

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

February 24, 2021

The Honorable Maria Elena Durazo, Chair
Senate Budget Subcommittee #5
State Capitol, Room 2032
Sacramento, CA 95814

RE: Budget Request—Trailer Bill Language: EDD

Dear Chair Durazo:

I respectfully request that budget trailer bill language be included in the 2021-22 Budget package that will require the Employment Development Department to implement the State Auditor's recommendations from their two recently released audit reports titled, "Employment Development Department: EDD's Poor Planning and Ineffective Management Left It Unprepared to Assist Californians Unemployed by COVID-19 Shutdowns" and "Employment Development Department: Significant Weaknesses in EDD's Approach to Fraud Prevention Have Led to Billions of Dollars in Improper Benefits.

The State Auditor's report made clear that EDD was both poorly managed and vulnerable to fraud even more when the COVID-19 pandemic hit. Given their historic underperformance and unwillingness to implement previous audit recommendations, it is critical that the Legislature adopt requirements in statute to hold EDD accountable to their mission to serve unemployed Californians. The COVID-19 business shutdowns are not the fault of employees, and they should not be subjected to months of waiting for benefits, frozen benefit cards, and stolen identities. Furthermore, employers are also not at fault for the economic fall out of the shutdowns, and should not be on the hook for paying back any of fraudulently issued benefits that are the product of agency errors or incompetence.

We urge the Budget Committee to adopt this trailer bill with recommendations for EDD to ensure continued legislative oversight and control of the department. Specifically, the language would require EDD to do the following:

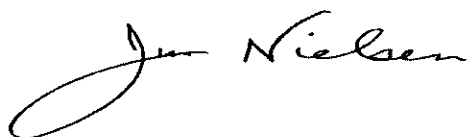
- To ensure that it does not delay needed improvements to its Information Technology systems, EDD should by the end of May 2021, identify the elements of the Benefit Modernization System IT Project (BSM) that can assist in making timely payments and that can be implemented incrementally. EDD should prioritize and rank implementing these elements of the BSM.

- Implement a formal policy no later than May 2021 that establishes a process for tracking and periodically analyzing the reasons why UI claimants call for assistance. Additionally, no later than October 2021, and every six months thereafter, require EDD to analyze the data to improve its call center by identifying and resolving weaknesses or problems with the ways in which it provides assistance to UI claimants through self- service and noncall-center options and developing specialized training modules to quickly train its call center staff on the most commonly requested items with which callers want assistance.
- Require EDD assess the effectiveness of its call center and by May 2021, require EDD to implement a policy for tracking and monitoring its rate of first-call resolution. Require EDD to review first-call resolution data at least monthly to evaluate whether it is providing effective assistance to callers. Require EDD to report these findings to the Legislature.
- Require EDD to model workload projections that account for possible scenarios that would cause a spike in UI claims. This workload assessment should occur quarterly in order for EDD to plan its staffing around the likelihood of those scenarios, including having a contingency in place for less likely scenarios that would have a significant impact on its workload. Require EDD to report these findings to the Legislature.
- Require EDD to develop a recession plan that takes into account the lessons learned from previous economic downturns, including the pandemic. The plan should include indicators EDD will monitor to project likely increased workload and the steps EDD will take to address increases in its workload. The plan is due to the Legislature by January 2022 and should be updates every three years thereafter. Require EDD to report these findings to the Legislature.
- Require EDD to provide to the Legislature with a plan on how it will assess the effectiveness of its fraud prevention and detection tools by May 2021 and require EDD to provide the Legislature with an update on its progress on performing this analysis by July 2021. Additionally, require EDD to, by January 2022 and annually thereafter, to assess the effectiveness of its fraud prevention and detection tools and submit this analysis to the Legislature.
- Require EDD to designate an exclusive unit responsible for coordinating all UI fraud prevention and detection. Require EDD to give the unit sufficient authority to carry out its responsibilities. The duties of the unit should align with fraud detection and prevention best practices. Require EDD to review top to bottom the EDD management and reporting structure, recommending changes if needed.

It is past time to hold EDD accountable for their mismanagement and lack of fraud prevention. The California people deserve better and we, as the Legislature, must act immediately to improve and demand changes to better serve our constituents and our state.

Thank you for your attention to this urgent issue. Please don't hesitate to contact me at any time regarding this request, or my budget consultant, Rebecca Hamilton at Rebecca.hamilton@sen.ca.gov.

Sincerely,



Senator Jim Nielsen
4th Senate District



Senator Shannon Grove
16th Senate District

cc: The Honorable Toni Atkins, President Pro Tempore
The Honorable Nancy Skinner, Chair Senate Budget Committee
Mr. Chris Woods, Budget Director to the President Pro Tempore
Mr. Joe Stephenshaw, Staff Director. Senate Budget and Fiscal Review Committee
Ms. Jolie Onodera, Legislative Director. Department of Finance