

Date of Hearing: July 7, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

SB 232 (Nielsen) – As Amended June 17, 2021

Policy Committee: Insurance

Vote: 14 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill requires the Employment Development Department (EDD) to implement recommendations of the State Auditor, published in January 2021, related to timely and accurate issuance of unemployment insurance (UI) benefits. Specifically, this bill:

- 1) Requires EDD, on or before May 31, 2022, to prioritize elements of the Benefit Modernization System IT project that will assist in making payments timely and that may be implemented incrementally.
- 2) Requires EDD, on or before May 31, 2022, to begin to track and periodically analyze the reasons unemployment insurance claimants call for assistance.
- 3) Requires EDD, on or before May 31, 2022, to assess the effectiveness of its call center operations and to monitor data according to specified timelines.
- 4) Requires EDD to create model workload projections that account for a potential surge in unemployment insurance claims, and to create staffing plans for such scenarios.
- 5) Requires EDD to report to the Legislature annually on the effectiveness of its fraud prevention and detection tools.
- 6) Requires EDD to designate an exclusive unit that is responsible for coordinating all unemployment insurance fraud prevention and detection.

FISCAL EFFECT:

To implement state audit recommendations, EDD will incur unknown, significant one-time and ongoing costs to improve its operations and increase monitoring and reporting.

EDD notes the department is implementing the recommendations of the State Auditor and this bill should therefore result in minimal costs. However, the codification of audit recommendations creates ongoing state cost pressure to maintain compliance with specific practices in perpetuity.

COMMENTS:

- 1) **Purpose.** This measure is in response to the scrutiny of EDD during the COVID-19 pandemic. According to the author, creating an advisory board with a clear framework and requiring EDD to respond to its recommendations can assist EDD in preparing for the next crisis.

- 2) **Background.** A dramatic increase in unemployment as a result of pandemic-related closures led to rapid growth in unemployment claims, beginning in March 2020. Supplemental benefits authorized by federal law further increased the volume and dollar amount of payments.

EDD has struggled to service this unprecedented volume of claims throughout the COVID-19 pandemic. The Governor deployed a “strike team” to EDD to provide an assessment and recommendations, which were released on September 16, 2020, and identified a number of immediate actions as well as recommended reforms, many of which EDD is implementing.

In January 2021, the California State Auditor released two reports on EDD. One focused on fraud; the other described the department’s failures to effectively respond to the surge in UI claims and made recommendations to improve operations. This bill codifies recommendations the State Auditor made to EDD in the second report.

- 3) **Related Legislation.** AB 56 (Salas), pending in the Senate Appropriations Committee, codifies recommendations made by the State Auditor related to fraud prevention for UI claims.

AB 402 (Wicks), pending in the Senate Labor, Public Employment and Retirement Committee, establishes the Office of Claimant Advocate within the EDD.

AB 400 (Petrie-Norris) creates an advisory board to review the UI operations of the Employment Development Department (EDD) and make recommendations on efficiency, customer service, access to benefits, fraud, strategic planning and operations. AB 400 was held on the Suspense File of this committee.

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