

Introduction of the Unemployment Insurance Program

Joint Legislative Oversight Committee on
Unemployment Insurance

February 3, 2016

Greg Roney, Legislative Analysis Division

Federal Law



- Approved in 1935 as part of *Social Security Act*
- Two-fold purpose
 - Provide temporary assistance to those who have lost their jobs through no fault of their own
 - Help stabilize the economy in times of economic downturns

Federal-State Partnership

Key provisions have not been fundamentally altered in 50 years:

- Federal financing of administrative costs through the Federal Unemployment Tax (FUTA)
- States receive grants from US DOL for administering the program
- Substantial State autonomy over all substantive elements of self-contained unemployment insurance laws
- States must remain in compliance with US DOL rules
 - Loss of grants of FUTA funds
 - Higher effective FUTA rates in non-compliant states

Federal Benefit Requirements

Claimants

- Lost their jobs through no fault of their own
- Worked during a specified time period and received a minimum amount of wages
- Must be
 - Able to work
 - Available for work
 - Actively seeking work

Benefits

- Regular Benefits
 - Permanent program
 - 100% State funded
- Extended Benefits
 - Permanent program
 - Triggered by high levels of unemployment
 - Funded 50/50
- *Emergency Benefits*
 - *Temporary program*
 - *100% Federally funded*

State Law



- Eligibility
- Filing a claim
- Work search
- Disqualification
- Benefit amounts
- Benefit duration
- Waiting periods
- Taxable wage base and rate
- Appeals process

Funding

- Employers
 - Pay FUTA
 - Pay SUTA
- Employees do not contribute in NC
- Federal Unemployment Tax (FUTA)
 - Taxable wage base = \$7,000
 - FUTA tax rate = 6%
- Credit against FUTA for taxes paid under a State law that meets federal requirements
 - Possible credit = 5.4%
 - Lowest effective tax rate possible = 0.6% or \$42/employee

NC Funding Structure

SUTA

- Current tax rate based on experience rating:
.06% to 5.76%
- Tax rate in 3 tiers based on trust fund balance and economic conditions
- Tax rate for new employers is 1%
- 2016 Wage base \$22,300
- Used to pay UI benefits

20% SUTA Surcharge

- 20% surtax on SUTA
- Used to pay interest on any loan from US
- Surtax suspended when Trust Fund balance equals or exceeds \$1 billion
- Does not apply for 2016 tax payments

NC UI Benefits

- Waiting week per UI claim
- WBA is 50% AWW up to maximum WBA
- AWW is based on last 2 quarters of the base period
- Maximum WBA is \$350
- Maximum duration of regular benefits is 20 weeks based on unemployment rate
- Currently, benefits for 13 weeks
- Suitable work as any work paying 120% of WBA after 10 weeks
- Claimants make weekly certifications
- Claimants must attend Employability Assessment Interview (EAI)
- Claimants must make 5 job contacts per week

Hot Topics

- Effective Tax Rate for 2016 Tax Payments
 - Full FUTA offset
 - No SUTA surtax
 - Future move to lower SUTA rate tier
- Trust Fund Balance
 - Over \$1 billion in reserve
 - Reserve continues to grow