

Supercharging North Carolina's Economy

Recommendation

Accelerates North Carolina's economy by growing small businesses, investing in the state's workforce, and supporting workers while finding new employment. These investments help the state remain a top place for business and continue its robust economic growth by ensuring that small businesses continue to thrive, that the labor force is prepared to fill high-demand jobs, and, when layoffs happen, that North Carolinians have the support they need.

Table 1: Allocation of Funds to Support the State's Economy

	Agency	Recurring	Nonrecurring
Supporting Small Businesses			
Small Business Unemployment Insurance Tax Reduction*		\$49,000,000	
One NC Small Business (GF, EDPR)	DOC	\$1,000,000	\$8,000,000
NC Defense Innovation Network (EDPR)	DOC		\$2,000,000
Small Business Services	SOS	\$453,000	
Sub Total		\$50,453,000	\$10,000,000
Workforce Investment Summary			
Job Readiness Recommendations	DPI, DOC, NCCCS	\$17,050,000	\$43,250,000
Healthcare Recommendations	NCICU, AHEC, DHHS	\$8,500,000	\$10,000,000
Reentry Recommendations	DAC, DPS, NCCCS	\$11,512,348	\$1,398,904
Other Recommendations	DOC, DOT, NCCCS	\$144,000	\$225,000,000
Sub Total		\$37,206,348	\$279,648,904
Totals for Recurring and Nonrecurring		\$87,659,348	\$289,648,904
Unemployment Insurance Enhancements			
Unemployment Insurance Benefit Changes		\$65,400,000	
Grand Total			\$442,708,252

*The small business unemployment Insurance Tax reductions are the estimated savings for the 2025 calendar year

Statement of Need

North Carolina must navigate shifting labor market needs throughout the state's economy. The most immediate priorities include growing small businesses, enhancing unemployment benefits to support workers after layoffs, and developing a workforce that meets industry needs. With historically low unemployment and a tight labor market, this means prioritizing increasing the supply of talent and focusing on priority sectors, especially assisting formerly incarcerated people returning to employment and ensuring sufficient staff to meet the state's health care needs.

- Small businesses make up 98% of North Carolina employers and employ nearly half of all workers in the state. In a March survey, one in four small business owners reported rising costs as the top problem facing their business.^{1,2}
- North Carolina's strong recovery from the COVID-19 recession enabled the state's unemployment insurance (UI) trust fund balance to reach a new record high of more than \$4 billion. However, businesses are paying more than twice as much in unemployment insurance taxes than laid-off workers claim in benefits, resulting in more funds sitting idle in a federal trust fund that could be deployed in North Carolina's economy.³
- Laid-off workers in 2023 received UI benefits that averaged only 28-34% of their earnings prior to losing their job, making it difficult to make ends meet while looking for a new job. Additionally, more than half of North Carolina workers laid off through no fault of their own exhaust their UI benefits before finding a new job despite unemployment being below 4% for over two years.^{4,5}
- The current UI weekly benefit formula disadvantages workers who experienced reduced hours or pay prior to separation.
- 43% of respondents to the June 2023 Business Pulse Survey expressed concerns about adequate staffing.⁶
- In 2024, for every person approaching retirement ages (ages 60 to 64), there were 1.1 people entering into the primary working ages (ages 20 to 24). This compares to 1.8 in 2000 and 2.3 in 1970. Many regions of North Carolina have fewer job seekers than there are jobs available, which highlights the importance of supporting individuals developing skills and entering the workforce.
- As of 2021, only 49% of individuals who were previously incarcerated are employed within one year of release.⁷
- Previously incarcerated individuals who can find employment earn a median income of only \$7,500 per year (as opposed to \$32,710 amongst all workers).⁷
- A recent report found the state will face shortages of 12,500 Registered Nurses and 5,000 Licensed Practical Nurses by 2033.⁸
- Evidence shows that work-based learning programs improve employee retention and bottom lines.⁹

¹ <https://strgnfibcom.blob.core.windows.net/nfibcom/SBET-Mar-2024.pdf>

² <https://advocacy.sba.gov/wp-content/uploads/2023/11/2023-Small-Business-Economic-Profile-NC.pdf>

³ US Department of Labor, Employment and Training Administration. Unemployment Insurance Data. Accessed 04/13/2024. https://oui.doleta.gov/unemploy/data_summary/DataSum.asp

⁴ https://oui.doleta.gov/unemploy/ui_replacement_rates.asp

⁵ US Department of Labor, Employment and Training Administration. Unemployment Insurance Data. Accessed 04/13/2024. https://oui.doleta.gov/unemploy/data_summary/DataSum.asp

⁶ <https://analytics.nccommerce.com/pulse-survey/>

⁷ Insights on Post-Prison Employment from the NC Reentry Outcome Reporting System <https://www.commerce.nc.gov/news/the-lead-feed/nc-post-prison-employment-outcomes>

⁸ <https://ncnewline.com/briefs/nc-report-defines-healthcare-worker-shortage-and-recommends-solutions/#:~:text=North%20Carolina%20faces%20a%20shortage,strengthen%20North%20Carolina's%20nursing%2C%20direct>

⁹ <https://www.commerce.nc.gov/blog/2020/11/04/new-survey-identifies-benefits-apprenticeship-programs-and-how-they-differ-across>

- The average registered apprenticeship program in North Carolina yields a 170% return on investment for the employer. This means that for every \$1 invested in apprentices, employers receive an average of \$1.70 in additional value.¹⁰
- The offshore wind industry is expected to create a \$140 billion supply chain and tens of thousands of new jobs in the United States by 2035. A 2021 report by leading industry consulting group BVG Associates highlighted North Carolina’s advantages as a manufacturing location for offshore wind, ranking first among East Coast states and fifth in the nation in the value of its manufacturing sector’s GDP.¹¹

Supporting Small Business Growth and Development

Supporting the growth and development of small businesses is essential to North Carolina’s economy. These recommendations support existing small businesses and invest in small business growth and development.

Recommendation Detail

Small Business UI Tax Reduction - Reduces UI taxes for businesses with 500 or fewer employees. UI taxes will be cut the most for the smallest businesses—those with 50 or fewer employees in the state. Table 2 shows how the UI tax cuts will phase out for larger businesses.

Table 2: Unemployment Insurance Tax Reductions by Business Size

Number of NC Employees	Number of Employers	Percent of Total NC Payroll	UI Tax Cut*
1 to 50	278,469	29%	15%
51 to 100	6,597	9%	10%
101 to 250	3,846	13%	10%
251 to 500	1,270	10%	5%
More than 500	1,053	40%	0%

* UI tax cut is in addition to offsetting each employer’s proposed Strategic Workforce Trust (SWFT) assessment with an equal reduction in UI taxes.

One NC Small Business - Fosters job creation and economic development by providing \$1 million annually and \$8 million nonrecurring to help North Carolina small businesses obtain and leverage highly competitive funding from the federal Small Business Innovative Research (SBIR) and Small Business Technology Transfer program. Nonrecurring funding is provided for this program from the Economic Development Project Reserve (EDPR).

NC Defense Innovation Network - Establishes the Defense Innovation Network by providing \$2 million nonrecurring of EDPR funds. This network will work to grow and increase federal funding for the state’s defense innovation economy. North Carolina lags in defense research and development contracts relative to defense-related personnel, ranking 26th in contracts but 4th in personnel. Funds would support a strategic defense review council, a virtual business accelerator, a marketing campaign, and grants for defense-focused companies applying for the One North Carolina Small Business Program.

¹⁰ <https://www.commerce.nc.gov/blog/2020/10/28/new-survey-shows-apprenticeships-are-impactful-and-growing-north-carolina>

¹¹ BVG Associates, [Building North Carolina’s Offshore Wind Supply Chain](#)

Small Business Services - Provides \$453 million in positions to the Department of the Secretary of State (SOS) to enhance business registration processes and improve customer services. Since 2020, SOS has experienced a 57% increase in business transactions and, in 2023, SOS saw a 22% increase in service center calls.

Enhancing Unemployment Benefits

Recommendation Detail

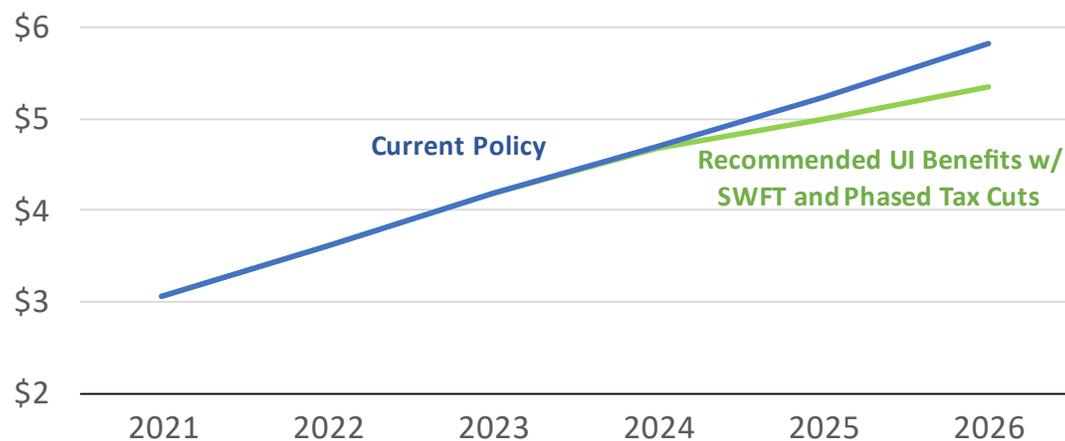
Adapts unemployment insurance benefits to better support laid-off workers and maintain consumer spending in areas hit by layoffs.

- Restores purchasing power of benefits by increasing the maximum weekly benefit to \$450 from \$350 for new claims filed on or after July 1, 2024, with annual adjustments for inflation;
- Protects workers whose hours were cut prior to being laid off by calculating the weekly benefit based on the quarter with the highest earnings in the past year rather than the last six months;
- Raises the minimum weekly benefit from \$15 to \$100 to ensure laid-off workers receive a meaningful benefit that exceeds the administrative costs to process a claim;
- Retains current maximum weekly benefit duration of 12-20 weeks, but starts increasing the maximum duration above 12 weeks when the unemployment rate rises above 4.5% and provides up to 20 weeks when the unemployment rate rises above 6.0%;
- Protects workers laid off early in a recession by increasing the maximum duration to 20 weeks when the three-month average unemployment rate rises more than 0.5 percentage points above the lowest level of over the past year; and
- Continues to grow the UI Trust Fund while enhancing benefits, cutting small business taxes, and investing in workforce development initiatives through the Strategic Workforce Trust (SWFT).

Figure 1: UI Trust Fund Balance Projections

NC UI Trust Fund Projected to Grow Even With a Small Business Tax Cut and Enhanced Benefits

Projected Year-End Trust Fund Balance in Billions of Dollars



Source: OSBM calculations based on the economic forecast underlying the April 2024 consensus revenue forecast, which assumes unemployment rising above 4% by 2025, and US DOL and DES data.

Notes: UI base tax rate is 1.9% in 2023 and is projected to remain at that rate in all future years.

Investing in the State’s Workforce

Invests in the state’s workforce by expanding career training and readiness programs, growing the healthcare workforce, and increasing the labor force through investing in new employment, training, and workforce opportunities for currently and previously incarcerated individuals. These investments are funded through a combination of General Fund net appropriation, the Economic Development Project Reserve (EDPR) and SWFT within the Department of Commerce Division of Employment Security (DES).

Strategic Workforce Trust (SWFT)

Creates the SWFT to expand and improve the state’s labor supply. The SWFT is funded by pairing an assessment based on employers’ UI taxes that is offset by a UI tax cut that is larger than the assessment for small businesses (with 500 or fewer North Carolina employees) and equal to the assessment for large businesses. Each year, DES will calculate the assessment as part of its annual employer tax rate assignments and set the percentage at the level necessary to raise \$100 million in the 2025 UI tax year. By statute, the total amount raised will grow by 3.5% each subsequent year. Each small business’s UI taxes are then reduced by 5% or more of the assessment, depending on business size. See Table 2 for the phased tax reductions that would apply by business size. DES would suspend the SWFT assessment and UI tax reduction if the UI Trust Fund balance falls below \$1 billion.

Workforce Investments

Table 3: Workforce Investment Details

Item	Agency	FY 2024-25	
		Recurring	Nonrecurring
Job Readiness			
1. Advanced Manufacturing and Biotech Workforce (EDPR)	NCCCS		\$40,000,000
2. NC Job Ready Grants (SWFT)	DOC	\$7,500,000	
3. Job Coaches for Priority Populations (SWFT)	DOC	\$5,000,000	
4. Rural Youth Apprenticeships - Youth Works	DOC		\$3,250,000
5. Local Innovation Technical Assistance Grants (SWFT)	DOC	\$2,500,000	
6. Prosperity Zones Business Services Representative (SWFT)	DOC	\$1,200,000	
7. Whole Systems Apprenticeship Model	DPI DOC NCCCS	\$400,000	
8. Credential Certification Capacity (SWFT)	DOC	\$300,000	
9. Advance NC Training Programs Lead	NCCCS	\$150,000	
Subtotal-Job Readiness		\$17,050,000	\$43,250,000
Health Care (from SWFT)			
10. Health Care Workforce Training Capacity	NCICU		\$10,000,000
11. Direct Support Profession Development	DHHS	\$5,000,000	
12. NC Center on the Workforce for Health	AHEC	\$2,500,000	
13. Nursing Workforce Expansion	AHEC	\$1,000,000	
Subtotal-Health Care		\$8,500,000	\$10,000,000
Reentry			

14. Post Secondary College Funding	DAC	\$5,000,000	
15. Community College Instructor Bonuses	NCCCS	\$3,100,000	
16. Local Area Reentry Councils	DAC	\$2,725,000	
17. Digital Literacy in Prisons	DAC		\$1,197,000
18. Juvenile Justice Reentry Programming	DPS	\$687,348	\$201,904
Subtotal-Reentry		\$11,512,348	\$1,398,904
Other Investments			
19. Randolph Megasite Road Work (EDPR)	DOT		\$150,000,000
20. Radio Island Infrastructure Improvements (EDPR)	DOC		\$50,000,000
21. Chatham-Siler City Advanced Manufacturing Site (EDPR)	DOC		\$20,000,000
22. Community College EV Workforce	NCCCS		\$4,000,000
23. Southeast U.S./Japan Conference 2024 (EDPR)	DOC		\$1,000,000
24. Clean Energy Workforce Development (EDPR)	DOC	\$144,000	
Subtotal-Other Investments		\$144,000	\$225,000,000
Total		\$37,206,348	\$279,648,904

Recommendation Detail

Addresses North Carolina’s economic needs with an emphasis on reentry programs, skill training, clean energy development, and apprenticeships. These recommendations invest in new and existing state programs in the Department of Adult Correction (DAC), North Carolina Community College System (NCCCS), Department of Public Instruction (DPI), University of North Carolina System (UNC), Department of Commerce (DOC), and North Carolina Independent Colleges and Universities (NCICU). These investments address the changing employment landscape and target the needs of priority populations.

Job Readiness

Advanced Manufacturing and Biotech Workforce – Invests \$40 million nonrecurring from the EDPR to complete construction of the Moore Center at Central Carolina Community College. The Moore Center will be shared with the college’s Advance NC partners to train staff for new and expanding employers in the electric vehicle manufacturing supply chain, semiconductors, and life sciences.

NC Job Ready Grants - Provides \$7.5 million for work-based learning services to enhance economic development projects. These grants will fund customized training to upskill current employees in targeted industry sectors. Funding will come from the SWFT fund.

Job Coaches for Priority Populations - Provides \$5 million from the SWFT fund for Job Placement Coaches at local career centers. The coaches will serve as recruiters and provide outreach to connect talent to businesses. The coaches will focus on supporting people with barriers to employment, including but not limited to veterans, justice-involved individuals, public assistance recipients, and jobseekers in marginalized communities.

Rural Youth Apprenticeships – Youth Works - Provides \$3.25 million nonrecurring for the establishment of a rural youth apprenticeship program across five regions based on the successful Surry-Yadkin Works model developed by Surry and Yadkin counties. The Department of Commerce will administer these funds. After the initial two years, local authorities will be expected to take responsibility for continued

funding of successful programs. A portion of these funds shall be used for continuing evaluation of the program's impact on youth job outcomes.

Local Innovation Technical Assistance Grants - Invests \$2.5 million for grants to assist with innovative workforce development training and education projects focused on under-resourced populations. These grants will allow Local Area Workforce Development Boards to address common workforce recruitment challenges with innovative approaches. Funding will come from the SWFT fund.

Prosperity Zones Business Services Representatives - Provides \$1.2 million from the SWFT fund for one Business Services Representative per prosperity zone. These positions will work to establish apprenticeship and work-based learning opportunities. The National Association of Colleges and Employers research indicates that work-based programs assist in securing talent in entry-level positions and improve retainment of that talent.

Whole System Apprenticeships Model - Adds three positions, one each at the Departments of Commerce and Public Instruction and one for ApprenticeshipNC. Together these departments will use \$400,000 to develop a coordinated, whole system model of apprenticeships from high school through higher education, leveraging funds provided by the Workforce Innovation and Opportunity Act and other sources.

Credential Certification Capacity - Moves the Credential Certification program, which works to increase attainment of industry-valued credentials, from myFutureNC to the Division of Workforce Solutions and invests \$300,000 from the SWFT fund for positions to manage the program. Increased credential attainment will result in more North Carolinians earning a living wage and lead to more productive businesses.

Advance NC Training Programs Lead – Provides \$150,000 to add one FTE at Advance NC to work with program partners to establish training programs to meet the needs of new and existing employers. Advance NC is a coalition of community colleges and state universities across 18 counties. This coalition works with the UNC System and workforce development boards to train more than 10,000 employees required for new advanced manufacturing facilities.

Healthcare

Health Care Workforce Capacity - Provides \$10 million nonrecurring from the SWFT fund to the North Carolina Independent Colleges and Universities (NCICU) to bolster the programs at NCICU campuses. These campuses award 62% of medical degrees, 90% of physician assistant degrees, and 62% of pharmacist degrees in North Carolina.

Direct Support Profession Development - Provides \$5 million from the SWFT fund to strengthen the Direct Support Professional (DSP) workforce. Funding will support the creation of high school and community college courses for DSPs, offer scholarships and paid apprenticeships, and create incentive programs to improve retention rates for DSPs.

NC Center on the Workforce for Health - Provides \$2.5 million from the SWFT fund to the North Carolina Area Health Education Centers (AHEC) to establish the NC Center on the Workforce for Health. The Center will pull together data-driven analysis and other critical resources to target interventions to ensure the supply of health and direct care workers meets demand across the state. The Center will also create two FTE positions to strengthen the direct care workforce statewide.

Nursing Workforce Expansion - Provides \$1 million to AHEC from the SWFT fund to expand the Clinical Instructor Partnership, Clinical Site Development, and the Educational Mobility programs. These programs expand the nursing workforce by creating new clinical training sites, increasing the nursing faculty workforce, providing continued professional development, and developing new pathways into nursing.

Reentry

Postsecondary College Funding – Supplements current Pell Grant funding with \$5 million to assist incarcerated individuals in completing higher education degree programs. Evidence shows that obtaining a degree reduces recidivism and improves outcomes for individuals re-entering communities. The department shall use a portion of these funds to evaluate the impact of higher education on recidivism and post-release outcomes.

Community College Instructor Bonuses - Provides \$3.1 million for a 10% per course bonus for full-time and adjunct instructors who teach courses inside correctional facilities. This item also includes funds to evaluate the effectiveness of bonuses to attract faculty to teach inside prisons. Obtaining an associate's degree significantly reduces recidivism rates. Currently, over 75 community college courses are offered in NC prisons.

Expand Local Area Reentry Councils – Invests \$2.7 million to expand local reentry councils and supportive services, including housing, transportation, educational training, and other basic needs assistance. These services support justice involved people returning to their communities after incarceration. The department shall use a portion of these funds to evaluate the impact of local reentry councils on recidivism and other reentry outcomes.

Digital Literacy in Correctional Institutions – Provides \$1.2 million in nonrecurring funds to equip each correctional institution with 15 laptops and one charging cart. These resources provide digital literacy and life skills programming to prepare people in prison for reentry.

Juvenile Justice Reentry Programming - Creates and expands transitional living and life skills programming for juveniles in youth development centers through positions dedicated to juvenile reentry services and expanded educational and life skills programming through \$700,000 in recurring funds and \$200,000 in nonrecurring funds. These services improve outcomes for youth returning to their communities.

Other Investments

Radio Island Infrastructure Improvements – Invests \$50 million from the EDPR in infrastructure improvements and readiness preparation at Radio Island to support economic development at the site. The estimated cost of construction ranges from \$250-\$285 million. The department will work with the Department of Transportation in utilizing these funds.

Chatham-Siler City Advanced Manufacturing Site – Invests \$20 million from the EDPR in the Chatham-Siler City Advanced Manufacturing (CAM) Megasite by providing reimbursements to entities incurring costs for public utility infrastructure improvements.

Community College Electric Vehicle Workforce - Provides \$4 million in nonrecurring funding to the NCCCS to be allocated on a competitive basis to community colleges for fast chargers and electric vehicle (EV) servicing equipment. This equipment will enable community colleges to train the next generation of mechanics, auto-repair workers, and electricians working on EVs and EV charging networks. Registered zero emission vehicles grew by more than 80,000 in NC since 2018, with a goal of 1.25 million by 2030.

Southeast U.S. (SEUS)/Japan conference 2024 – Invest \$1 million nonrecurring from the EDPR in the annual joint meeting of SEUS/Japan, which will be held in Charlotte in October 2024. The conference serves as a premier marketing opportunity for North Carolina to attract additional Japanese business investment. North Carolina last served as host 16 years ago. Japan is the state’s number one foreign investor.

Clean Energy Workforce Development - Establishes one position to better enable North Carolina to compete in the estimated \$14 billion, cross-sector clean energy market. The \$144,000 in support will also allow the department to design high-quality, data-driven programming to help meet training needs of the growing clean energy economy workforce.

Expected Impact

These proposals supercharge the state’s economy by equipping North Carolinians for high quality jobs, aiding individuals returning from incarceration, and supporting critical healthcare workforce needs.

Expected impacts include:

- Reduced costs for North Carolina’s small businesses, supporting additional investment. Compared to current law, over 99% of employers will pay lower UI taxes, and small businesses will pay an estimated \$49 million less in UI taxes in 2025.
- Continued growth in the state’s UI Trust Fund balance (see Figure 1 above) while reducing UI contributions, cutting small business UI taxes, enhancing benefits, and investing in workforce development.
- Increased consumer spending in communities hit by mass layoffs, making local economies more resilient.
- Expanded local business support with increased participation in work-based learning opportunities, apprenticeships, and new employee mentoring.
- Customized training to upskill existing employees to increase employee retention and productivity.
- Strengthened talent pipelines for in-demand and/or high-wage occupations.
- Engaged underserved communities or populations currently disconnected from the education and workforce system.
- Improved financial security for laid-off workers and their families as they seek new job opportunities.
- Enhanced education, digital literacy, and employment skills for individuals in all correctional institutions.
- Retained and expanded community college instructors who teach inside correctional institutions, providing necessary skills across 75 courses.
- Increased support services at local career centers for priority populations serving an additional 14,000 job seekers each year.