

Date of Hearing: June 24, 2021

ASSEMBLY COMMITTEE ON INSURANCE

Tom Daly, Chair

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

**SENATE VOTE:** 39-0

**SUBJECT:** Employment Development Department: policies and practices

**SUMMARY:** Establishes implementation criteria for the Employment Development Department (EDD) to adhere to. Specifically, **this bill:**

- 1) Requires EDD, on or before May 31, 2022, to identify elements of the Benefit Modernization System IT project that will assist in making payments timely and implemented incrementally.
- 2) Requires EDD, on or before May 31, 2022, to implement a policy that establishes a process for tracking and periodically analyzing the reasons why unemployment insurance claimants call for assistance.
  - a) Requires EDD, on or before October 31, 2022 and every six months following to analyze the data to improve its call center performance by identifying and resolving weaknesses in regards to how the call center provides assistance to unemployment insurance claimants through self-service and non-call center options. Additionally, EDD must develop training modules to quickly train its call center staff on the most commonly requested items with which callers need assistance.
- 3) Requires EDD, on or before May 31, 2022, to assess the effectiveness of its call center operations and implement a policy for tracking and monitoring its rate of first-call resolution.
  - a) Requires EDD to review the first-call resolution data at least monthly and evaluate whether EDD is providing effective assistance to caller.
- 4) Requires EDD, to create model workload projections that account for possible scenarios that may cause a sudden increase in unemployment insurance claims.
  - a) Requires the assessments to occur quarterly in order to plan for staffing adjustment as well as a contingency plan for less likely scenarios that may have a significant impact on EDD's workload.
- 5) Requires EDD, to provide the Legislature with a plan for assessing the effectiveness of its fraud prevention and detection tools by May 1, 2022.
  - a) Requires an update of the plan to be provided to the Legislature by July 1, 2022.
  - b) Requires EDD, on or before, January 1, 2023, and annually thereafter, to analyze and assess the effectiveness of its fraud prevention and detection tools and submit the analysis and assessment to the Legislature.
- 6) Requires EDD to designate an exclusive unit that is responsible for coordinating all unemployment insurance fraud prevention and detection.

**EXISTING LAW:**

- 1) Establishes EDD within the Labor and Workforce Development Agency. EDD is responsible for administering Unemployment Insurance (UI). (UI Code, Section 301)
- 2) Establishes the Unemployment Fund as a special fund under EDD, consisting of employer contributions. This fund is to be used for the payment of benefits and for the payment of expenses incurred for the administration of the fund. (UI Code, Section 1521)
- 3) Establishes the UI Program as a joint state/federal program, administered by EDD that provides weekly unemployment insurance payments for workers who lose their job through no fault of their own. Eligibility for benefits requires that the claimant be able to work, available for work, be seeking work, and be willing to accept a suitable job. (UI Code Sections 100-144 & Sections 301-456)
- 4) Provides UI weekly benefits that range from \$40-\$450 based on the employee's prior earnings and are available for a maximum of 26 weeks, as specified. (UI Code Sections 1275-1282)
- 5) Requires employers to finance the UI program by paying unemployment taxes on up to \$7,000 in wages paid to each worker. The actual tax rate varies for each employer, depending in part on the amount of UI benefits paid to former employees. (UI Code Sections 901-1243)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

- 1) **Author's statement:** According to the author, "Millions of Californians lost their jobs and the California EDD caused them more grief. "Computer glitch" caused delays in payments. An estimated \$11 to \$31 billion went to international crime rings. An estimated million Californians are still waiting to receive their benefits. The independent State Auditor created a thorough review of EDD, and provided specific recommendations to the Legislature to implement. By implementing the State Auditor's specific recommendations, SB 232 seeks to fix EDD so that unemployed Californians will receive benefits without extraordinary delay especially during an economic crisis. SB 232 would implement changes in policies and procedures, as recommended by the State Auditor, to ensure the timely issuance of unemployment benefits and prevent fraud to protect precious tax dollars for Californians in their time of need."
- 2) **Purpose of the bill:** The California State Auditor released two reports in January, 2021 on EDD. Both reports took a deep dive into the weaknesses and areas of improvement for EDD spurred by the pandemic. This bill attempts to take recommendations from those reports by putting in statute an implementation criteria that includes: IT; the call center; claimant resolution; workload; and fraud.
- 3) **Background:** A surge in the filing of unemployment claims began in March 2020 following the issuance of a statewide stay-at-home order at the start of the COVID-19 pandemic which resulted in a significant increase in EDD's workload. During the same time period, Congress

expanded federal UI benefits and relaxed the eligibility criteria for receiving those benefits through the Coronavirus Aid, Relief, and Economic Security Act.

Beginning in July 2020, EDD criminal investigators began identifying specific cases of UI fraud involving the information of incarcerated individuals and communicating that information to local law enforcement agencies. In late November 2020, nine county district attorneys announced the discovery of widespread UI fraud involving tens of thousands of incarcerated individuals that took place during the first six months of the pandemic. The fraudulent claims primarily involved federal Pandemic Unemployment Assistance (PUA) claims. It was reported that in most cases the payments were sent via prepaid debit cards to addresses used on claims applications (i.e., addresses outside of a correctional facility) with the funds later deposited to inmate accounts in jails and prisons.

**4) Related legislation:**

- a) SB 390 (Laird) would require EDD to develop a comprehensive plan to prepare for an increase in unemployment insurance compensation benefits claims due to an economic recession. This measure is pending before the Assembly Insurance Committee.
- b) AB 56 (Salas) regulates EDD by codifying various recommendation from the State Auditor related to EDD. This measure is pending before the Senate Labor, Public Employment and Retirement Committee.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Chamber of Commerce

**Opposition**

None on file.

**Analysis Prepared by:** Kathleen O'Malley / INS. / (916) 319-2086