

NORTH CAROLINA
Department of Commerce

Division of Employment Security

Biennial Report
2018-2020

December 2020

NORTH CAROLINA DIVISION OF EMPLOYMENT SECURITY

MISSION STATEMENT

**The mission of the
North Carolina Division of Employment Security
is to administer the unemployment insurance
system for the state of North Carolina by
delivering efficient, effective and quality service.**

About the Division of Employment Security

The North Carolina Department of Commerce Division of Employment Security (DES) is responsible for the administration of the unemployment insurance program in the State of North Carolina. State unemployment insurance benefits are paid to eligible workers who lose employment through no fault of their own and are able and available for work and actively seeking work.

The state unemployment insurance program is a federal-state partnership, and benefits are funded by state unemployment taxes employers pay on employee wages. DES's administrative costs are federally funded and based on the state's claims workload; the division receives no administrative funding from North Carolina's General Fund.

Among its duties, DES is required to:

- Take initial claims for unemployment benefits.
- Determine claimants' eligibility for benefits.
- Provide an appeal opportunity for claimants and employers.
- Collect quarterly state unemployment taxes and wage records from employers.

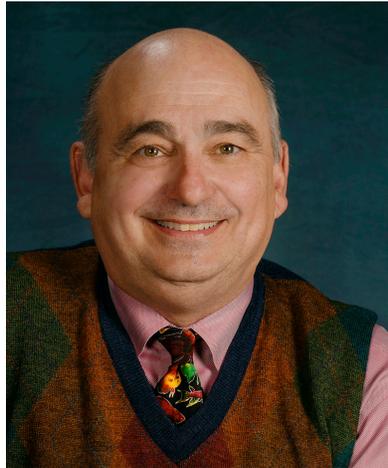
LEADERSHIP



ANTHONY M. COPELAND

2017 - PRESENT

N.C. Secretary of Commerce



PRYOR GIBSON

MAY 2020 - PRESENT

**Assistant Secretary for
Employment Security**



ADAM LOCKHART TAYLOR

NOV. 2017 - MAY 2020

**Assistant Secretary for
Employment Security**

Message from the Assistant Secretary for Employment Security

It has been a great privilege to serve as Assistant Secretary for the Division of Employment Security during this time of unprecedented demand for the agency's assistance. While DES has faced unique challenges over the course of the last biennium, it has also made strides to improve its service to North Carolina.

In 2018 and under the leadership of Assistant Secretary Lockhart Taylor, DES successfully launched a new, modernized benefits system called SCUBI—remarkably, in the middle of a hurricane. The new system has transformed how we operate, allowing us to process, review and pay benefits for claims more efficiently and effectively.

The implementation of the SCUBI system positioned DES to better handle the massive surge in claims that has occurred during the COVID-19 pandemic in 2020. The dedication of DES employees during the COVID-19 response has also been extraordinary, with employees working weekends, evenings and holidays to help North Carolinians in need.

DES has been aided by numerous agencies that have given us invaluable assistance during the COVID-19 response. We would like to thank the Governor's Office, Secretary Tony Copeland and the senior leadership team of the Department of Commerce, the Division of Workforce Solutions, the Office of State Human Resources, the Office of State Budget and Management, and all offices and departments that have loaned time, employees and resources to DES throughout the pandemic.

As we approach 2021, the Division of Employment Security remains committed to its mission as we continue to work toward our goals to provide more efficient and effective service to the people of North Carolina in the years ahead.

Sincerely,
Pryor Gibson

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INTRODUCTION

Introduction to the Division of Employment Security Biennial Report

This report primarily focuses on North Carolina Division of Employment Security operations during the 2018 through 2020 biennium, encompassing the two fiscal years from July 1, 2018 – June 30, 2020.

During this period, two major events affected the administration of unemployment insurance benefits in North Carolina. They include:

- The implementation of the state's modernized electronic benefits system, SCUBI, in September of 2018. While the transition to SCUBI created initial challenges, over time, the new system is allowing DES to provide more efficient and effective service.
- The unprecedented surge in unemployment claims filed beginning in mid-March of 2020 as a result of the COVID-19 pandemic. In addition to processing record numbers of claims during this period, DES has been responsible for implementing and administering multiple new state and federal pandemic assistance programs.

Due to the significance of the pandemic's impact on DES operations, this report provides data and information related to the agency's COVID-19 response that goes beyond the dates of the 2018 – 2020 biennium.

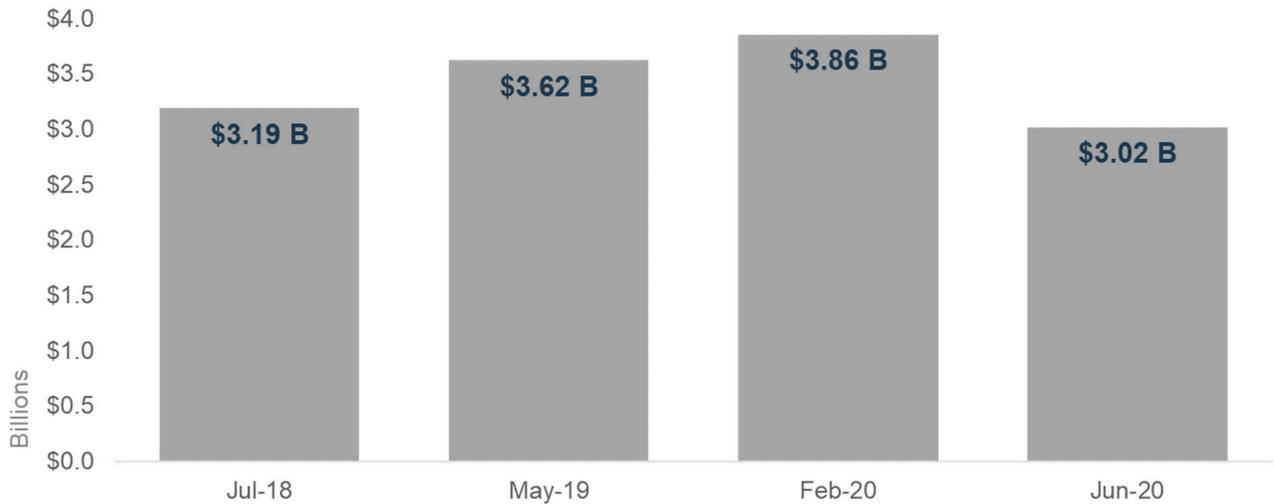
Throughout this report, context is provided as to how these and other events impacted DES operations during this biennium, and how the agency is working to continually improve its service to the people of North Carolina going forward.

Division of Employment Security Operations Overview

Unemployment Insurance Trust Fund

State unemployment insurance (UI) benefits are paid out of the state's Unemployment Insurance Trust Fund. Each state has its own UI Trust Fund reserve held at the U.S. Treasury, built from taxes paid by employers for the purpose of covering the costs of state unemployment benefits.

UI Trust Fund Balance: Program Years 2019 and 2020
(July 1, 2018 – June 30, 2020)



At the start of this biennium, the UI Trust Fund had a balance of \$3.189 billion. This balance continued to grow during most of 2018 – 2020.

The fund crossed the \$3.5 billion threshold in May 2019. The balance reached an all-time high of \$3.857 billion in February 2020.

The surge in claims due to COVID-19 that began in March 2020 had an immediate impact. The balance at the end of June 2020 was \$3.02 billion.

Unemployment Insurance Tax Administration

The tax administration section of the Division of Employment Security is responsible for collecting state unemployment insurance taxes and wage information from liable employers on a quarterly or annual basis. In 2018 and 2019, DES's tax section received the Performance Excellence in Tax Operations Award from the U.S. Department of Labor, which is given to top performing state workforce agencies nationwide in key areas of unemployment insurance operations.

Employers' tax contributions go into the state's Unemployment Insurance Trust Fund to be used to pay state unemployment benefits.

UI Tax Contributions

	Program Year 2019	Program Year 2020
Tax Collected	\$502,728,542	\$516,775,834*
	Calendar Year 2018	Calendar Year 2019
Number of Employers	226,653	232,940

**The COVID-19 Recovery Act passed by the N.C. General Assembly (Session Law 2020-3) provided a tax credit to employers for the first quarter of 2020. However, the effect on taxes collected will not be seen until Program Year 2021.*

DES performs audits through random selection of employer records to ensure the accuracy of the tax and wage information that is provided. The audit process may reveal understated or overstated liabilities, resulting in the collection of additional funds from employers or the issuance of refunds to employers.

Audit Activity

	Calendar Year 2018	Calendar Year 2019
Audits Conducted	3,106	3,413
Wages Audited	\$5.3 Billion	\$4.6 Billion
Underreported Wages Added	\$109 Million	\$137 Million
Misclassified Workers Identified	9,028	10,917

In late 2017, DES implemented the use of a more modernized system designed to improve the quality of audits. This system has allowed for more efficiencies in the auditing process, while also ensuring the security of the data being collected and reviewed.

In both 2018 and 2019, the DES tax section passed all requirements for all 13 functions of the USDOL's annual Tax Performance System program reviews, demonstrating that it continues to implement the necessary controls to provide exemplary service to the employers of North Carolina.

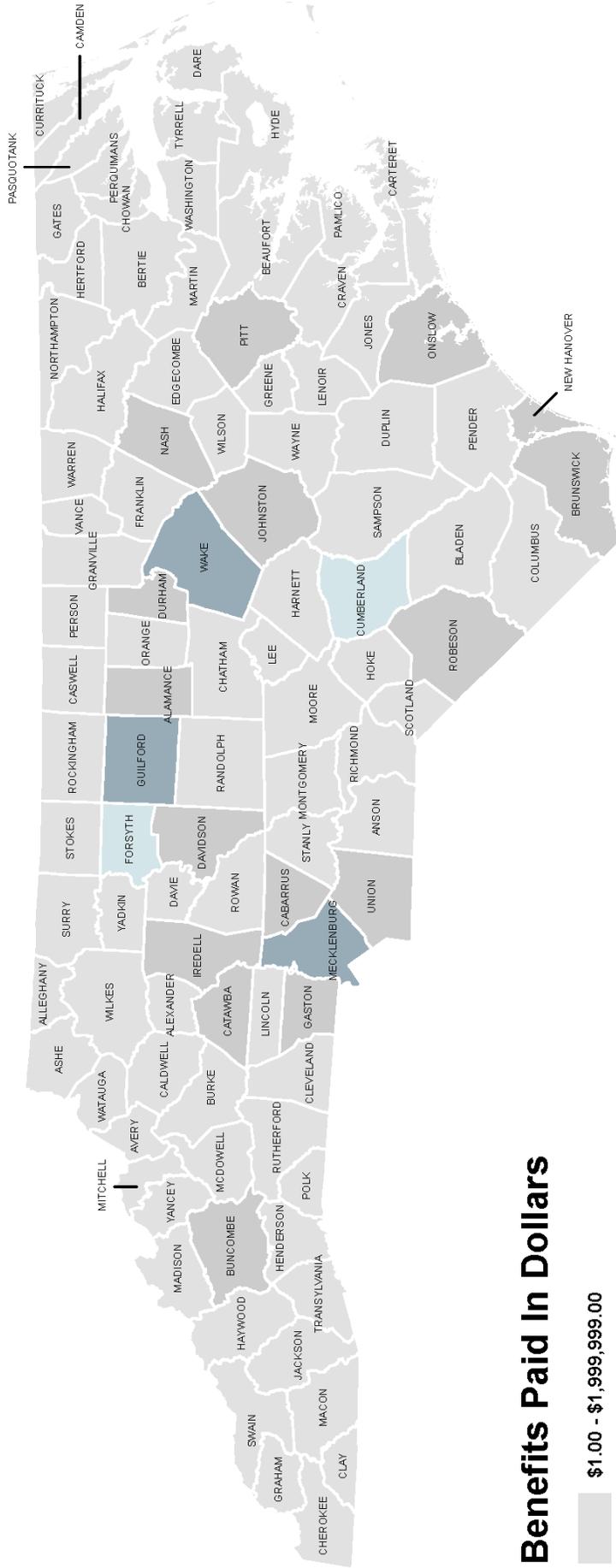
Unemployment Insurance Benefits Program Activity

The following provides a summary of unemployment benefits paid during program years 2019 and 2020.

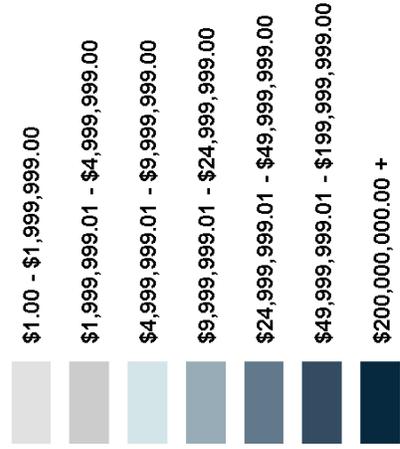
Program Year 2019 (July 1, 2018 – June 30, 2019)	
All Unemployment Benefit Programs (State and Federal)	
Total Paid	\$177,205,132.54
Number of Individuals Paid	152,845
State Unemployment Insurance Benefits	
Total Paid	\$173,077,513
Number of Individuals Paid	151,199
Number of Benefit Weeks Paid	1,330,280
Minimum/Maximum Weekly Benefit Amount	\$15 / \$350
Average Weekly Benefit Amount	\$261.56
Average Duration of Benefits	8.875 Weeks

Program Year 2020 (July 1, 2019 – June 30, 2020)	
All Unemployment Benefit Programs (State and Federal)	
Total Paid	\$5,392,379,142.67
Number of Individuals Paid	806,992
State Unemployment Insurance Benefits	
Total Paid	\$1,191,835,709
Number of Individuals Paid	653,900
Number of Benefit Weeks Paid	5,362,214
Minimum/Maximum Weekly Benefit Amount	\$15 / \$350
Average Weekly Benefit Amount	\$259.93
Average Duration of Benefits	8.4 Weeks

North Carolina UI Benefits Paid by County (All Programs) July 2018 - June 2019



Benefits Paid In Dollars



Statewide \$164,890,810

**Benefits Paid to Out of State Claimants
\$12,314,321**

County data does not sum to statewide total.
Source: North Carolina Department of Commerce, Division of Employment Security
Prepared by North Carolina Department of Commerce, Labor and Economic Analysis Division November 2020

Quality and Timeliness Measures

The Division of Employment Security is responsible for making initial determinations of claimants' eligibility for unemployment benefits and issuing benefit payments to eligible claimants under applicable state and federal laws.

The U.S. Department of Labor measures states' performances in areas including the quality of their determinations for claims with nonmonetary issues and the timeliness of first payments for state benefits. States are measured by whether they adhered to federal standards as they applied their own law and policy.

Prior to the COVID-19 pandemic and the resulting influx of claims in early 2020, DES was improving on its core measures for both quality and timeliness. DES attributes these improvements to increased efficiencies created through use of the state's modernized benefits system beginning late 2018, as well as an agency focus on meeting or exceeding the federal standards during this time period.

Quality Measures

The U.S. Department of Labor deems a quality score of 75% or greater an acceptable level of performance for separation and non-separation determinations.

Separation determinations involve issues with claimants' reasons for leaving employment. Non-separation determinations involve non-employer related factors that could prevent the claimant from being immediately ready or able to return to work.

Nonmonetary Determination Quality Scores



- From the second quarter of 2019 through the fourth quarter of 2019, DES exceeded the quality standard for separation determinations. This marked the first time DES exceeded the standard for three straight quarters since the USDOL measure was put in place in 1997.
- DES exceeded the non-separation determination quality standard in all of 2018 and 2019, with the exception of the first quarter of 2019, when scores were impacted by workloads associated with Hurricane Florence and a furlough of federal employees.
- Quality scores were not measured in 2020, due to USDOL suspending case reviews because of the impacts of the COVID-19 pandemic.

Timeliness Measures

The U.S. Department of Labor tracks the time it takes for states to pay state benefits to claimants for their first week of unemployment.

In late 2018, DES began to experience a dip in the timeliness of payments due to the implementation of its new benefits system, SCUBI. The launch of the new system coincided with a Disaster Unemployment Assistance event related to Hurricane Florence in North Carolina, which also impacted timeliness during this period.

However, DES quickly began to make steady improvement in timeliness measures, peaking at 88.7% of first payments made within 14 days in March 2020.

In 2020, timeliness has been impacted by effects of the COVID-19 pandemic, including:

- The massive influx in volume and increased complexity of claims relative to typical DES workload.
- A high proportion of claimants and businesses using the unemployment system for the first time, and necessary staff familiarization with new programs and procedures.
- The federal government requirement that claimants first apply and be denied for state unemployment insurance before they can apply for federal Pandemic Unemployment Assistance.

Despite the challenges, DES has improved the timeliness of payments during some months of the COVID-19 pandemic, such as in March and April 2020.

The division continues to streamline processes and align resources to issue benefits in a timely manner to those who are eligible for them, while also reviewing claims carefully to prevent fraud and waste in the unemployment system.

The following chart shows the percentage of first benefit payments by month that were made within 14 days, 21 days, etc., of a claim being filed.

First Payment Timeliness (July 2018 – October 2020)

	Total Workload	<=7 Days	14 Days	21 Days	28 Days	35 Days	42 Days	49 Days	56 Days	63 Days	70 Days	> 70 Days
10/31/2020	13,548	35.3%	61.5%	72.2%	76.5%	79.4%	84.3%	85.1%	85.7%	86.4%	87.3%	100.0%
09/30/2020	17,494	33.4%	61.6%	72.2%	76.6%	79.5%	82.1%	83.9%	85.6%	86.9%	88.0%	100.0%
08/31/2020	27,319	23.4%	45.2%	57.0%	63.9%	69.2%	73.5%	77.6%	81.3%	84.3%	86.8%	100.0%
07/31/2020	46,534	29.9%	53.4%	62.9%	69.1%	74.7%	78.8%	82.5%	86.0%	89.8%	92.4%	100.0%
06/30/2020	88,552	20.4%	34.4%	43.3%	51.7%	60.5%	70.0%	78.2%	84.9%	90.0%	94.0%	100.0%
05/31/2020	137,773	22.0%	46.0%	64.2%	76.7%	85.2%	91.4%	95.7%	98.4%	99.6%	99.9%	100.0%
04/30/2020	336,026	31.2%	75.5%	92.7%	98.0%	99.6%	99.9%	99.9%	99.9%	99.9%	99.9%	100.0%
03/31/2020	19,160	68.9%	88.7%	91.3%	93.0%	94.7%	96.0%	97.0%	97.7%	98.3%	98.7%	100.0%
02/29/2020	5,058	42.7%	61.3%	74.0%	82.5%	87.8%	91.4%	93.3%	94.6%	95.8%	96.6%	100.0%
01/31/2020	6,015	51.0%	72.1%	79.6%	84.4%	88.5%	91.3%	93.7%	95.4%	96.5%	97.1%	100.0%
12/31/2019	4,992	49.3%	74.2%	81.9%	86.4%	89.5%	92.0%	94.0%	95.1%	96.1%	97.0%	100.0%
11/30/2019	4,669	50.9%	74.6%	82.7%	87.2%	90.4%	92.8%	94.6%	95.6%	96.8%	97.4%	100.0%
10/31/2019	5,155	48.4%	72.9%	80.8%	85.9%	89.5%	91.8%	93.4%	94.5%	95.6%	96.5%	100.0%
09/30/2019	4,519	45.1%	66.5%	74.8%	79.9%	83.6%	86.6%	88.8%	90.9%	92.5%	93.6%	100.0%
08/31/2019	5,041	43.0%	66.4%	76.5%	82.8%	87.3%	90.3%	92.1%	93.7%	94.6%	95.3%	100.0%
07/31/2019	5,508	35.2%	55.4%	66.4%	75.5%	82.6%	87.2%	90.6%	93.0%	94.4%	95.7%	100.0%
06/30/2019	5,039	36.0%	56.6%	66.9%	75.8%	83.7%	88.6%	91.4%	93.3%	94.2%	95.0%	100.0%
05/31/2019	4,368	36.2%	51.6%	62.9%	71.8%	81.3%	87.2%	90.1%	91.6%	93.0%	94.1%	100.0%
04/30/2019	4,824	31.1%	48.5%	58.1%	64.4%	73.2%	80.8%	85.8%	89.2%	90.9%	92.2%	100.0%
03/31/2019	5,016	28.8%	45.9%	58.0%	68.0%	74.9%	81.4%	85.1%	87.8%	89.5%	90.6%	100.0%
02/28/2019	6,017	24.3%	40.5%	50.2%	58.5%	67.9%	73.8%	78.5%	82.2%	85.6%	88.3%	100.0%
01/31/2019	7,388	29.5%	51.5%	60.3%	65.9%	71.2%	76.4%	81.6%	85.7%	89.0%	91.4%	100.0%
12/31/2018	4,421	17.8%	32.6%	43.0%	49.7%	56.2%	64.0%	71.2%	77.9%	82.5%	86.1%	100.0%
11/30/2018	3,408	13.9%	26.7%	38.2%	49.3%	58.5%	68.5%	78.9%	85.6%	90.3%	95.8%	100.0%
10/31/2018	5,318	17.3%	31.4%	47.8%	69.7%	85.4%	92.0%	93.5%	95.1%	96.1%	97.0%	100.0%
09/30/2018	3,870	36.8%	61.0%	75.6%	83.5%	88.6%	91.5%	94.0%	95.3%	96.3%	96.9%	100.0%
08/31/2018	5,365	39.1%	62.3%	77.8%	87.1%	91.0%	93.0%	94.7%	95.9%	97.0%	97.9%	100.0%
07/31/2018	5,933	47.0%	68.9%	82.3%	89.1%	92.4%	94.4%	95.6%	96.6%	97.4%	98.1%	100.0%

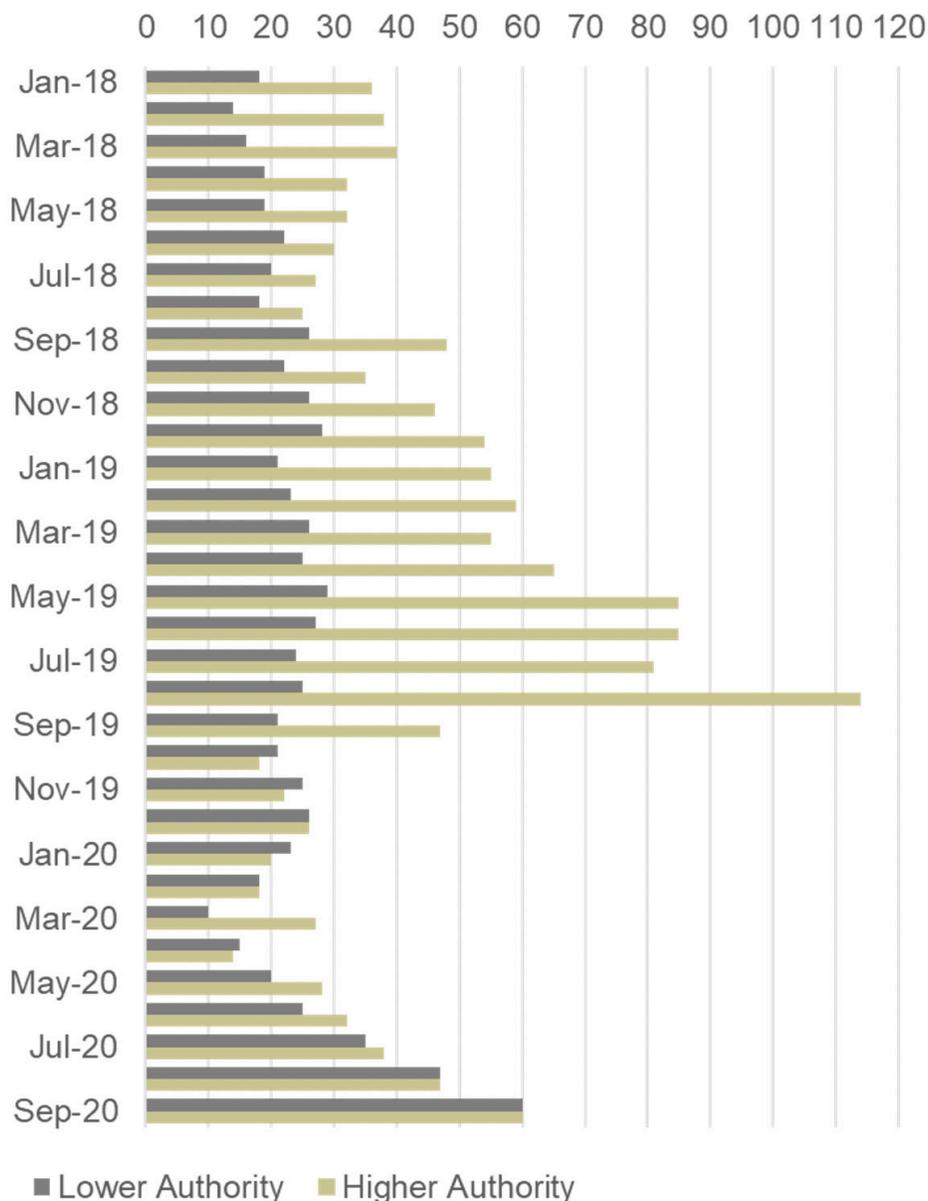
Appeals

The appeals section of the Division of Employment Security conducts quasi-judicial hearings on contested claims for unemployment insurance benefits. Appeals hearings before DES are conducted by appeals referees who preside over hearings and issue decisions that contain findings of fact and conclusions of law.

Higher authority appeals regarding unemployment benefits are decided by the North Carolina Board of Review, an independent quasi-judicial body composed of three members appointed by the Governor and confirmed by the N.C. General Assembly.

The chart below shows the average age of pending appeals cases from the date an appeal was filed through the end of the month. The U.S. Department of Labor standard is that lower authority appeals should be heard within an average of 30 days, and higher authority appeals should be heard within an average of 40 days. Variation in the aging data for this period is in part due to the launch of the SCUBI electronic benefits system in September 2018 and the impacts of COVID-19 in 2020.

Pending Appeals Cases: Average Age in Days



Throughout most of 2018, the average case age was under 30 days for lower authority appeals and under 40 days for higher authority appeals.

The average age of higher authority appeals cases increased after the launch of the SCUBI benefits system in September 2018. It was determined that early system errors led to the reported increases.

The issues were resolved by October 2019, and the average age of pending cases decreased to under 40 days.

In mid-2020, case aging began to be affected by the increase in requests for appeals hearings in relation to the high volume of claims filed during the COVID-19 pandemic.

Division of Employment Security Major Initiatives

SCUBI Benefits System Implementation

On Sept. 28, 2018, the Division of Employment Security went live with its new unemployment benefits system, SCUBI, after years of planning, testing and training. Replacing a mainframe system that was 30 years old, the new system has transformed Division of Employment Security benefits operations, allowing for:

- Enhanced self-service options for claimants and employers.
- Improved work efficiency through an electronic workflow and better visibility into workloads.
- Better integration between benefit programs and increased agility to implement program changes.
- More streamlined communication and correspondence with claimants and employers.

SCUBI—which stands for Southeastern Consortium for Unemployment Benefits Integration—resulted from a three-state consortium made up of North Carolina, South Carolina and Georgia working to modernize the states' aging unemployment benefit systems. SCUBI provides a single web-based system configured to meet the needs of each of the participating states. The project was funded in large part by a \$50 million grant from the U.S. Department of Labor.

With the new system, DES is able to be more effective in managing its regular claims workload, but it is also better prepared to handle unexpected spikes in claims during times of disaster, economic recessions or other emergencies. Since its implementation, the SCUBI system has been tested by such spikes in claims.

- SCUBI's launch occurred during North Carolina's response to Hurricane Florence. SCUBI allowed DES to handle claims and payments for Disaster Unemployment Assistance electronically, rather than through taking paper claims and mailing paper checks as was done with the old system.
- In mid-March of 2020, DES began to experience a tremendous surge in claims due to the COVID-19 pandemic. SCUBI has held the weight of an unprecedented claims load, with more than 2.8 million claims filed between March 15 and Nov. 30, 2020.

Additionally, six new unemployment benefit programs were implemented during the pandemic response in 2020. SCUBI allowed for the smooth and timely implementation of new programs without disruption to claimants' existing benefits

DES is continuing to realize the full capabilities and advantages of SCUBI as staff become more adept at using the system, and necessary improvements are made to optimize the system for current and future needs.

Facilities Updates

Charlotte Operations Center

On Sept. 4, 2019, the Division of Employment Security took possession of its new Charlotte Operations Center.

The center was the culmination of years of planning and provided DES with the opportunity to combine several units previously spread throughout the Charlotte region. The new space helps create operational efficiencies and a more team-oriented environment.

Half of the facility has been used to create a unified call center space for DES representatives, and the other half houses tax audit, appeals and claims investigation staff.

DES also implemented a managed print services solution in the new facility, which significantly reduced the number of printers and supplies needed for Charlotte-based operations.

Raleigh Central Office

The process of relocating the Division of Employment Security's central offices and selling the property located at 700 Wade Ave. in Raleigh was ongoing during this biennium period.

The bid process for the move was initiated; however, the selection of a new site was postponed in 2019.

Given the uncertainty surrounding the COVID-19 pandemic, it is anticipated that a decision on relocation will be put on hold for the foreseeable future.

New Website Launch

On Jan. 22, 2020, the Division of Employment Security launched its new public-facing website at des.nc.gov to make it easier for claimants, employers, staff and the general public to access services and information. The site is mobile-friendly so that content can be viewed on any device.

The project team focused on developing a website that has clear navigation, up-to-date information, and a modern, appealing design that is consistent with the main North Carolina Department of Commerce website.

The new website platform allows the DES communications team to quickly update and edit content and create pages. This has proven essential during the COVID-19 pandemic response, as DES has had to communicate information about new programs to a large audience of claimants who are interacting with the unemployment benefits system for the first time.

The DES website has had extremely high traffic due to the surge in claims related to COVID-19. Since its launch, the homepage has had more than 14.1 million visitors and more than 165 million pageviews.

Number of Website Users by Month (2020)



Division of Employment Security Emergency Response

Hurricane Florence Disaster Response

Hurricane Florence made landfall in eastern North Carolina on Sept. 14, 2018, and a total of 28 counties were eventually declared eligible for Disaster Unemployment Assistance (DUA) as a result of the hurricane's impact.

DUA is a federal program that provides temporary payments to people in a federally declared disaster area whose employment or income has been lost or disrupted as a direct result of the disaster.

The Hurricane Florence DUA event coincided with the launch of the Division of Employment Security's new, modernized benefits system, SCUBI.

Prior to the implementation of SCUBI, all DUA applications and their respective weekly certifications were completed on paper, and DUA payments were mailed by paper check. With SCUBI, the paper-based benefits process was replaced with an electronic and automated process that was less time-consuming and more efficient. This allowed staff to focus on assisting employers and claimants with their DUA claims and make eligibility determinations more quickly.

During the hurricane response, the volume at the DES Customer Call Center doubled from 40,000 calls a month to approximately 80,000 calls in the months of September and October 2018.

North Carolinians filed more than 4,000 DUA claims and 14,000 state unemployment insurance claims related to the Hurricane Florence, and DES issued more than \$2.2 million in DUA benefits and \$5 million in state benefits.

COVID-19 Response: Overview

The Division of Employment Security has faced an overwhelming and unprecedented demand for services during the COVID-19 pandemic. Between March 15 and Dec. 1, 2020, 1.3 million North Carolinians filed approximately 2.8 million claims for unemployment assistance, and DES issued more than \$8.8 billion in benefits.

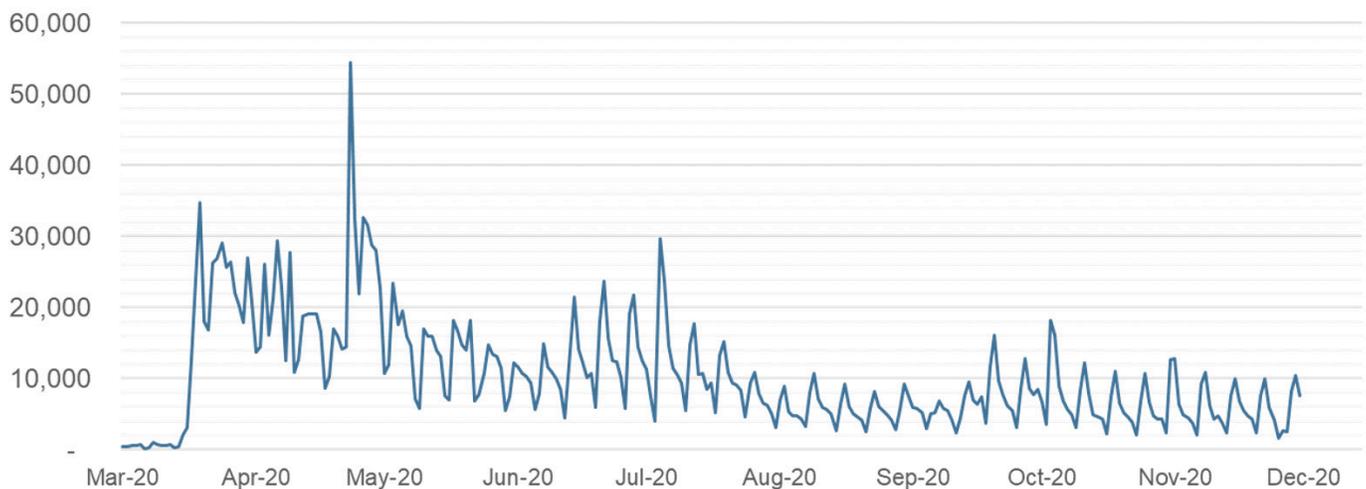
Processing the tremendous volume of claims was an immediate challenge. Early in the pandemic, Governor Roy Cooper used executive authority to implement reforms that the N.C. General Assembly codified in legislation to help DES issue benefits in a timely manner.

These temporary reforms included waiving the waiting week required before a first payment is sent, suspending work search requirements, not charging employers' accounts for benefits paid related to COVID-19, and lifting some of the requirements for employers to file attached claims on behalf of their employees.

While the volume of incoming claims is trending downward, DES continues to receive thousands of new claims to process every week. However, significant progress has been made in clearing the backlog of claims.

As DES is processing claims as quickly as possible, the agency remains focused on maintaining the integrity of the unemployment system. Efforts and resources are being ramped up in the areas of appeals and fraud detection to ensure that programs are administered properly within the law, and benefits are issued to those who are eligible for them.

Claims Filed March 15 – Dec. 1, 2020: **2,848,295**



- The surge in unemployment claims began in mid-March. Before the pandemic, DES received approximately 3,000 claims a week. From March 15 – 23, 2020, an average of approximately 18,000 claims was filed a day.
- On April 24, there was a spike in claims due to the implementation of the federal Pandemic Unemployment Assistance program.
- Federal guidelines require claimants to file separate claims for different unemployment programs. Smaller spikes in claims have occurred as large groups of claimants exhausted benefits for one program and filed for the next.

COVID-19 Response: Benefit Programs

As of Dec. 1, 2020, the Division of Employment Security was administering seven different unemployment assistance programs, three of which were created by the federal CARES Act.

With the exception of the state's regular unemployment insurance program, all were put into place after March 2020, which required federal guidance and extensive reprogramming of the SCUBI benefits system.

- Implementing these programs required guidance and clarification from the U.S. Department of Labor, and for Lost Wages Assistance, the Federal Emergency Management Agency. In response to an inquiry from DES, USDOL revised its guidance about eligibility for the Increased Benefit Amount, which made more North Carolinians eligible for this additional benefit.
- The state's unemployment benefits system had to be reprogrammed to determine claimants' eligibility for the new programs and issue accurate and timely benefit payments. New programs had to be programmed and tested carefully to make sure they did not disrupt any of the other unemployment benefits already being administered by DES.

The seven programs in place as of Dec. 1, 2020, include:

State Unemployment Insurance (UI): North Carolina's regular unemployment benefits program for people who are out of work due to no fault of their own, whose employment was subject to unemployment insurance tax, and who meet requirements for wage and work history.

Pandemic Emergency Unemployment Compensation (PEUC): A federal CARES Act program that provides a 13-week extension to state unemployment benefits for people who exhausted their state benefits.

Extended Benefits (EB): A federal extension to state unemployment insurance that becomes available during periods of high unemployment benefits in a state, paid after a claimant exhausts state unemployment insurance and PEUC benefits.

Pandemic Unemployment Assistance (PUA): A federal CARES Act program for people who are ineligible for or who have exhausted state unemployment insurance benefits and any extensions to state benefits, and who are unable to work as a direct result of COVID-19 during each week of benefits.

People who were receiving benefits from one of the programs above may also be eligible to receive additional benefits from the following programs if they meet eligibility requirements:

Federal Pandemic Unemployment Compensation (FPUC): A federal CARES Act program that provides an additional \$600 per week on top of the claimant's regular weekly benefit amount for weeks from March 29 – July 25, 2020.

Lost Wages Assistance (LWA): A Federal Emergency Management Agency (FEMA) program that provides an additional \$300 per week on top of a person's regular weekly benefit amount for weeks from July 26 – Sept. 5, 2020. To receive LWA, the claimant must have a weekly benefit amount of at least \$100 and be out of work due to COVID-19.

Increased Benefit Amount (IBA): A program created by North Carolina's HB 1105, Coronavirus Relief Act 3.0 that provides a \$50 increase to the weekly benefit amount for eligible claimants for weeks from Sept. 6 – no later than Dec. 26, 2020.

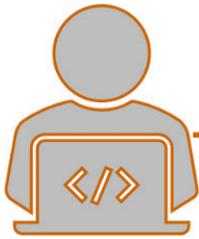
All claimants receiving state unemployment insurance benefits or PUA benefits are eligible for IBA. According to the U.S. Department of Labor, claimants receiving the PEUC or EB extensions are eligible for IBA if their weekly benefit amount for state unemployment insurance was increased before moving into the extension.

North Carolina Unemployment Benefit Programs

State Unemployment Insurance Benefits (UI)	Maximum 12 Weeks in a Benefit Year	State benefits for people: <ul style="list-style-type: none"> • who are out of work due to no fault of their own; • whose employment was subject to unemployment insurance tax; and • who meet requirements for wage and work history.
Pandemic Emergency Unemployment Compensation (PEUC)	Ends Dec. 26, 2020 Maximum 13 weeks	<ul style="list-style-type: none"> • Federal extension to state unemployment insurance benefits for people who have exhausted their 12 weeks of state benefits.
Extended Benefits (EB)	Maximum 6 weeks after Oct. 10, 2020 Subject to change based on unemployment rate.	<ul style="list-style-type: none"> • Federal extension to state unemployment insurance benefits available during periods of high unemployment in a state. • For people who have exhausted state unemployment insurance and PEUC benefits.
Pandemic Unemployment Assistance (PUA)	Ends Dec. 26, 2020 Maximum 39 weeks Reduced by weeks received of UI and EB.	Federal benefits for people: <ul style="list-style-type: none"> • who are ineligible for or have exhausted state unemployment insurance benefits and extensions; and • who are unable to work as a direct result of COVID-19 during each week of benefits.
Claimants receiving benefits from the programs listed above may receive these additional benefits if they meet eligibility requirements.		
Federal Pandemic Unemployment Compensation (FPUC)	March 29 – July 25, 2020	<ul style="list-style-type: none"> • Federal program providing additional \$600 weekly benefit.
Lost Wages Assistance (LWA)	July 26 – Sept. 5, 2020	<ul style="list-style-type: none"> • FEMA-funded program providing additional \$300 weekly benefit.
Increased Benefit Amount (IBA)	Sept. 6 – no later than Dec. 26, 2020	<ul style="list-style-type: none"> • State program increasing the weekly benefit amount by \$50.

Updated November 2020

Unemployment Program Flowchart



Are You Eligible for State Unemployment Insurance Benefits?

You may be eligible for state unemployment insurance (UI) benefits and extensions if:

- You are out of work due to no fault of your own.
- Your employment was subject to unemployment insurance tax.
- You meet requirements for wage and work history.

YES

NO

Eligible for State UI.

You may be eligible for PUA if you are ineligible for UI.



State Unemployment Insurance (UI)

Weekly Benefit Amount Maximum \$350 / Minimum \$15

You may receive these additional benefits if you meet eligibility requirements.

+ \$600 Federal Pandemic Unemployment Compensation
March 29 - July 25

+ \$300 Lost Wages Assistance
July 26 – Sept. 5

+ \$50 Increased Benefit Amount
Sept. 6 – Dec. 26

You may be eligible for the PEUC extension when you exhaust UI.



Pandemic Emergency Unemployment Compensation (PEUC)

Weekly Benefit Amount Maximum \$350 / Minimum \$15

You may receive these additional benefits if you meet eligibility requirements.

+ \$600 Federal Pandemic Unemployment Compensation
March 29 - July 25

+ \$300 Lost Wages Assistance
July 26 – Sept. 5

+ \$50 Increased Benefit Amount
Sept. 6 – Dec. 26

You may be eligible for the EB extension when you exhaust PEUC.



Extended Benefits (EB)

Weekly Benefit Amount Maximum \$350 / Minimum \$15

You may receive these additional benefits if you meet eligibility requirements.

+ \$600 Federal Pandemic Unemployment Compensation
March 29 - July 25

+ \$300 Lost Wages Assistance
July 26 – Sept. 5

+ \$50 Increased Benefit Amount
Sept. 6 – Dec. 26

You may be eligible for PUA when you exhaust UI, PEUC and EB.



Pandemic Unemployment Assistance (PUA)

For people unable to work due to COVID-19 and not eligible for state UI, including independent contractors and self-employed workers.

Weekly Benefit Amount Maximum \$350 / Minimum ≈ \$116

You may receive these additional benefits if you meet eligibility requirements.

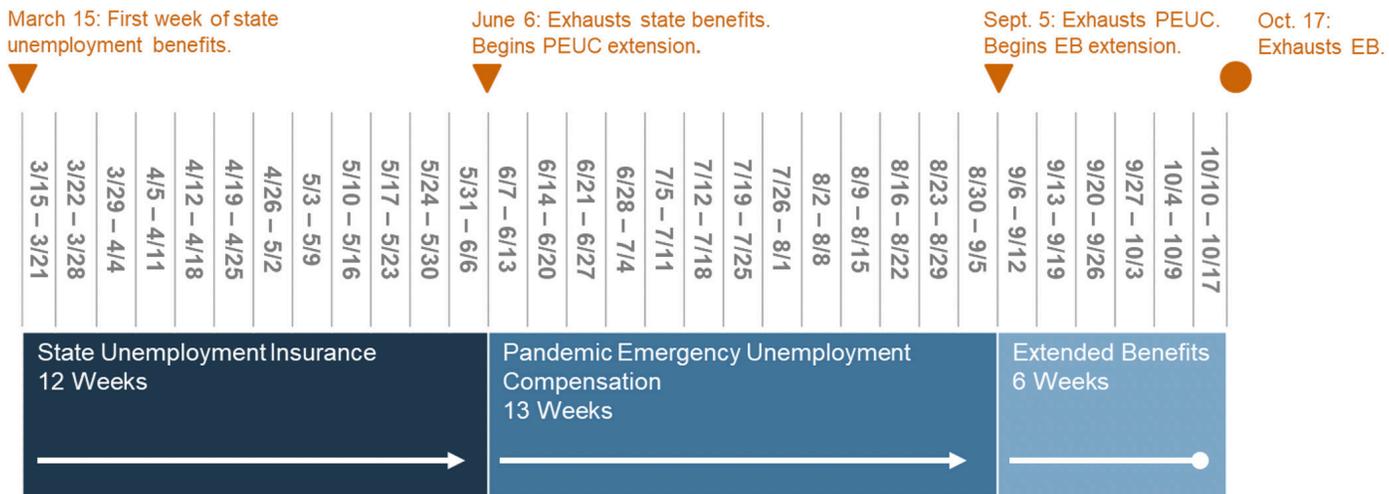
+ \$600 Federal Pandemic Unemployment Compensation
March 29 - July 25

+ \$300 Lost Wages Assistance
July 26 – Sept. 5

+ \$50 Increased Benefit Amount
Sept. 6 – Dec. 26

Example Unemployment Benefits Timeline: Claimant began receiving state UI benefits March 15, 2020

The timeline below represents one example of a timeline for benefits. This scenario uses a claimant who began receiving state unemployment insurance benefits for the week beginning March 15, 2020. Timelines for individual claimants vary based on when they filed for benefits.



Claimants who exhaust state benefits and all extensions may apply for Pandemic Unemployment Assistance. They must meet eligibility requirements for PUA to continue receiving benefits. PUA benefits are available through Dec. 26, 2020.

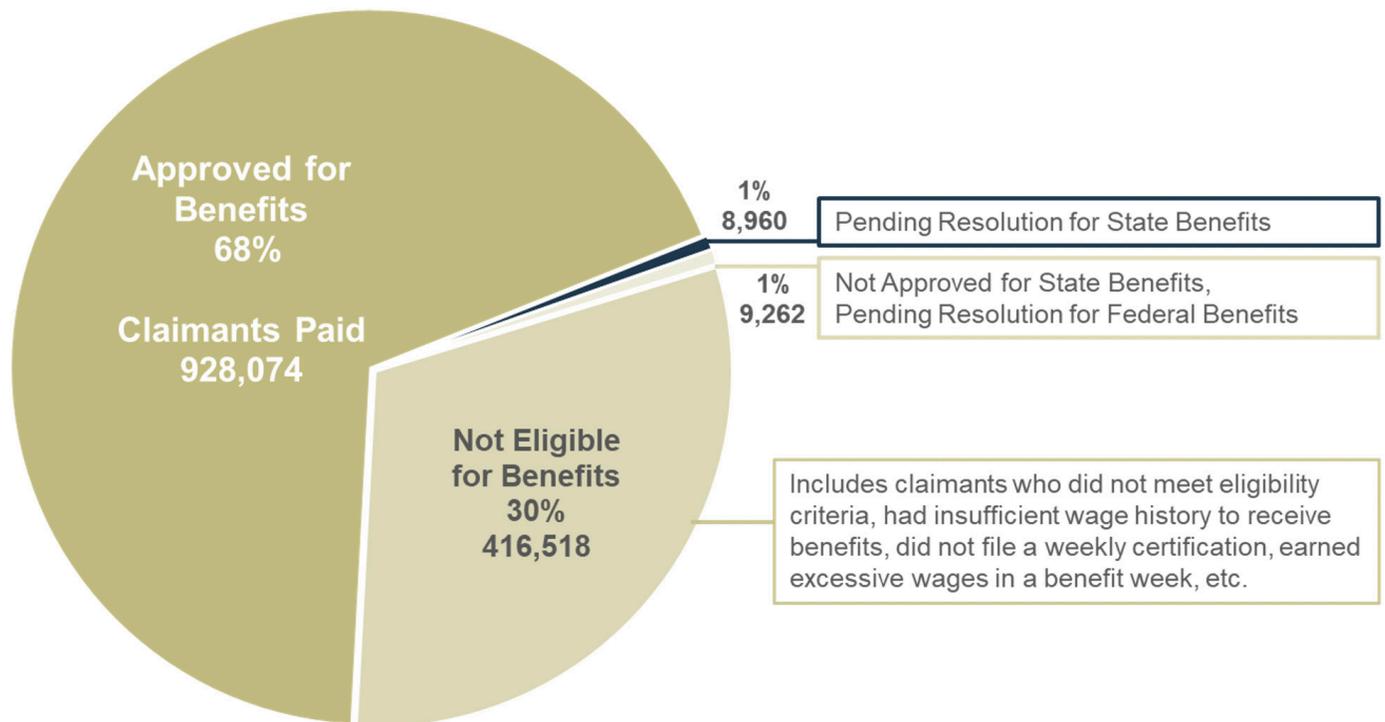
COVID-19 Response: Claims Resolution and Benefits Paid

The Division of Employment Security has made steady and significant progress on clearing the backlog created from the surge in claims that occurred early in the pandemic. In June, the Division of Employment Security announced an aggressive plan to resolve all claims, placing priority on those filed earlier in the pandemic. The effort included establishing a dedicated team of experts to focus on the oldest and most complicated claims.

- In early June, there was an overall 13% backlog of unresolved claims for state and federal benefits, with more than 135,000 people having an unresolved claim.
- By mid-September, the state and federal claims backlog had been reduced to 2%, or approximately 30,000 claimants with a claim pending resolution.
- As of Dec. 1, the percentage of claimants with a pending claim remained at approximately 2%.
- Of the more than 1.3 million people who have applied for benefits, approximately 928,000 individuals have received at least one unemployment benefit payment.
- Approximately 415,000 individuals were found not eligible to receive a benefit payment.

Claims Resolution for all Claimants March 15 – Dec. 1, 2020

Total Number of Claimants: 1,362,814



Benefits Paid

During the COVID-19 response, DES has paid out more than \$8.8 billion in unemployment benefits across seven different programs.

Unemployment Benefit Payments by Program as of Dec. 1, 2020

\$8,831,768,428

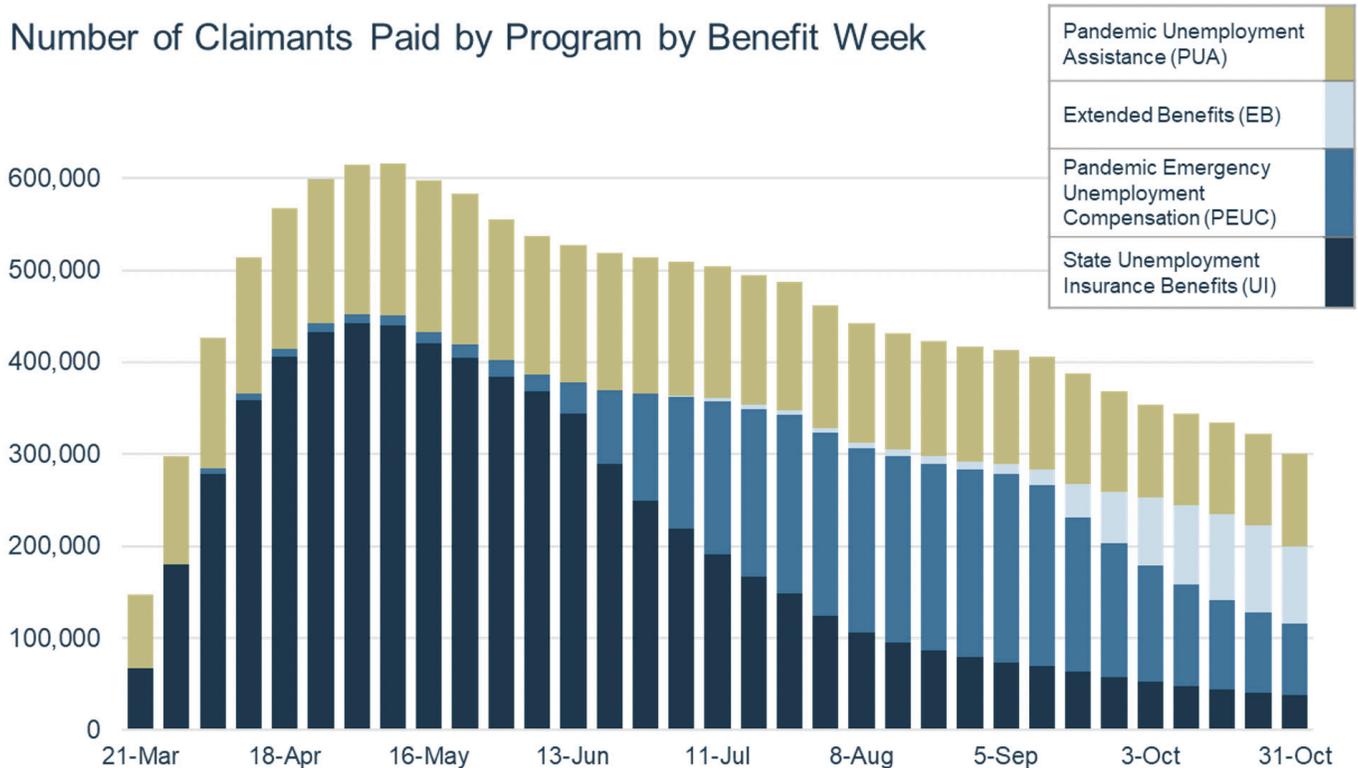
Total Paid

For claims effective as of March 15, 2020

\$1,774,255,161	State Unemployment Insurance
\$695,426,491	Pandemic Emergency Unemployment Compensation
\$168,867,015	Extended Benefits
\$691,619,669	Pandemic Unemployment Assistance
\$4,818,719,453	Federal Pandemic Unemployment Compensation
\$586,286,217	Lost Wages Assistance
\$96,594,422	Increased Benefit Amount

The following chart represents the number of claimants who received benefits by program by benefit week.

Number of Claimants Paid by Program by Benefit Week



COVID-19 Response: Staffing

The administrative budget for the Division of Employment Security is 100% federally funded and based on workload from the previous year. Before COVID-19, claims loads were relatively low, and federal funding had been reduced by approximately 20% over the previous five years. DES staffing levels at the beginning of 2020 reflected those cuts.

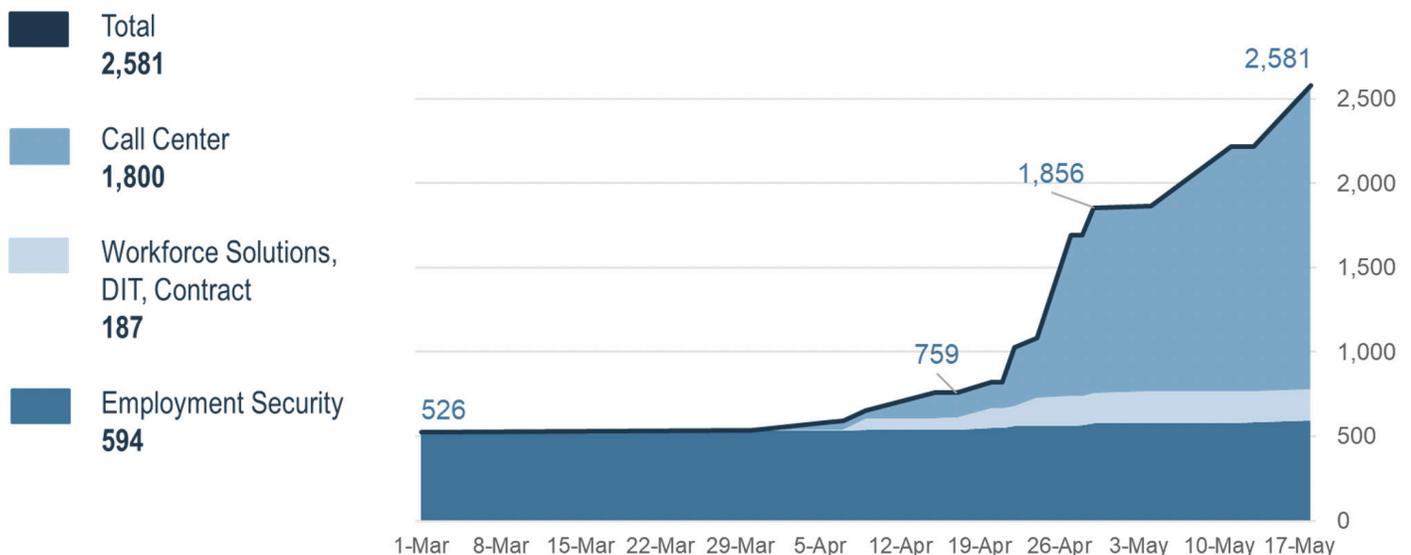
However, with new federal programs and increased workloads in 2020 due to COVID-19, DES received additional administrative funding to help address demands. The agency ramped up its staffing levels very quickly, going from approximately 500 employees before the pandemic to a staff of more than 2,500 permanent, temporary, redeployed, contracted, intern and retired employees.

This was accomplished through DES's collaborative efforts with the N.C. Department of Commerce, the Division of Workforce Solutions, the Office of State Human Resources and other state agencies that agreed to temporarily deploy staff to DES.

Even with the increased staffing levels, employees have worked extended hours, weekends and holidays to meet the increased demand for service. The COVID-19 response has highlighted the need to provide expedited, but thorough training to new employees and to cross-train employees to help in the areas of greatest need.

In addition to hiring and training staff, DES has had to provide for the safety of these employees during this public health emergency. This has made it necessary to rapidly equip and mobilize large groups of people to work at home or in other remote locations. To enable employees to work remotely, DES has deployed new laptops, virtual desktop configurations, video conferencing solutions and other information technology infrastructure.

Staffing Levels and Type



COVID-19 Response: System Upgrades and Customer Service

The Division of Employment Security acted immediately to upgrade and improve its processes, technology and customer service after the surge in unemployment claims related to COVID-19. Over the course of eight months, DES made significant progress in its ability to provide excellent customer service.

Several factors have contributed to improved customer service, including:

- System upgrades have been made to handle large volumes of incoming claims and calls.
- Agent training has been assessed, updated and improved. Representatives now receive longer and more thorough training, and agents' skills are assessed and reviewed to improve agent performance.
- Callers with aging claims are connected with more advanced call center agents who can assist with complex claims. A team of experts focuses solely on resolving the oldest and most complicated claims.
- Customer self-service options and other enhancements have provided easier access to information and assistance for claimants.

System Upgrades

The SCUBI benefits systems was expanded to handle the exponential growth in claims being processed. Infrastructure capacity was expanded by more than 1500%, and network bandwidth was increased by 50%.

Beginning in March, the DES Customer Call Center was overwhelmed by calls from claimants requesting assistance. DES successfully launched two call centers in less than two weeks' time.

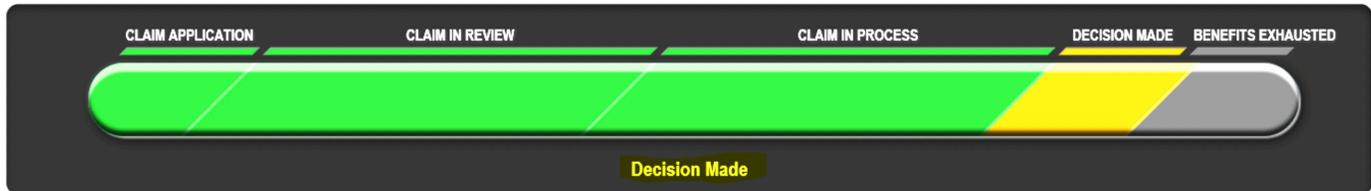
- Working with Amazon, the North Carolina Department of Information Technology and contractor Maximus, DES stood up and staffed a new call center that added 1,800 agents to handle the incoming calls to DES.
- The new call center was configured in the cloud through Amazon Connect to offer agility, scalability and improved remote working capability.
- Call volumes have steadily declined. Call volume in November was 80% lower than what it was at the beginning of June.
- Most days, callers are able to connect with an agent when calling the call center. The average hold time to connect with a representative is less than a minute. Exceptions typically occur on Mondays, when call volumes are consistently highest.
- The call transfer rate has been significantly reduced. Since June 1, the transfer rate from call center agents to staff with more advanced skills has decreased from 25% to less than 1%.

Customer Service Enhancements

DES has made several customer service enhancements to provide quicker and more efficient responses to claimant inquiries or requests.

- **Claim Status Updates:** Claimants can now get updates on the status of their claim online or by phone at any time. These new options allow claimants to check their claim status and find out if they need to do anything to help their claim move forward in the process.

Since it was implemented on June 8, the online claims status tracker has been viewed more than 36,000,000 times. Example status:



An eligibility determination has been completed and payment should be released if there are no other pending issues. A copy of the determination will be available on your My Document page within 48 hours of the decision.

The claim status by phone feature has been used more than 775,000 times since it was implemented on May 25. Example status:

'Your application for unemployment is incomplete. To complete your claim, log in to our NCDES website. Please click the link "Resume My UI Claim" in your NCDES online account to complete your application.'

- **Chat Feature:** The chat feature went live on the DES website on May 8 to provide claimants a convenient option to connect with an agent online. At one point, agents handled an average of 8,300 chat conversations a day.
- **Call Back Option:** Starting in mid-May, people calling the Customer Call Center were given the option to select a call back from an agent, rather than waiting in a hold queue for assistance.
- **Claimant ID Recovery:** Initially, DES received a large volume of requests for PIN/password help from people setting up online accounts that required a staff member's assistance. DES implemented a self-service feature in early May that allows a user to quickly recover account information by email or through verification questions.
- **Updated Data Dashboard:** On June 12, DES launched an updated dashboard on its website with detailed data about benefits payments made, claimants determined eligible for benefits and new claims filed. The dashboard is updated daily, Monday – Friday, to provide easy access to updated information.

COVID-19 Response: Fraud Detection and Prevention

The Division of Employment Security is tasked with issuing benefits to eligible claimants in a timely manner, while also working to reduce fraud and abuse in the unemployment benefits system.

Unemployment benefits fraud occurs when:

- A scammer uses another person's personal identifying information (PII) to apply for and receive benefits. PII can be stolen through outside data breaches, email phishing schemes, impersonation scams and other methods.
- The claimant makes false statements, gives incorrect information or withholds information to receive unemployment benefits; for instance, when a claimant continues to receive benefits after returning to work, and does not report their earnings.

The SCUBI benefits system includes important safeguards designed to prevent fraud. With the surge of unemployment claims due to COVID-19, DES is further strengthening its fraud detection and prevention efforts.

Efforts to detect and prevent fraud include:

- Partnering with North Carolina's Government Data Analytics Center to enhance fraud alerting capability and prevent cybersecurity attacks, with the use of \$2 million from the state's Coronavirus Relief Fund.
- Participating in the National Association of State Workforce Agencies' Integrity Data Hub, which provides a multi-state database of known and potentially fraudulent claims.
- Monitoring and researching claims data, trends, tips and leads related to suspected fraudulent activity or identity theft.
- Reviewing unemployment claims using information from the National Directory of New Hires program and the Wage Crossmatch program.
- Engaging with other states, organizations and partners to share best practices on evolving fraud schemes.

In September 2020, DES was awarded \$2.4 million in U.S. Department of Labor grant funding for fraud prevention and detection. These funds are to be used for investigating unemployment fraud and recovering fraud overpayments.

Division of Employment Security Conclusion

Conclusion

The North Carolina Division of Employment Security strives to deliver value to taxpayers and excellent customer service while providing a bridge to reemployment between North Carolina workers and employers.

As DES plans for the next stages of its response to the COVID-19 pandemic, the following provides a summary of goals to be addressed in the coming biennium.

Ongoing Operations

Goal: Continue to deliver benefits in a timely manner, making necessary operational adjustments as workloads fluctuate between internal units.

- Track incoming claims, meet goals for quality and timeliness, and examine trends in existing benefit programs.
- Monitor state and federal activity for the potential creation of new benefit programs.
- Establish improved connectivity to reemployment services and training for unemployed workers.
- Provide proactive communications and transparent metrics to the general public and other interested stakeholders.

Staffing Assessment and Logistics

Goal: Assess staffing levels, funding and logistics to build flexibility of operations for an escalation, a stabilization or a de-escalation in workload; while also safeguarding the wellbeing and productivity of employees during the COVID-19 public health emergency.

- Determine the best uses of contractual, time-limited, temporary and permanent staffing in the short-term and long-term.
- Develop a physical operations plan, accounting for equipment and procedures needed for additional remote working, as well as future office space needs.

System Modifications and Improvements

Goal: Research and implement system modifications and improvements to allow for greater efficiency and value.

- Explore options for developing a mobile app for claimants.
- Implement fraud detection and prevention enhancements in the SCUBI system.
- Begin process to modernize the Unemployment Insurance Tax System.