

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011**

**SESSION LAW 2011-10  
SENATE BILL 99**

AN ACT TO EXPEDITE THE ANALYSIS OF THE TAX STRUCTURE FOR UNEMPLOYMENT INSURANCE IN NORTH CAROLINA GIVEN THE SUBSTANTIAL NEGATIVE BALANCE IN THE STATE'S UNEMPLOYMENT INSURANCE TRUST FUND AND THE SUBSTANTIAL FEDERAL LOAN BALANCE OWED BY THE STATE FOR PAYMENT OF UNEMPLOYMENT INSURANCE BENEFITS.

Whereas, North Carolina's Unemployment Insurance Trust Fund balance had a deficit of \$2,500,000,000, as of December 31, 2010, according to the Employment Security Commission; and

Whereas, the State owes the federal government \$2,500,000,000 for loan liabilities incurred by the Employment Security Commission to continue unemployment insurance benefits payments to jobless North Carolinians during the current economic crisis; and

Whereas, the total collected by the State in unemployment insurance taxes in the 12-month period ending December 2010 amounted to \$955,200,000, while the sum paid in unemployment insurance benefits for the same period totaled \$1,900,000,000; and

Whereas, businesses large and small pay into the unemployment insurance system with the expectation that their contributions will be sufficient to provide assistance to their qualified former jobless employees; and

Whereas, it is in the best interest of the employers and employees of this State to have the most efficient and cost-effective unemployment insurance tax structure; and

Whereas, the current unemployment insurance tax structure no longer serves the businesses and citizens of this State in the manner required by these and future economic times; and

Whereas, major reforms regarding the unemployment insurance tax structure must be developed and implemented as soon as practicable; Now, therefore,

The General Assembly of North Carolina enacts:

**SECTION 1.** The General Assembly finds that the State must take swift and prudent action to address the two billion five hundred million dollars (\$2,500,000,000) in debt liability for unemployment insurance benefits currently owed to the federal government and the substantial deficit in the North Carolina Unemployment Insurance Trust Fund. To that end, the Department of Commerce shall contract with an independent consulting firm specializing in unemployment insurance and employment security reform to obtain recommendations on what tax structure changes would be fair to the employers of North Carolina and how these revenues, and other financial options, might be used in servicing and liquidating the State's debt and deficits incurred to pay unemployment insurance benefits.

**SECTION 2.** A contract to obtain services of a consultant pursuant to this act is not subject to Article 3C of Chapter 143 of the General Statutes. The consultation contract may be funded from (i) funds available within the Employment Security Commission, including State funds and any federal funds that may be used for the purposes of this act, and (ii) non-State or



nongovernmental funds, grants, and in-kind contributions specifically designated for the purpose of carrying out the analysis required by this act.

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

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

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

In the General Assembly read three times and ratified this the 17<sup>th</sup> day of March, 2011.

s/ Walter H. Dalton  
President of the Senate

s/ Thom Tillis  
Speaker of the House of Representatives

s/ Beverly E. Perdue  
Governor

Approved 2:08 p.m. this 25<sup>th</sup> day of March, 2011