

NC Becomes First State To Drop Federal Jobless Funds

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RALEIGH, N.C. (AP) — With changes to its unemployment law taking effect this weekend, North Carolina not only is cutting benefits for those who file new claims, it will become the first state disqualified from a federal compensation program for the long-term jobless.

State officials adopted the package of benefit cuts and increased taxes for businesses in February, a plan designed to accelerate repayment of a \$2.5 billion federal debt. Like many states, North Carolina had racked up the debt by borrowing from Washington after its unemployment fund was drained by jobless benefits during the Great Recession.

The changes go into effect Sunday for North Carolina, which has the country's fifth-worst jobless rate. The cuts on those who make unemployment claims on or after that day will disqualify the state from receiving federally funded Emergency Unemployment Compensation. That money kicks in after the state's period of unemployment compensation — now shortened from up to six months to no more than five — runs out. The EUC program is available to long-term jobless in all states. But keeping the money flowing includes a requirement that states can't cut average weekly benefits.

Because North Carolina leaders cut average weekly benefits for new claims, about 170,000 workers whose state benefits expire this year will lose more than \$700 million in EUC payments, the U.S. Labor Department said.

Lee Creighton, 45, of Cary, said he's been unemployed since October, and this is the last week for which he'll get nearly \$500 in unemployment aid. He said he was laid off from a position managing statisticians and writers amid the recession's worst days in 2009 and has landed and lost a series of government and teaching jobs since then — work that paid less half as much. His parents help him buy groceries to get by.

"I'm just not sure what I'm going to do," said Creighton, who has a doctorate. "What are we to do? Is the state prepared to have this many people with no source of income?"

With the changes to North Carolina law, state benefits will last three to five months — at the longer end when unemployment rates are higher. Qualifying for benefits becomes more difficult. Weekly payments for those collecting the current maximum benefit of \$535 drop to \$350, falling from the highest in the Southeast to comparable with neighboring states.

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Republican leaders who control the General Assembly sought an exception to the federal law two months before voting to change unemployment benefits. Congress last year allowed Pennsylvania, Indiana, Arkansas and Rhode Island to proceed with cuts to weekly benefits that their legislatures had approved for after the expected expiration of federal benefits, which later were extended.

North Carolina's request was never acted on.

Other states this year cut unemployment benefits and restricted eligibility, but none included drops in weekly benefits, said George Wentworth of the National Employment Law Project, a worker-advocacy group.

All states are aware of the no-reduction provision, said Doug Holmes, who heads the National Foundation for Unemployment Compensation & Workers' Compensation, which represents businesses on unemployment insurance issues.

"Many of them considered doing something that would reduce the weekly benefit amount, but for whatever reason chose not to take the step of enacting legislation," he said. "But North Carolina also had one of the biggest problems."

Twenty states carry such federal debt. The Labor Department declined to comment on North Carolina's looming situation but said no other state is considering changing benefits in a way that would imperil U.S. help.

Supporters of the new North Carolina law say the reduced benefits and increased business taxes are necessary to repay the federal debt — the third-largest in the country.

Labor groups, Democratic congressmen and the state NAACP want to delay the cuts until the federal program expires in January, but lawmakers and GOP Gov. Pat McCrory have refused.

Delaying would burden businesses and potentially increase the debt, said Rep. Julia Howard, R-Davie. The cuts also will push people to find work faster, then move to a better job as the economy improves, she said.

"It may not be the job that you want or your career for the rest of your life. But to take a job, get back into the job market," Howard said.

Opponents who have staged protests nearly every week against Republican policies say lawmakers are slashing a safety net for the poor while corporations and the wealthy benefit.

Overall, the changes will mean \$3.6 billion in total benefit cuts and higher costs to employers through 2017, according to the General Assembly's fiscal research office. Benefit cuts on the jobless make up 74 percent of that figure. The accelerated target for repaying the federal debt, which fell to \$2.1 billion in June, is sometime in 2015 rather than 2018.

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North Carolina companies now pay an additional \$42 per employee yearly to pay the debt. Without the changes, businesses' unemployment insurance taxes would rise by \$21 per employee every year until the federal debt is paid.

The state's top business lobby, the North Carolina Chamber, primarily assembled the package of proposals that lawmakers adopted.

"You've got to pick a point in time where you solve the problem. They picked a point in time that allowed us the most time to pay the debt as quickly as we can and get a new program in place so that we can help people find work," said Gary Salamido, the group's top lobbyist. "It's a very unfortunate circumstance for everybody involved."

Wayne Bostick, 58, of Raleigh, said he lost his job in April 2011 and will lose extended federal benefits immediately. He said he earned about \$700 a week in take-home pay, often working double shifts at a ConAgra Foods plant until it shut down after a fatal explosion. Since then, he said, the only jobs he's found matching his skills pay less than \$10 an hour and are outside Raleigh. Now he'll have to revisit those or start a handyman business.

"I'd rather do that than bring home \$200" after commuting and taxes, he said. "They are really putting the gun to your head now."

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