20 states in 2012
\$20.2 billion in 2013 v \$26.5 billion in 2012
 - CA, NY, NC, OH, IN



- Federal-State partnership
 - Broad federal guidelines
 - Each state designs its own program within those guidelines
- FUTA – Federal tax
 - 6% on \$7,000 wage base; possible credit of 5.4%
 - Effective tax rate of 0.6%, or \$42/employee
- Federal repayment plan
 - FUTA credit reduced by 0.3% each year until debt is retired
 - All of the revenue from the increased FUTA tax collections is used to pay the principal on the debt; cannot be used to pay the interest

Debt Repayment – FUTA Tax

Year	FUTA Credit Reduction	Additional Amount per Employee	Total FUTA tax per Employee
2011	0.3%	\$21	\$63
2012	0.6	42	84
2013	0.9	63	105
2014	1.2	84	126
2015	1.5	105	147
2016	1.8	126	168
2017	2.1	147	189
2018	2.4	168	210
2019	2.7	189	231
2020	None	0	42

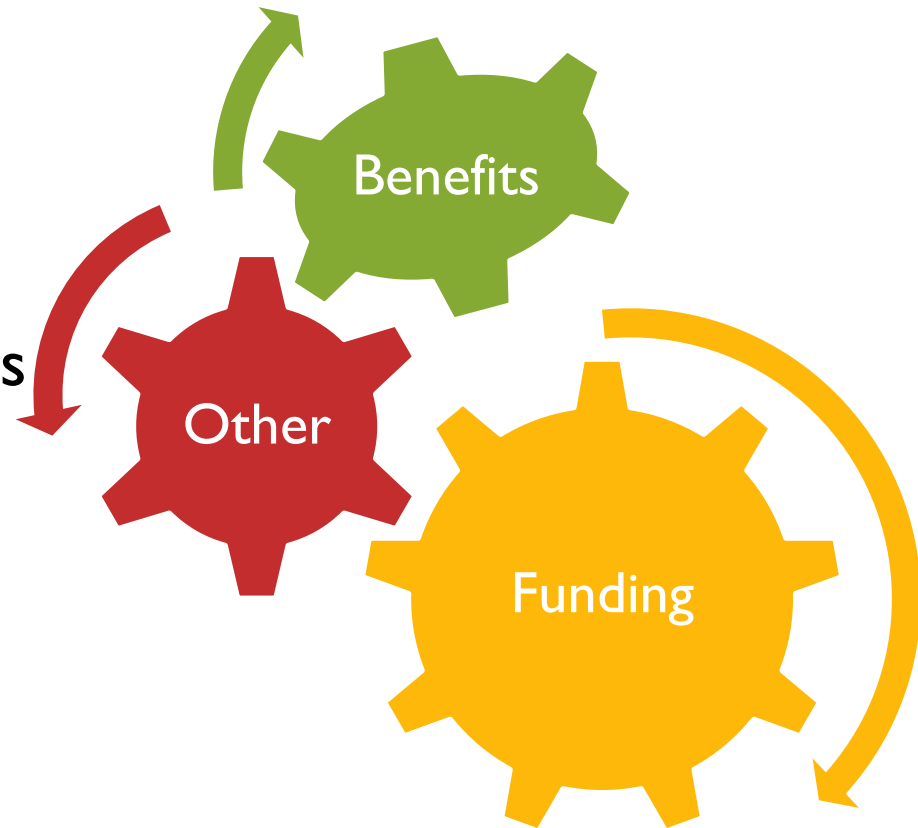
Legislative Changes

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2012	0.6	42	84
2013	0.9	63	105
2014	1.2	84	126
2015	1.5	105	147
2016	None	0	42

The legislative changes enable the State to retire the UI debt earlier and upon retirement of the debt, the FUTA rate returns to \$42 per employee in 2016 rather than 2020.

Legislative Changes

- Fund Changes
- Adjust Benefits
- Adjust Contributions
- Programmatic Changes
- Enhance Program Integrity (2011-2012)
- Strengthen Re-employment Efforts (2011-2012)



Restrict use of moneys

Accelerate moneys to payment of principal on debt



FUND CHANGES

Unemployment Insurance Fund

- Funded by SUTA contributions
- May only be used to pay benefits
- If amount in UI Reserve Fund exceeds cap amount, excess credited to the UI Fund

Unemployment Insurance Reserve Fund

- Funded by 20% surtax
Formerly imposed when UI Reserve Fund < \$163,349
- Change trigger
Base on amount in the UI Fund
Suspended when UI Fund has balance of \$1 billion or more
- Restrict use
Formerly used to fund local offices
- Cap amount in Fund
\$50 million or amount paid in interest previous year;

Transfer \$17m to Debt Reduction

Fund	Source	Transfer Amount
Worker Training Trust Fund Close Fund	Interest earned from the Employment Security Reserve Fund (20% surcharge paid by employers)	\$6.4 million
Training and Employment Account Close Account	Mandatory training and reemployment contribution levied on employers in 1999 with a 2002 sunset. Sunset extended until 1-1-06. Not collected since 2005.	\$688,000
Supplemental Employment Security Administration Fund	Penalties and interest charged employers for late payment of SUTA	\$16m Transfer \$10m

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Calculation of benefits

Duration of benefits

Eligibility, participation, and qualifying requirements



ADJUST BENEFITS

Weekly Benefit Amount

- WBA = 50% of claimant's average weekly wage in the last two quarters of the base period
 - Formerly 50% of high-quarter wages in base period
- Maximum amount set by statute at \$350
 - Formerly 66 2/3% of average weekly wage ~ \$535
 - ~21.7% of weekly claims checked > \$350

Duration of Benefits

- Duration tied to the seasonally adjusted unemployment rate
 - Unemployment >9%, 20 weeks
 - Unemployment \leq 5.5%, 12 weeks
- Determined twice a year
- Formerly 26 weeks
 - UpJohn Institute reported that 43% of claimants exhausted their maximum eligibility of 26 weeks from 2006-2011

Calculation of Benefits

Adjust Eligibility Requirements

- Reduced work hours
 - 50% unilateral and permanent reduction
Formerly 20%
- Suitable work
 - After 10th week, any employment offering 120% of WBA is suitable
- Good cause of leaving work
 - Eliminates all but two: domestic violence and military spouse relocation
- Substantial fault
 - Eliminated

Formula-based rate system
Increase minimum and maximum rates
Change trigger for surtax
Reserve requirements for governmental entities and TEO



ADJUST CONTRIBUTIONS

Private Employers

- Formula-based tax schedule
 - Replaces current set of stepped tax schedules with an equation based on a reserve ratio
- Benefits
 - Smoother movement between experience ratings
 - Improves responsiveness of system to balance in the UI Trust Fund
- Increase minimum and maximum SUTA tax rates by 0.06%
 - January 1, 2014
 - Minimum rate will increase from 0% to .06%
 - All employers will pay surtax
 - Maximum rate will increase from 5.7% to 5.76%

Reimbursable Employers

- Governmental entities, nonprofits, and Indian tribes
 - Reimburse the Trust Fund for benefits charged or may elect to pay tax like private employers
 - Not subject to 20% surtax

US DOL said could not impose this tax on these entities unless they elect to pay tax
- Maintain a reserve = 1% of taxable wages
 - Applicable to most nonprofits & Indian tribes
 - Expanded to all nonprofits & governmental entities
- One-time cash flow expenditure for governmental entities
 - ~\$135m from State and local governments
 - ~\$67.5m for State government workers (~\$54.4 GF)

Waiting week change
Attached claims changes



OTHER PROGRAMMATIC CHANGES

Other Programmatic Changes

- Waiting week
 - Applies to each claim filed during the benefit year
 - Formerly, one waiting week per benefit year
- Attached claims
 - Claim filed by employer on behalf of employee when employer expects to return employee to work
 - Available to positive balance employers only
 - Employers must prepay benefits
 - Claim cannot exceed one consecutive six-week period