



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Opportunities Exist to Increase the Accountability and Independence of the Board of Review

Summary

Session Law 2015-238 directed the Program Evaluation Division to study the value of the Board of Review. Prior to 2011, the Employment Security Commission made initial determinations of unemployment benefits and heard first and second level appeals of those determinations, which are referred to as lower and higher authority appeals, respectively. In 2011, the General Assembly transferred the initial determination and lower authority appeals functions to the Department of Commerce's Division of Employment Security (DES) and created a three-member Board of Review to be appointed by the Governor to hear higher authority appeals. The board did not become operational until January 2014.

Elimination of the higher authority appeals function in general or the Board of Review specifically would not result in any savings to the State's General Fund, and both provide several benefits. The federal government provides funding to states to cover the administrative costs of running their unemployment benefit programs. Although the federal government does not require states to offer higher authority appeals of unemployment benefit determinations, most states offer them through a variety of structures. In North Carolina, the higher authority appeals function cost \$1.7 million to administer in Fiscal Year 2014–15. North Carolina's cost per determination of \$277 is efficient relative to seven comparison states.

However, the Program Evaluation Division found several issues with the Board of Review.

- The Board of Review's reliance on DES staff undermines its independence.
- The Board of Review lacks policies and procedures to ensure consistency and continuity of operations as appointees change.
- The Board of Review does not track the data necessary to ensure continuous improvement of operations.

If the General Assembly decides the higher authority appeals function should continue to be performed by the Board of Review, the Program Evaluation Division recommends the following actions:

- transfer two attorneys and four administrative staff from DES to the Board of Review;
- modify statute to direct the Board of Review to develop policies, procedures, and standards for higher authority appeals operations; and
- direct DES to work with the Board of Review to track and collect the data necessary to support appeals operations.