

California State Assembly



Agenda

Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, February 27, 2024
1:30 P.M. – State Capitol, Room 447

Items To Be Heard		
Item	Description	Page
0559	Labor and Workforce Development Agency	2
Issues	1. Labor and Workforce Development Program Cuts, Reductions, and Shifts	2
	2. Special Fund Loans to the General Fund and Budget Change Proposals	6
7100	Employment Development Department	8
Issues	3. EDDNext Implementation and Budget Proposals	8
	4. Unemployment Insurance: Federal Debt Repayment	11
7350	Department of Industrial Relations	15
Issues	5. Budget Change Proposals and Trailer Bill	15
7120	California Workforce Development Board	17
Issues	6. Transportation Infrastructure Workforce Development Program	17
7300	Agricultural Labor Relations Board	25
	7. Budget Change Proposal	25

Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

Items To Be Heard

0559 Labor and Workforce Development Agency

The Labor and Workforce Development Agency oversees seven departments, boards and panels that serve California workers and employers. The Departments include the Agricultural Labor Relations Board, the Department of Industrial Relations, the Employment Development Department, the Employment Training Panel, the Public Employment Relations Board, the Unemployment Insurance Appeals Board, and the Workforce Development Board.

Issue 1: Labor and Workforce Development Program Cuts, Delays, and Shifts

The Governor's budget proposes several funding reductions, delays, and shifts to special funds for various workforce and development programs. Those funding changes are outlined below:

Labor and Workforce Development Agency

Funding Delay: California Jobs First (Formerly the Community Economic Resilience Fund)

The California Jobs First program is an inter-agency partnership between the Labor and Workforce Development Agency, the Office of Planning and Research, and the Governor's Office of Business and Economic Development to create regionally governed investments focused on job creation adapted to climate change. The program was allocated a total of \$600 million to be used for workforce investments in 13 regions across California.

Approximately \$286 million of this fund has been used for the planning phase of the program and to support ready-to-launch economic development pilot projects within the 13 regions.

The 2024-25 budget proposes delaying the remaining \$300 million General Fund for this program by allocating \$100 million annually in 2024-15 through 2026-27. Those remaining dollars are anticipated to be used for the implementation phase of the program and to provide economic planning and implementation projects in partnership with California Native American Tribes.

California Jobs First Trailer Bill

California law provides specific implementation milestones for the California Jobs First program. Statutes specify that the majority of program funds be used to provide economic development grants on a rolling basis through June 30, 2025. In addition, grant recipients must demonstrate a plan to fully spend or obligate the funds by December 31, 2025, and pay all obligations by December 31, 2026.

To provide more time for the implementation phase of the California Jobs First program, the Administration requests trailer bill language to push back these timelines. The proposed trailer bill would instead require the majority of funds to be used to provide economic development grants through June 30, 2028. The trailer bill would require grant recipe recipients to demonstrate a plan to fully spend or obligate all funds received by June 30, 2028, and require all obligations to be paid by June 30, 2030.

Employment Development Department

Funding Reduction: Displaced Oil and Gas Worker Fund

The Budget Act of 2022 provided \$40 million one-time General Fund for to launch the Displaced Oil and Gas Worker fund. This grant program aims to provide access to transitional jobs, career counseling, employment, and training services to help displaced oil and gas workers for careers in other industries.

The 2024-25 budget proposes to reverse \$10 million General Fund for the program, maintaining \$30 million for it.

Funding Reduction: Emergency Medical Technician Training

The Budget Act of 2022 provided \$20 million General Fund annually from 2022-23 through 2024-25 for a total of \$60 million to launch a program that provides local emergency medical technician training.

The Budget Act of 2023 withdrew \$20 million from this program (\$10 million in 2023-24 and \$10 million in 2024-25), leaving \$40 million for it.

The 2024-25 budget proposes another reduction of \$10 million General Fund, leaving \$30 million for the program.

Department of Industrial Relations

Funding Shift: Enhanced Protections for Vulnerable Populations.

This program provides outreach and education in multiple languages to protect workers from heat-related illnesses and wildfire smoke hazards.

The 2024-25 budget proposes a shift of \$15.6 million General Fund to the Labor and Workforce Development Fund, which maintains \$16 million over three years for this program.

Funding Delay: Apprenticeship Innovation Fund

The 2022 Budget Act provided \$175 million General Fund over three years to establish the Apprenticeship Innovation Funding program (AIF). Under the Division of Apprenticeship

Standards (DAS), the program provides grants, reimbursements, or other funding for the support of an apprenticeship program or training of apprentices. The 2023 Budget Act reduced those investments by \$40 million, leaving \$135 million for the duration of the program.

The 2024-25 budget proposes delaying \$40 million General Fund for the program, reallocating \$20 million in 2025-26 and 2026-27.

Funding Delay: California Youth Apprenticeship Program

The 2022 Budget Act provided \$65 million General Fund over three years to establish the Youth Apprenticeship Grant Program to develop new, or expand on existing apprenticeship programs for 16–24-year-olds who are unhoused, in the welfare, or juvenile justice system or otherwise facing barriers to labor market participation.

The 2024-25 budget proposes delaying \$25 million General Fund for the program, reallocating \$10 million in 2025-26 and another \$15 million in 2026-27.

Funding Reduction: Women in Construction Priority Unit

The 2022 Budget Act provided \$15 million General Fund ongoing to promote and support women and nonbinary individuals into skilled trade careers.

The 2024-25 budget proposes reducing the program’s ongoing budget by \$5 million, maintaining \$10 million ongoing.

California Workforce Development Board

Funding Delay: Goods Movement Workforce Training Campus

The 2022 Budget Act appropriated \$110 million General Fund over three years build and establish the Goods Movement Workforce Training Campus at the Port of Los Angeles.

The 2024-25 budget proposes delaying \$40 million General Fund for this investment, reallocating \$20 million in 2025-26 and another \$20 million in 2026-27.

Funding Reduction: Low Carbon Economy Grant Program

The 2022 Budget Act appropriated \$15 million General Fund annually for over three years, totaling \$45 million for the Low Carbon Economy Initiative. This program supports job creation in various sectors, including zero emission bus manufacturing, energy storage, food and agriculture, fossil fuel transition, clean transportation, forestry, utility line tree-trimming, and offshore wind. The 2023 Budget Act shifted \$15 million of funding to the Greenhouse Gas Reduction Fund.

The 2024-25 budget proposes cutting the program by \$15 million General Fund, leaving \$30 million for the program.

Funding Reduction: High Road Training Partnership for Health and Human Services

The 2022 Budget Act allocated \$135 million over 3 years, to recruit, train, hire, and advance California’s health and human services sectors. Funding is awarded through regional grants, with partners including community colleges, workforce boards, employers, and non-profit organizations.

The 2024-25 budget proposes reducing the program’s budget by \$45 million General Fund, maintaining \$90 million over two years for the program.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Jay Sturges, Deputy Secretary, Fiscal Policy and Administration, Labor and Workforce Development Agency
- Derek Kirk, Assistant Deputy Secretary of Climate Economy, Labor and Workforce Development Agency
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office

Staff Comments

Through the Labor and Workforce Development Agency and its departments, the Administration oversees numerous workforce development programs, ranging from youth apprenticeships, re-entry programs, healthcare training initiatives, and more. The subcommittee may wish to ask the following questions:

- 1- What criteria were used to identify the programs proposed to be cut? What methodology was used to determine the reduction amounts?
- 2- Why were some programs selected for funding delays, and others selected for funding reductions?
- 3- Regarding the California Jobs First Program / CERF:
 - a. Under the Governor’s proposed funding delay, when would CERF implementation begin?
 - b. What metrics are or will be used to determine the success of the program, as well as the success of its current pilot projects?

Staff Recommendation: Hold Open

Issue 2: Special Fund Loans to the General Fund and Budget Change Proposals**Labor and Workforce Development Fund Loan to the State General Fund**

Under existing law, the Private Attorneys General Act (PAGA) allows employees to bring civil actions to recover civil penalties for violations of the California Labor Code. PAGA further specifies that 75 percent of the penalties collected are to be deposited into the Labor and Workforce Development Fund (LWDF) for the purposes of educating employers and employees about their rights and responsibilities under the Labor Code, and the remaining 25% going to the aggrieved employees.

In 2020-21, a loan of \$107 million from the LWDF was made to the General Fund, scheduled to be repaid in 2024-25.

The Governor's budget includes three proposals related to the LWDF:

- 1- Rescheduling of Loan Repayment: The repayment of the initial \$107 million loan is proposed to be postponed from 2024-25 to 2027-28.
- 2- Additional Loan to the General Fund: The budget proposes making an additional loan of \$125 million from the LWDF to the General Fund, with a proposed repayment date of 2028-29.
- 3- Additional Transfer to the General Fund: The budget proposes using Control Section 13.40 to make an additional transfer of \$35 million from the LWDF to the General Fund, to be repaid in 2028-29. Section 13.40 provides the Director of Finance the ability to transfer various special funds to the General Fund as budgetary loans from resources not required for currently projected operational or programmatic purposes, as specified.

In total, these measures amount to a \$267 million loan from the LWDF to the General Fund. The Administration projects that, after accounting for these loans, other expenditures, and revenues, the remaining balance of the LWDF is expected to be approximately \$119 million.

Budget Change Proposal: Operational Support Realignment

The Labor and Workforce Development Agency requests \$612,000 in reimbursement authority in 2024-25 and ongoing to make three positions permanent. This includes permanently establishing the Deputy Secretary of Strategic Workforce; converting a limited-term Staff Service Manager II to a permanent Staff Service Manager I for communications and outreach activities; and continue funding a limited-term Staff Service Analyst for research and analysis.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Matthey Perkey, Junior Staff Analyst, Department of Finance
- Isaac Garcia-Long, Agency Operations Officer, Labor and Workforce Development Agency
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office

Staff Comments

The Labor and Workforce Development Fund currently supports various worker outreach programs, such as the California Workplace Outreach Program, the Domestic Worker and Employer Education and Outreach Program, and the Workers’ Rights Enforcement Grant Program. The fund also supports various IT modernization efforts, specifically at the Department of Industrial Relations. Given the sizeable loan from the LWDF to the General Fund, the subcommittee may wish to ask if the Administration anticipates any programmatic impact to outreach these outreach programs or modernization efforts.

Staff Recommendation: Hold Open

7100 Employment Development Department

The Employment Development Department is the state entity responsible for administering various safety net programs in California, including Unemployment Insurance (UI), State Disability Insurance (SDI) and Paid Family Leave (PFL). The UI program issues partial income replacement for Californians who become unemployed through no fault of their own. The UI program is financed by employers, who pay unemployment taxes on wages paid to each worker. The SDI program provides partial wage replacement to eligible California workers who are unable to work due to a nonwork-related illness, injury or pregnancy. SDI is funded through employee contributions in the form of payroll taxes. Finally, the PFL program provides benefit payments to people who need to take time off work to, for example, care for a seriously ill family member or bond with a newborn child. The state's PFL program is part of the SDI program.

Issue 3: EDDNext Implementation and Budget Proposals

Overview of EDDNext

In 2016, EDD began exploring a modernization effort to replace its legacy UI and SDI online application, as well as the PFL application system. Modernization efforts were halted during the pandemic, at the recommendation of the Governor's strike team, in order to assess options for reform. In September of 2021, the Department relaunched its modernization analysis, and incorporated lessons-learned from the pandemic to develop an updated modernization roadmap. This multi-year project, which aims to improve customer service and accessibility for the UI, SDI, and PFL programs, is now known as EDDNext.

EDDNext has 5 listed project objectives:

- 1) *Customer-Centered Service Design*: Ensure equity access via optimizing service channels (i.e. mobile social media, self-service website, chatbot, live chat) with multiple language access.
- 2) *Increase Self-Service Opportunities*: Simplify self-service functionality across all programs for claims intake and process.
- 3) *Mitigate Fraud*: Protect claimant identity, reduce fraudulent activities, and reduce the costly risk to the state by re-engineering claims processing and enhancing technology driven security.
- 4) *Improved, Consistent, Integrated Program Delivery*: Extend data analytics, improved dashboards, daily reporting on claim progress, fraud analysis, standardized user experience, and enhance EDD training to better serve claimants.

- 5) *Greater Adaptability for Faster Program Changes:* Integrated system that enables rapid program changes and enable scalability to meet the unusual spikes in workload demand and modifications required for compliance with the U.S. Department of Labor and California Rules and Regulations.

EDDNext Funding to Date:

The Budget Act of 2022 provided \$136 million, split evenly between the General Fund and EDD's Unemployment Compensation Disability Fund, to begin funding the first phase of EDDNext.

The Budget Act of 2023 allocated an additional \$198 million in 2023, also split evenly between the General Fund and the Unemployment Compensation Disability Fund.

Implementation Update:

EDD reports the following implementation milestones:

- Implemented multi-factor and enhanced service for the EDD shared customer portal, and support for three additional languages (Simplified Chinese, Traditional Chinese, and Vietnamese).
- Enhancements to the contact center, including additional languages supported for UI, categorization features for DI/PFL, PFL and DI text messaging services for claims.
- Research and implementation of identity proofing solutions for improved fraud detection and mitigation.

A full roadmap of EDDNext's modernization plan is available as an addendum to this agenda.

Budget Change Proposal: EDDNext Modernization 2024-25 Funding

For 2024-25, the Department requests \$326,829,000, funded equally by the General Fund and the Unemployment Compensation Disability Fund, to continue the third year of EDDNext's modernization efforts. Among other items, the Department lists the following items as a focus for 2024-25:

- Procure a single accountable system integrator, and begin the multi-year replacement of the core claims system and implementation of the modernized claims processing capabilities.

- Complete implementation of real-time identity proofing and enhanced user administration. Start development on a streamlined claim application with an intake navigator and enhanced customer data analytics and reporting.
- Complete project initiation and start the development and configuration of Document Content Management.
- Continue the modernization of the integrated contact center. Complete implementation of the DI/PFL platform modernization and start implementation of the modernized platform for UI and Tax.

Budget Proposal: Cybersecurity Funding Shift

The Budget Act of 2022 authorized \$10,158,000 from the General Fund in 2022-23 and \$6,083,000 in 2023-24 and 2024-25 for 29 cybersecurity positions to assist with fraud mitigation and to improve cybersecurity efforts at the Employment Development Department.

The Administration notes that it has reevaluated this budget proposal and determined that a portion of these activities are related to EDD's disability insurance and paid family program. The budget proposes shifting \$3,041,000 from the General Fund to the Unemployment Compensation Disability Fund in 2023-24 and 2024-25.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Ron Hughes, Deputy Director, Employment Development Department
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff notes that high-level estimates for total project cost of EDDNext is anticipated to be \$1.258 billion, with a five-year timeline for completion. The subcommittee may wish to ask the following questions:

- 1- Is EDDNext on track to meet its roadmap timeline and overall implementation goals?
- 2- Is EDD on track to translate its Shared Customer Portal and application platforms in all target languages?

Staff Recommendation: Hold Open

Issue 4: Unemployment Insurance: Federal Debt Repayment**Overview of the UI Federal Debt**

California's Unemployment Insurance program is financed through employers, who pay a payroll tax into the state's UI trust fund. Under existing state tax and benefit rules, the UI trust fund does not build large enough reserves in normal times to cover the increase in claims during a recession. During recessions, states may borrow from the federal government to continue payment benefits if state UI funds are insufficient. These loans must be repaid, with interest, at a later time. The loan principal is repaid by automatic increases in the federal UI tax rate employers pay, and the interest has historically been paid from the General Fund. However, in recent years, the state budget began looking at special funds to finance a portion of the federal interest payment.

Prior to the pandemic, at the start of 2020, the state's UI trust fund held \$3.3 billion in reserves. Despite these reserves, the state's UI trust fund became insolvent during the summer of 2020, a few months following the start of the pandemic and associated job losses. California, like many other states, used federal loans to continue paying benefits during the pandemic. In total, the state needed to borrow about \$20 billion from the federal government, roughly twice the amount the state borrowed for UI benefits during the Great Recession of 2008. To repay the federal loans, the federal UI payroll tax rate on employers increase slightly each year until the loans are repaid.

Budget Proposal: Use of Special Funds to Pay the Interest on the Federal UI Debt

The Budget Act of 2023 provided a \$306 million loan from the Unemployment Compensation Disability Fund to the General Fund to support the state's payment of the UI loan interest payment. The loan is scheduled for repayment by June 30, 2027. The Unemployment Compensation Disability Fund consists of all worker contributions used to pay Disability and Paid Family Leave benefits and administer those respective programs.

The Governor's 2024-25 budget includes \$331 million one-time funding to pay the annual interest payment on the state's Unemployment Insurance loan balance. Of that amount, \$231 million is from the General Fund, and \$100 million is from the Employment Training Fund.

The Employment Training Fund (ETF) is funded from contributions from employers, equal to 0.1 percent of wages, with the contributions generally used to reimburse the cost of employer-driven training for incumbent workers and funding training needed by unemployed workers to re-enter the workforce.

The Administration projects that, after accounting for the interest payment, other expenditures, and revenues, the remaining balance of the ETF is expected to be approximately \$52 million.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Jessica Grimes, Executive Director, Employment Training Panel
- Jaime Gutierrez, Chief Deputy Executive Director, Employment Training Panel
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

LAO Comments

In the Governor's Budget forecast of the state's Unemployment Insurance (UI) Trust Fund, the administration reports that the program now pays out more in UI benefits than it receives in UI payroll taxes.

Structural Deficit Began in 2023, Expected to Worsen in 2024 and 2025. As shown below, the administration's UI Trust Fund forecast shows that UI benefit payments exceeded state payroll tax contributions by \$1.3 billion in 2023. The administration anticipates this imbalance will increase to about \$1.6 billion annually in 2024 and 2025. Historically, benefit payments have only exceeded contributions during major economic downturns – most recently, during the pandemic and Great Recession.

UI payments set to exceed receipts for the foreseeable future

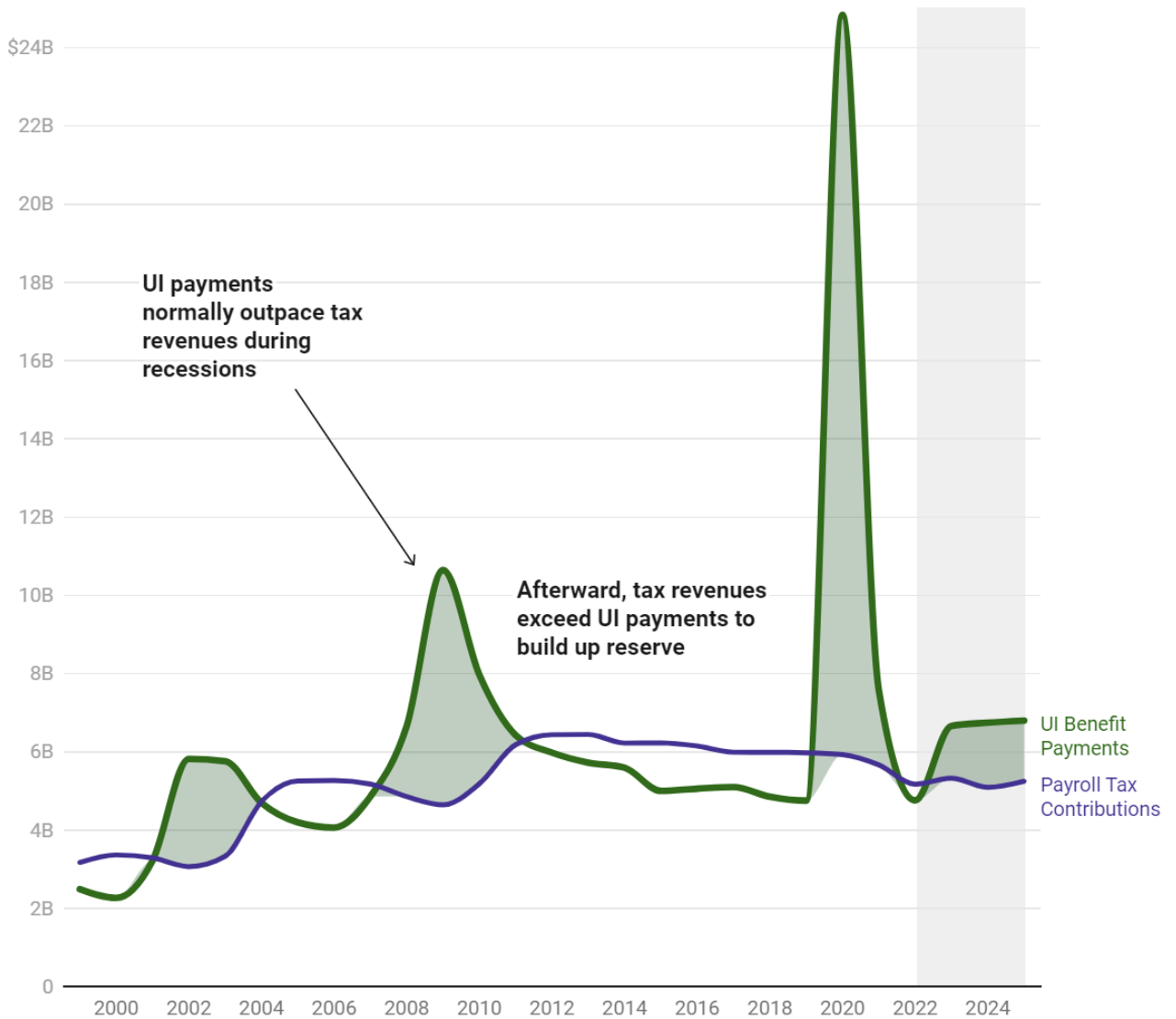


Chart: California Legislative Analyst's Office • Source: U.S. Department of Labor and Employment Development Department • Created with [Datawrapper](#)

Key Drivers of the Imbalance. The structural imbalance anticipated by the administration reflects the continuation of a long-term trend within the UI system: on average, annual UI payroll taxes have grown more slowly than benefit payments. For this period, specifically, UI payroll taxes remain flat from 2022 through 2025 at about \$5.2 billion annually. This reflects the offsetting effects of increased employment, which pushes contributions upward, combined with lower average UI payroll taxes due to recent declines in the use of UI. UI benefit payments, on the other hand, are anticipated to grow from \$5 billion in 2022 to \$6.7 billion in 2024 due mainly to recent wage growth (which pushes up the average weekly UI benefit amount) and the recent uptick in unemployment.

Temporary Increase in Federal UI Taxes Not Sufficient to Offset Imbalance... The state took on about \$20 billion in federal UI loans to continue paying UI benefits during the pandemic after running through all of the state trust fund reserves. Under longstanding federal law, when the state has outstanding federal loans employers pay a payroll tax surcharge that increases each year until the loans are repaid. The surcharge revenue goes into the state UI trust fund where it is first used to pay benefit payments. Any remainder repays the principal on the federal loan. Surcharge revenue are expected to be about \$400 million in 2023, \$850 million in 2024, and \$1.3 billion in 2025. These amounts are not large enough to cover the structural deficit in the UI trust fund.

...Meaning State's Outstanding Federal UI Loan Set to Increase. As the administration expects the underlying gap to worsen faster than the federal surcharge revenues increase, the annual fund imbalance is expected to continue despite federal payroll tax surcharges. Consequently, the administration expects the outstanding federal UI loan balance to increase by more than \$1 billion over the two-year period, from \$20 billion in 2023 to \$21 billion in 2025.

Staff Comments

Existing law provides that, with approval from the Legislature, contributions to the ETF may be used to pay interest charged on federal loans to the Unemployment Fund (California Unemployment Insurance Code Section 1611 (a)). As such, using the ETF to pay back a portion of the federal UI debt would not be considered a loan to be repaid to the ETF.

The subcommittee may wish to ask the following questions:

- 1- Why has the ETF built such a high reserve?
- 2- Will the Administration continue to rely on the use of special funds to pay back the federal UI loan?
- 3- What is the Administration's anticipated timeline to fully repay the UI federal debt?

Staff Recommendation: Hold Open.

0559 California Workforce Development Board

The California Workforce Development Board (CWDB) is responsible for the oversight and improvement of the workforce system in California. Its responsibilities include policy development, workforce support and innovation, and performance assessment, measurement and reporting. The CWDB manages multiple grants and initiatives aimed at reorienting and realigning California's workforce programs and institutions to support the state's economy.

Issue 5: Transportation Infrastructure Workforce Development Program

Budget Change Proposal: Transportation Infrastructure Workforce Development Program

The California Department of Transportation (Caltrans) requests \$50,000,000 in federal trust fund authority over four fiscal years starting in FY 2024-25 to invest in workforce development education and training in collaboration with the California Workforce Development Board.

In 2021, the federal Infrastructure Investment and Jobs Act (IIJA) provided federal funding for transportation and infrastructure investments across a variety of sectors, including broadband, rail and transit, clean energy, and water. Federal guidance allows states' Departments of Transportation to funds on supportive services programs in connection with workforce development, including childcare and transportation for workforce program participants as well as participant support costs, such as stipends. The IIJA also calls out specific options for how the funding can be used, including for apprenticeship, pre-apprenticeship, on-the-job training, and partnerships with industry, labor organizations, and workforce development boards.

Senate Bill 150 (Durazo, Chapter 61, Statutes of 2023) requires the Department of Transportation to work in partnership with the CWDB to support California's high road construction careers program. The bill requires the department to reserve a minimum aggregate total of \$50,000,000 of federal funds from the federal IIJA to be allocated over 4 years to support the program.

The funding will be allocated through the CWDB's High Road Construction Careers (HRCC) program, which links local building and construction trades councils to workforce boards, community colleges, and community-based organizations, creating structured pathways to state-certified apprenticeships in a variety of crafts. corner of the state. The requested \$50 million will be allocated as follows over the next four years:

- \$6.75million in 2024-25
- \$12 million in 2025-26
- \$15 million in 2026-27
- \$15 million in 2027-28

CalTrans will use the remaining \$1.25 million for evaluation and technical assistance to support the program.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Zachary Voss, Finance Budget Analyst, Department of Finance
- Curtis Notsinneh, Chief Deputy Director, California Workforce Development Board
- Emily Sunahara, Deputy Director of Operations, California Workforce Development Board
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office

Staff Comments

The subcommittee may wish to ask the following questions:

- 1- How will the funding be implemented? As this program will support existing High Road Construction Careers efforts at the CWDB, are there specific training gaps or regions within the state that this funding will support?
- 2- When will Caltrans be able to publish its evaluation of the program?

Staff Recommendation: Hold Open

8570 Department of Industrial Relations

The Department of Industrial Relations administers and enforces laws governing wages, hours and breaks, overtime, retaliation, workplace safety and health, apprenticeship training programs, and medical care and other benefits for injured workers.

Within DIR is the Division of Workers' Compensation (DWC), which monitors the administration of workers' compensation claims, and provides administrative and judicial services to assist in resolving disputes that arise in connection with claims for workers' compensation benefits.

The Workers' Compensation Appeals Board (WCAB) is a separate seven-member, judicial body that issues judicial opinions in response to petitions for removal and reconsideration of decisions by workers' compensation administrative law judges.

Issue 6: Budget Change Proposals and Trailer Bill

Note: Several of these proposals are funded through the Workers Compensation Administration Revolving Fund (WCARF). The WCARF is a special fund consisting of surcharges levied by DIR on employers.

Budget Change Proposals: Workers' Compensation and Appeals Board

The Governor's budget includes three budget change proposals and one trailer bill related to workers' compensation and the Workers' Compensation Appeals Board.

Budget Change Proposal: Division of Workers' Compensation Staffing Increase

The Department requests \$4,807,000 in 2024-25, \$8,560,000 in 2025-26, \$12,255,000 in 2026-27, and \$11,907,000 in 2027-28 and ongoing from the Workers Compensation Administration Revolving Fund for 71 staff positions for the DWC to meet its statutory requirements and reduce wait times for workers' compensation services for injured workers and employers.

Currently, the DWC is not meeting its statutory obligations to set the mandatory settlement conferences within 30 days of a request for a hearing. Statute also requires that if a case is not settled at that time, a trial must be set within 75 days of the initial request for a hearing. Approximately 20 percent of the DWC offices are unable to meet these statutory obligations. According to the Department, new legislative mandates have also increased workload and wait times.

Workload History

Workload Measure	2018-	2019	2020	2021	2022	2023
Applications Received	130,234	129,417	128,381	134,091	141,074	N/A
FROI Transactions	1,823,967	1,690,627	1,731,179	2,049,389	1,899,851	N/A
SROI Transactions	11,361,164	11,932,747	13,610,900	14,418,999	14,194,636	N/A
Hearings Held	332,120	318,970	255,153	268,639	256,539	N/A
Calls with requests from injured workers for assistance to I&A unit	58,021	60,707	67,530	68,911	73,925	N/A
ADA Requests	44	64	62	130	259	N/A

The Department is requesting additional resources for the DWC, and expects to be able to meet its statutory obligations as a result of this increase in staffing.

Budget Change Proposal Electronic Adjudication Management System Modernization

The Department requests \$22,194,000 one-time funding in 2024-25 from the Workers Compensation Administration Revolving Fund to continue the IT replacement of the Electronic Adjudication Management System (EAMS).

EAMS is the system used primarily to manage the adjudication of benefit related issues, including the scheduling of hearings to review the issues brought before the DWC, and as a document intake/repository for case related court documents. EAMS is also used as a case management tool. EAMS is currently nearing its technological end of life, and according to the Department the system is unable to meet the current needs of the division. For example, EAMS lacks the capability to create statistical reports that can help the management team with strategic planning, supervising caseload assignments and making administrative/operational decisions. Further, the Department notes that the system is running on outdated software, creating vulnerabilities, and preventing the division from taking advantage of recent cloud-based technologies.

The 2022-23 Budget included funding for the initial planning of the EAMS Modernization project and the 2023-24 Budget included one-time funding for the current phase. The Department notes that the resources requested in this proposal will fund the next stage of the project’s cost, which will include implementation.

Budget Change Proposal: Workers’ Compensation Appeals Board Case Backlog Reduction

The Department requests \$1,547,000 in 2024-25, \$2,155,000 in 2025-26, \$2,825,000 in 2026-27, and \$2,780,000 in 2027-28 and ongoing from the Workers Compensation Administration Revolving Fund for 13 staff positions at the WCAB to manage increasing workload and reduce the size of the case backlog.

As noted previously, the WCAB is a separate entity from the DWC, which acts as the statewide administrative law court of appeal for workers’ compensation claims, primarily adjudicating claims for benefits by injured workers.

The WCAB notes that its workload has increased significantly over the last few years. The WCAB notes that the increase is due to the increase in complexity of legal issues; new legislative mandates; impact of the COVID-19 pandemic, and general increase in litigation.

Workload History

PETITION WORKLOAD MEASURE	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Number of Cases in Backlog at End of Fiscal Year	332	397	448	493	694	745
Petitions For Reconsideration and Removal Filed	1,936	1,739	1,759	1,202	1,234	1,207
Total Decisions Issued*	1,977	1,939	1,766	1,073	980	1,094
Mediation Settlements	23	22	30	35	43	70

* Mediation Settlements are included in the Total Decisions Issued.

APPELLATE WORKLOAD MEASURE	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Petitions for Writ Received	150	137	127	68	59	78
Petitions for Writ Granted	8	5	2	3	3	3
Legal Briefing	17	14	10	13	22	30
Participation in Oral Arguments	6	4	1	1	1	3

The requested resources will provide additional resources to manage the increased workload and to reduce the size and average age of the case backlog. In addition to administrative staff, the proposal would provide additional staff attorneys and administrative law judges.

Trailer Bill: Workers' Compensation Appeals Board Timeline Clarification

As outlined previously, the Workers' Compensation Appeals Board has been facing challenges with a growing backlog of cases. To further address the issue, the Department is additionally requesting trailer bill language to adjust the timelines by which the appeals board must act on a petition.

Under existing law, individuals have the right to petition the WCAB for a reconsideration of any decisions, orders, or awards related to workers' compensation that are considered final. The law further states that such a petition for reconsideration is automatically considered denied if the WCAB does not take action within 60 days from the date the petition was filed.

The proposed trailer bill seeks to modify this procedure by starting the 60-day countdown from the moment the WCAB receives the petition, instead of when it is filed. The Department indicates that this change is necessary because the initial process of filing the petition itself consumes a portion of the 60-day period due to the various administrative steps involved. By adjusting the timeline to begin when the petition is actually received, the WCAB believes it would have more time to act within the allocated 60-day window.

Budget Change Proposals: CalOSHA

The Governor's budget includes two budget change proposals related to Cal/OSHA. Cal/OSHA, also known as the Division of Occupational Safety and Health (DOSH), is responsible for protecting workers and the public from safety hazards by enforcing the state's occupational and safety laws. Cal/OSHA sets and enforces standards, provides outreach, education, and assistance to employers and workers, and issues permits, licenses, certifications, registrations, and approvals in various fields.

Budget Change Proposal: CalOSHA Modernization Project

The Department requests \$25,278,000 in 2024-25 from the Labor and Workforce Development Fund to continue the development of information technology system to meet federal and state-mandated requirements, consolidate information into a central database/repository, interface to other DIR systems, and automate manual processes across its units.

Currently, Cal/OSHA uses the Federal OSHA's Information System (OIS) for case management and to meet the mandated data entry requirements of Fed OSHA. Cal/OSHA notes that the Federal OIS can be cumbersome, time consuming, labor intensive, lack datasets specific to Cal/OSHA operational tracking needs, and is paper driven. These issues have caused delays in

citation issuances, decreased the number of possible inspections, and limits research and analysis. Because the current system is maintained at the federal level, CalOSHA is unable to make direct changes to this system.

Cal/OSHA has proposed to modernize its program to acquire by acquiring a new system, which aims to both provide a public portal with online tools and services, but also improve internal processes involving inspections, reporting, and tracking of enforcement actions.

The 2023-24 Budget included \$12.6 million one-time for the first year of this project. Resources requested will continue the implementation of the project.

Budget Change Proposal: OSHA 23(g) Federal Funding Increase

The Department request \$1,369,000 in 2024-25 and ongoing in federal trust fund authority associated with the Occupational Safety and Health Administration (OSHA) 23(g) State Plan Program Federal Grant base increase.

Existing law provides that the federal government may provide grants to states that are administering and enforcing programs for occupational safety and health. To receive this funding, state programs must demonstrate that their safety and health standards are at least as effective as federal OSHA standards. The Department has received a \$1,369,100 base increase OSHA federal grant, but does not have sufficient Federal Trust Fund authority to accept these funds and requests an ongoing increase in Federal Trust Fund authority.

Budget Change Proposals: Department-wide

The Governor’s budget includes 5 budget proposals related to the Department of Industrial Relations.

Budget Change Proposal: Public Works Information Technology System Enhancements

The Department requests \$10,673,000 one-time in 2024-25 from the Labor and Workforce Development Fund to complete information technology system enhancements and provide maintenance and support to DIR’s public works data systems.

In 2021, \$10 million in special fund was allocated to upgrade the Department’s public works data systems. Using this previous funding and the requested resources, the Department plans to improve the following platforms: Electronic Certified Payroll Records; Public Works Projects Registrations; Prevailing Wage Tracking; Apprenticeship Activity; Inspections of Publicly Funded Construction projects.

Budget Change Proposal: Information Technology Security Enhancements

The Department is requesting \$379,000 in 2024-25 and ongoing from various special funds for 2 staffing positions to add information technology security staff to improve cybersecurity compliance. Staffing positions would be responsible for user account and access management, hardware/software management, configuration management and patching, and general cybersecurity policy, management, and oversight.

Budget Change Proposal: Public Records Act Oversight Unit

The Department requests \$2,042,000 in 2024-25, \$3,343,000 in 2025-26, and \$3,193,000 in 2026-27 and ongoing from various special funds for 22 positions to respond to requests for public records under the California Public Records Act (PRA). The Department notes that it is made up of multiple divisions and offices, and that it has faced challenges in responding to PRA requests. According to DIR, there is currently no dedicated central support staff in DIR to monitor and communicate PRA requests, and no department-wide, centralized tracking system to monitor and follow up on PRA requests. With the exception of DWC, relatively few employees throughout DIR's divisions are assigned to handle PRA matters full time.

Requested resources will establish a centralized PRA oversight unit as well as dedicated support staff across all DIR offices and divisions.

Budget Change Proposal: Safety and Security Resources

The Department requests \$543,000 in 2024-25 and \$497,000 in 2025-26 and ongoing from various special funds for 3 staffing positions and create a dedicated safety and security program focused on the security and safety of DIR employees and members of the public conducting business with DIR. Requested staff will be responsible for conducting site assessments and audits, updating evacuation maps, developing and implementing updated safety and security policies and procedures, maintaining the department's Building Evacuation Response Team (BERT) list, and creating and maintaining access/ID badges, amongst other duties.

Budget Change Proposal: Administrative Resources

The Department requests 3 permanent positions for administrative, audit, and budget support. These positions would primarily assist on compliance with federal regulations associated with the issuance of federal grants. DIR notes that it has increased its participation as a federal grantee and as a pass-through entity, and requires additional staff for financial reporting, financial closeout report, and meeting other grant requirements. Because the Department is using existing resources, there is no General Fund impact associated with this request.

Budget Change Proposal: Women in Construction Priority Unit Permanent Positions

The Department of Industrial Relations (DIR) requests 5.0 permanent positions to support the Women in Construction Priority Program. This program, proposed for a funding reduction, is described under Issue 1 of this agenda. These positions will be funded from the existing, ongoing

General Fund appropriation, and therefore is not scored as an additional cost to the General Fund.

Trailer Bill: Public Works Clean Up

The Budget Act of 2023 included a trailer bill that clarified registration requirements for all contractors and subcontractors on a development project pursuant to AB 2011 (Wicks, Chapter 647, Statutes of 2022) and SB 6 (Caballero, Chapter 659, Statutes of 2022) and provided the Department of Industrial Relations with the authority to establish and adjust annual registration and renewal fees. Specifically, DIR was provided the authority to establish and adjust annual registration and renewal fees of up to \$800 by publishing the fees on the department's internet website, but would subject the establishment or adjustment of registration and renewal fees in excess of \$800 to the rulemaking provisions of the Administrative Procedure Act (APA).

SB 4 (Wiener, Chapter 771, Statutes of 2023) enacted additional changes related to housing development projects that impacted contractor registration requirements. The Administration is requesting trailer bill language to conform changes made by SB 4, and conform the Department's ability to establish and adjust annual registration and renewal fees of up to \$800 by publishing fees on its website, and subject the establishment and renewal of any fees in excess of \$800 to the APA—consistent with the 2023 trailer bill.

Other Budget Proposals

Fund Shift: Reaching Every Californian

The Budget Act of 2022 provided \$650,000 in General Fund in 2022-23 and ongoing for its "Reaching Every Californian" campaign, aimed at educating employees and employers on California labor laws.

The Administration has reevaluated the budget change proposal determined that these activities can be supported by the Labor Enforcement and Compliance Fund instead of the General Fund in 2023-24 and ongoing. The budget proposes shifting \$650,000 from the General Fund to the Labor Enforcement and Compliance Fund accordingly.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Katherine Zalewski, Chair, Workers' Compensation Appeals Board
- Paige Levy, Chief Judge, Division of Workers' Compensation
- Ben Bonte, Chief Information Officer, Department of Industrial Relations
- Debra Lee, Acting Chief, Cal/OSHA
- Josh Iverson, Chief Financial Officer, Department of Industrial Relations

- Deanna Ping, Chief Deputy Director, Department of Industrial Relations
- Ken Lau, Chief Counsel, Department of Industrial Relations
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Staff Comments

On the Workers' Compensation Appeals Board Timeline trailer bill, the subcommittee may wish to ask how the changes may impact the public's experience navigating the Appeals Board.

The subcommittee may also wish to ask the Department's timeline to fully implement its two IT modernization projects.

Staff Recommendation: Hold Open.

7300 Agricultural Labor Relations Board

Issue 7: Budget Change Proposals

The Governor's budget includes two budget change proposals related to the ALRB.

Budget Change Proposal: Rural Strategic Engagement Program

The ALRB requests \$4,411,000 in 2024-25, \$4,361,000 in 2025-26 and 2026-27 from the Labor and Workforce Development Fund; and the DIR requests \$3,415,000 in 2024-25, \$4,027,000 in 2025-26 and 2026-27 from the Labor and Workforce Development Fund to fund additional outreach efforts to educate workers in rural and semi-rural areas on workplace rights, state services for workers in those areas, state labor enforcement programs.

The Administration notes that DIR and ALRB have taken several steps to improve outreach efforts to workers in under resourced communities through various programs like the COVID-19 Workplace Outreach Program and the Statewide Agriculture and Farmworker Education program; which has reached 680,000 people across California's agricultural regions.

Requested resources will expand outreach and direct services to farmworkers through the following activities:

- 1) Launching in-person clinics in farmworker communities, administered through grants to community based organizations and legal service providers.
- 2) Implementing multi-department Memorandums of Understanding to identify any violations under the Labor Code, regardless of the jurisdiction of their respective entity, and understand where claims should be referred. Funding would be used for inter-agency training series for enforcement and outreach staff.
- 3) Develop web tools and digital outreach strategies specifically designed to reach farm workers and rural communities.

Budget Change Proposal: General Counsel Management Upgrade

The ALRB requests \$89,000 in 2024-25 and ongoing to convert two Associate General Regional Director positions and the Deputy General Counsel position to higher level classifications. The ALRB notes that the Regional Director is a unique classification within the CalHR, and that the Regional Director salary is far below comparable positions at other state entities, which inhibit ALRB's ability to retain institutional knowledge and maintain staff with adequate subject matter expertise.

Requested funding would convert the Regional Director to a higher level classification, as well as upgrade the Deputy General Counsel position to prevent a salary imbalance.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Courtney Massengale, Finance Budget Analyst, Department of Finance
- Danielle Brandon, Principal Program Budget Analyst, Department of Finance
- Victoria Hassid, ALRB Board Chair
- Julia Montgomery, ALRB General Counsel
- Sebastian Sanchez, Deputy Secretary of Agriculture and Immigrant Workforce, Labor and Workforce Development Agency
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office

Staff Comments

Regarding the Rural Strategic Enforcement Program, the subcommittee may wish to ask:

- 1- How many individuals is the ALRB anticipating to reach through this initiative?
- 2- What types of services are planned to be offered through the proposed direct-service clinics?

Staff Recommendation: Hold Open

This agenda and other publications are available on the Assembly Budget Committee’s website at: [Sub 5 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Patrick Le.