

Division of Employment Security

Report to Joint Legislative Oversight Committee on Unemployment Insurance

February 3, 2016

Ted Brinn, Interim Assistant Secretary

Claims Activity 2015

- * Total Claims Filed: 234,638
 - * Maximum Number of Weeks: 13 weeks
 - * Average Duration: 11.5 weeks (3rd Qtr. 2015)
 - * Average Weekly Benefit Amount: \$233.614 (3rd Qtr. 2015)
- * Total Benefits Paid: \$335 million
- * Total Collections: \$1.33B
- * State Reserve Collections: \$253m
- * Trust Fund Balance (1/31/16): \$1.176B
- * Trust Fund Balance (1/31/15): -\$399m

Adjudication 2015

- * Claims Adjudicated: 125,487
- * Cases on Hand:
 - * 2013: 10,813
 - * 2014: 4,012
 - * 2015: 4,586
- * Current Average Turnaround: 5 weeks

Lower Authority Appeals

- * Total Appeals Filed: 23,898
- * Total Decisions: 24,810
- * Cases on Hand:
 - * 2013: 5,906
 - * 2014: 2,435
 - * 2015: 1,675
- * Current Average Turnaround: 28 days

Higher Authority Board of Review

- * Total Appeals Filed: 5,092
- * Decisions: 5,183
- * Cases on Hand
 - * 2013: 456
 - * 2014: 380
 - * 2015: 327
- * Current Average Turnaround: 34 days

Administrative Rules

- * Submitted 127 rules to Rules Commission on May 20, 2015
 - * Public Hearing on April 10, 2015
 - * Approved June 16, 2015
 - * Effective Date July 1, 2015
- * Continuing to work with Office of Administrative Hearings

SCUBI

- * Southeast Consortium Unemployment Benefit Integration (SCUBI)
 - * North Carolina, South Carolina, and Georgia
 - * National Average age of Unemployment IT infrastructure is 23 years
 - * Consortium is funded by grants by USDOL
 - * Staggered implementation beginning January 2017

Workforce Solutions

- * Employability Assessment Interviews (EAI)
 - * Within 4 weeks of first payment
 - * Photo Identification
 - * Work Search Records
 - * Scheduled: 104,901
 - * Conducted: 73,460
 - * 70% Completed
 - * Registration with NCWorks
 - * Must be registered with NCWorks before a weekly certification is filed

Customer Service

- * Customer Call Center
- * Employer Call Center
- * Internet Initial Claims
- * Online Payments to DES

DES TRUST FUND REPORT

1. Brief history of borrowing.
2. How did we get to \$1.0B so fast?
3. Significant triggers.
4. Cash Flow scenario for 2016.

HISTORY OF BORROWING

| FEB 2009 | | Began borrowing |
|----------|----------|---|
| MAY 2012 | <\$2.8B> | Peak borrowing |
| JAN 2013 | <\$2.5B> | |
| JUL 2013 | <\$2.1B> | S.L. #2013-2 (HB4) |
| APR 2015 | \$0.00 | Debt retired |
| MAY 2015 | \$5.3M | Last interest payment (2011-15 \$265M total interest paid) |

HOW DID WE GET TO \$1.0B SO FAST

Trust Fund Revenue Stream from March - November, 2015

| <u>Revenue Stream</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <u>Jul</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Total</u> |
|------------------------------|-------------|-------------|-------------|------------|------------|-------------|------------|------------|-------------|---------------|
| FUTA Tax Credits | 177M | 83M | 36M | | | | | | | 296M |
| 1st Qtr Taxes | | 94M | 469M | | | | | | | 563M |
| 2nd Qtr Taxes | | | | | 70M | 272M | | | | 342M |
| 3rd Qtr Taxes | | | | | | | | 41M | 169M | 210M |
| UI Reserve Transfer | | | | | | | | | 192M | 192M |
| Total Monthly Revenue | 177M | 177M | 505M | | 70M | 272M | | 41M | 361M | 1.603B |

SIGNIFICANT TRIGGERS

- * Nov 10, 2015
 - * FUTA determination made by USDOL eliminating tax credit reduction b/c positive balance.
- * Nov 20, 2015
 - * 2016 tax notices went out eliminating 20% UI Reserve surcharge for 2016 SUTA taxes.
- * G.S. 96.9.2 (c)
 - * Contribution rate decreases from 2.9% to 2.4% if the UI Trust fund balance as a % of total insured wages is greater than 1% but less than or equal to 1.25% as of Aug 1.

CASH FLOW SCENARIO FOR 2016

Projected UI Trust Fund thru August 1, 2016

UI Trust Fund

| | | <u>December</u> | <u>January 2016</u> | <u>February 2016</u> | <u>March 2016</u> | <u>April 2016</u> | <u>May 2016</u> | <u>June 2016</u> | <u>July 2016</u> |
|---|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenue | | | | | | | | | |
| | 2015 Contributions | 30,944,943 | 59,637,000 | 127,288,000 | 2,288,000 | 94,537,678 | 469,984,755 | 2,802,000 | 69,695,000 |
| | <u>10% Reduction</u> | <u>(3,094,494)</u> | <u>(5,963,700)</u> | <u>(12,728,800)</u> | <u>(228,800)</u> | <u>(9,453,768)</u> | <u>(46,998,476)</u> | <u>(280,200)</u> | <u>(6,969,500)</u> |
| | Projected 2016 Contributions | 17,450,000 | 53,673,300 | 114,559,200 | 2,059,200 | 85,083,910 | 422,986,280 | 2,521,800 | 62,725,500 |
| | Projected UTF Interest | | 6,700,000 | | | 7,000,000 | | | 8,000,000 |
| | FUTA Tax Credit | 545,106 | | | | | | | |
| | Projected UI Reserve Transfer | 17,378,000 | 6,765,236 | 15,858,898 | 1,940,229 | | | - | - |
| Expenditures | | (19,839,742) | (22,000,000) | (22,000,000) | (25,000,000) | (25,000,000) | (25,000,000) | (25,000,000) | (25,000,000) |
| Ending Balance | | 1,145,922,389 | 1,191,060,925 | 1,299,479,023 | 1,278,478,452 | 1,345,562,362 | 1,743,548,642 | 1,721,070,442 | 1,766,795,942 |
| Trigger Points (2.9% to 2.4% - ERRP) | | | | | | | | | 1,777,603,207 |

Office of Internal Audit & Quality Control

- * **RESPONSIBILITIES:**

- * Conducts internal audits and quality reviews to prevent, correct, and detect audit findings.

- * **GOAL:**

- * Reduce audit findings received from external oversight agencies.
- * Assure Quality and Timeliness of Unemployment Insurance Services
- * Assure Accuracy of Federal and Financial Reporting

AUDITS

DES was audited by the following external oversight agencies within the past five years:

| | <u>Frequency</u> |
|---|------------------|
| 1. Office of State Auditor (OSA) | 11 |
| 2. Internal Revenue Service (IRS) | 1 |
| 3. Social Security Administration (SSA) | 1 |
| 4. United States Department of Labor (USDOL) | 2 |
| 5. Office of Inspector General (OIG) | 2 |
| 6. Office of Child Support Enforcement (OCSE) | 1 |
| 7. USDOL Wage Record Interchange System (WRIS) Unit | 1 |
| 8. Office of Civil Rights (Limited English Proficiency) | <u>1</u> |
| # of Audits: 20 | |

Most Recent Results – Resolved - critical findings for IRS and OIG

No Findings - OSA, SSA, OSCE, WRIS

Quality Control

DES is mandated by USDOL to assess the quality and timeliness of claimant and employer services, and the accuracy of DES federal reporting to USDOL.

QUALITY REVIEWS

1. Benefits Timeliness and Quality (BTQ)
2. Lower Authority Appeals (LAA)
3. Benefits Accuracy Measurement (BAM)
4. Tax Performance System (TPS)
5. Data Validation (DV)

DES UNITS

Adjudication
Appeals
UI Claims
Employer Services
Federal Reporting

Most Recent Results - Improved Quality Scores

Improved Accuracy of Federal Reporting

Passed all Peer Reviews for BTQ, LAA, BAM

Legislation

- * SUTA Dumping/Continuity of Control
- * Authorization to share UI data with third-party contractors.
- * Clarification of DES's obligations of UI-related "Confidential Information," to ensure we are in compliance with USDOL guidelines.
- * Statutory authority ratifying our rules
- * A handful of purely technical corrections to Chapter 96

Program Integrity 2015 Benefits

- ❖ Cases established: 33,833
- ❖ Overpayments established: \$31,598,365.00
- ❖ Repayments:
 - ❖ Total Collections \$22,126,315.09
 - ❖ TOP/DOR \$15,032,387.29
 - ❖ Web Credit Card Payments \$1,425,706.80
- ❖ Supplement Budget Funds Initiative
 - ❖ \$150,00.00 to enhance collection efforts through garnishments

Program Integrity 2015

Tax

- ❖ Number of accounts related to SUTA Dumping/Continuity of Control
 - ❖ 161 collapsed as invalid
- ❖ Additional Contribution as a result of Investigations
 - ❖ \$1,213,841.27
- ❖ Misclassification
 - ❖ 6,545 misclassified workers discovered
 - ❖ Deputy Chief of Tax