California State Assembly

Asssembly Budget Agenda

Assembly Budget Subcommittee No. 5
on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, February 25, 2025

2:15 P.M. – State Capitol, Room 447

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

Non-Presentation Items: Staff have suggested the following items do not receive a formal presentation from the Administration in order to focus time on the most substantial proposals. Members of the Subcommittee may ask questions or make comments on these proposals at the time designated by the Chair of the Subcommittee or request presentation by the Administration at the discretion of the Chair of the Subcommittee. Members of the public are encouraged to provide the public comment on these items at the designated time.

Non-Presentation Items

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: Cal/OSHA Vacancies

This issue will discuss the staffing resources at Cal/OSHA and the current vacancies.

Background. 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.

Recent high-profile industrial accidents that have resulted in serious injuries to workers, and in some cases, death, put the need for more inspectors in the field back in the spotlight.

Last year, due to reports of slow responses and lack of investigating to complaints from agricultural workers, the Assembly Committee on Labor and Employment held an informational hearing where farmworkers testified on ways the agency has failed to enforce agricultural workplace safety requirements and at times even investigate whistleblower claims.

In addition, due to the concerns raised from legislators and the complaints they have heard from workers around the state, the Joint Budget Legislative Audit Committee (JLAC) has requested an audit of the agency, which is projected to be complete by summer 2025.

Cal/OSHA has suffered from severe and chronic understaffing, and not due to lack of funding. The personnel shortage overburdens Cal-OSHA employees with an unreasonably heavy workload. According to Cal/OSHA, they are actively hiring industrial hygienists, safety engineers, attorneys, administrative staff, supervisors, and managers. Available positions in Cal/OSHA branches, programs and units throughout the state include Enforcement, Consultation, Engineering Services, Process Safety Management, Training, Publications, Outreach, Legal, Research & Standards and more.

Cal/OSHA Staffing (January 1, 2021 to December 31, 2024)

Cal/OSHA Staffing (January 1, 2021 to December 31, 2024)

Cal/OSHA Unit	Total # of authorized positions	Staff on Board*	Percent of Positions Filled	Total Number Hired	Attrition (retirements, transfers, promotions or separations)
Administrative Services	21	21	100%	6	1
Consultation	73	58	79%	12	5
Enforcement	391	269	69%	66	44
****Engineering Services and Process Safety Management**	282	201	71%	26	19
Legal Unit and Bureau of Investigations	56	58	104%	15	7
Research and Standards Health, Safety, Medical & Crane	39	46	118%	7	1
*****Other**	34	36	106%	0	7
TOTAL	896	689	77%	132	84

Total number of positions filled for Cal/OSHA is 689 as of December 31, 2024, with an overall vacancy rate of 23%.

Note: The percentage of positions filled include the hiring of temporary staff, which can result in totals exceeding 100%.

*Staff on board includes initial total positions filled, new appointments (external and internal lateral appointments & promotions), and appointments into the blanket fund as of December 31, 2024.

**Engineering Services includes the Elevator Unit, Amusement Ride and Tramway Unit, and the Pressure Vessel Unit.

***Other includes the Cal/OSHA Chief's Office headquarters, Census of Fatal Occupational Injuries (CFOI), Calibration and Inventory Control Laboratory (CALICO), Heat and Agriculture Coordination Program, Outreach Coordination Program, Publications Unit, and the Professional Development and Training Unit.

Panel

- Jay Sturges, Deputy Secretary, Labor and Workforce Agency
- Josh Iverson, Chief Financial Officer, Department of Industrial Relations
- Grace Henry, Finance Budget Analyst, Department of Finance
- Teresa Calvert, Program Budget Manager, Department of Finance
- Chas Alamo, Legislative Analysts' Office

Staff Comments

The Subcommittee may wish to ask the following:

1. What is the current vacancy rate at Cal/OSHA? How has the persistent vacancy rate impacted your ability to perform your Agency's responsibility to enforce worker safety?

2. What positions are the most affected? What can the Subcommittee do this year so that we make progress on addressing this perennial problem?

3. What changes have been made to recruit more inspectors and has it been successful?

4. Has the department created the new Agricultural Enforcement Unit as was stated in the May 2024 Assembly Labor Committee hearing?

Staff Recommendation: This item was presented for information only.

Issue 2: Regional Coordination for Career Education and Training

The Governor's budget requests $4 million one-time General Fund for the Labor and Workforce Development Agency to evaluate how regional coordination models can be expanded to create sustainable forums where educators, workforce training providers, and employers can work to align programs with employer needs. Additionally, this work will be aligned with the State Economic Blueprint and 13 regional plans.

Background. In August 2023, Governor Newsom signed Executive Order N-11-23 launching a new career education effort to prepare students and adults for the workforce of tomorrow. The Executive Order directs the state to align and integrate the implementation of programs supported by billions of dollars in funding to prepare students and workers for high-paying careers.

The Executive Order directed state leaders in education, workforce development, and economic development to work collaboratively with leaders of the state's public education systems and employers — along with legislative partners and stakeholders representing diverse students, parents, education professionals, labor, business, and community groups — to develop the Plan. The Plan will guide the state in its efforts to strengthen career pathways, prioritize hands-on learning and real-life skills, and advance universal access and affordability for all Californians through streamlined collaboration and partnership across government and the private sector.

This goal is to ultimately increase equitable access to good-paying jobs by creating and strengthening education and training pathways that are responsive to the emerging needs of the economy and specific to sectors, regions, and individuals' skills and experience. The requested funding would enable Labor Agency to contract for the evaluation of successful regional coordination models as called for in the Plan. The contractor would assess current regional coordinating structures and their mandates, goals, target outcomes, planning processes, and funding structures to identify interventions that could streamline outcomes.

Panel

- Abby Snay, Labor and Workforce Development Agency
- Grace Henry, Finance Budget Analyst, Department of Finance
- Teresa Calvert, Program Budget Manager, Department of Finance
- Alexander Bentz, Economist, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask the following: How does this proposal relate to the work that the proposed California Education Interagency Council would do?

Staff Recommendation: Hold Open.

Issue 3: California Workplace Outreach Program (CWOP)

This issue will look at the current state of the California Workplace Outreach Program (CWOP) as a post COVID-19 pandemic program and going forward.

Overview of the California Workplace Outreach Program

Background. From September 2023 through September 2024, the California COVID-19 Workplace Outreach Project (CWOP) was overseen by the California Department of Industrial Relations (DIR) and administered in collaboration with four University of California programs, and led in partnership with 76 community-based organizations (CBOs) statewide.

CWOP's primary goal was to improve workplace health and safety conditions for California workers by expanding education, outreach, and awareness of the impact of COVID-19 in the workplace, labor laws related to workplace health and safety, and worker protections such as paid sick leave, anti-retaliation, and workers' compensation. Over this 12-month project period, CBOs successfully reached workers in low-wage industries who are at high-risk of experiencing unsafe working conditions and other labor violations.

CWOP is grounded in the core experience that the most effective way to reach historically underserved workers is through partnerships with local, trusted organizations that possess the language skills and cultural competence to provide support. CWOP has been uniquely successful because it provides organizations with the funding and capacity-building resources to support workers in their communities, develop strong regional coalitions, and create a reliable network of worker support.

This iteration expanded the impact of previous years by increasing the number of participating CBOs and the capacity of CBOs through extensive, ongoing training. For the first time, CWOP provided funding for technical assistance for CBOs that wanted to support workers in resolving problems, helping to bridge the gap between education and action. As a result of these adjustments, CWOP has effectively conducted approximately 830,000 conversations with workers, reflecting a 30% increase compared to the 640,000 conversations held during the previous 12-month period.

CWOP Structure

CWOP CBOs were organized into 10 regions and special focus areas, each led by a UC Lead and supported by a Regional Lead(s). This structure allowed each regional coalition to build local capacity, share knowledge and resources, and tailor strategies to the unique demographic and industry make up of their communities.

The UC Leads, including UC Berkeley Labor Occupational Health Program (LOHP), UC Davis Western Center for Agricultural Health and Safety (WCAHS), UCLA Labor Occupational Safety and Health Program (LOSH), and UC Merced Community and Labor Center (UCM CLC), were tasked with administering the program, managing subcontracts with participating CBOs in each region, and partnering with CBOs to implement the outreach and education campaign. UC Leads collaborated closely with Regional Leads to strategize for each region, provide trainings on substantive health and safety and labor rights topics, and provide ongoing support throughout the campaign. In addition, UC Leads also conducted their own outreach directly to workers as part of the regional strategy.

Regions were each supported by 1–2 “Regional Leads” who provided local leadership and drove collaboration. They were instrumental in helping coalition members work together to solve problems, share insights, and achieve outreach goals. Regional Lead responsibilities included coordinating strategies to reach the target demographic and industries in the region, participating in monthly one-on-one check-ins with each CBO and with UC Leads to address challenges and refine approaches, facilitating regional coalition meetings to foster communication and collaboration, and providing essential training and technical assistance to strengthen the efforts of CBOs in the coalition.

CWOP Beyond the COVID-19 Pandemic

The need for effective worker outreach is not confined to pandemic-related issues. Data shows that each year, California workers are robbed of nearly $2 billion through minimum wage violations alone. A survey conducted by the National Employment Law Project found 38% of California workers experience workplace violations.

The 2023-24 budget recommitted $25 million to the program through June 30, 2028 and the 2024-25 budget committed $30 million through June 30, 2029. However, unlike other programs that extend the reach of California’s labor agency via the “trusted messenger” model, CWOP is not written into law.

Panel

- Josh Iverson, Department of Industrial Relations
- Grace Henry, Finance Budget Analyst, Department of Finance
- Teresa Calvert, Program Budget Manager, Department of Finance
- Chas Alamo, Legislative Analysist Office

Staff Comments

The Subcommittee may wish to ask the following:

1. What have been the successes of the program?

2. Post pandemic, how has the program changed?

3. Should the California Workers Outreach Program become a permanent program?

Staff Recommendation. This item was presented for information only.

7100 Employment Development Department

The Employment Development Department (EDD) 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 4: Unemployment Insurance: Program Update and Federal Debt Repayment

This issue will discuss the Unemployment Insurance (UI) program and federal debt repayment. According to the LAO, the UI balance will add $20 billion to the state's outstanding federal UI loan and anticipate that these costs will grow.

Background

California's Unemployment Insurance program provides temporary income for eligible workers who lost their job (or had hours reduced) through no fault of their own. Workers can receive $40 to $450 each week, depending on their earnings over the previous 18 months. As of December 2024, California had an unemployment rate of 5.5 percent and 18,129,000 payroll jobs reported.

In recent years, California's Unemployment Insurance program experienced processing delays for applications, especially as pandemic-era related claims overwhelmed the state. The situation has improved; the department is reporting that 80.6 percent of claims are being paid within the first week of action. While over 45,000 claims were filed in the first week of February 2025, only 807 claims are pending past 30 days of application statewide. This represents a remarkable performance improvement, which can be both attributed to the improved business processes adopted by the department and the much lower level of unemployment reducing strain on the department.

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.

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

The Budget Act of 2024 provided $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. However, $50 million from the Employment Training Fund to pay a portion of this interest payment in 2025-26; has since been determined by the department that the Employment Training Fund is unable to support this payment without reductions to existing programs and the payment is not included in the Budget.

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.

Panel

- Caleb Horel, Chief Fiscal Services, Employment Development Department
- Grace Henry, Finance Budget Analyst, Department of Finance
- Theresa Calvert, Program Budget Manager, Department of Finance
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

LAO Comments

The State's Unemployment Insurance (UI) Financing System Is Broken. The state's UI program is supposed to be self-sufficient—that is, the system should collect enough funds to pay for benefits over time. This means, in some years, the system will collect more than necessary so that, during most economic downturns, there is enough money to pay for rising benefit costs. That system is broken, tax collections routinely fall short of covering benefit costs (the state's fiscal problems are unrelated to the widespread fraud that affected temporary federal UI programs during the pandemic). Both the LAO and the Administration expect these annual shortfalls to continue for the foreseeable future. Under our projections, deficits would average around $2 billion per year for the next five years. This outlook is unprecedented; although the state has, in the past, failed to build robust reserves during periods of economic growth, it has never before run persistent deficits during one of these periods.

Mounting Consequences of the State's Broken UI Financing System. The state's broken UI system now presents mounting consequences:

- **Annual Shortfalls Will Balloon Outstanding Federal UI Loan.** Anticipated annual shortfalls will add to the state's looming $20 billion outstanding federal UI loan. We expect the loan to grow by billions of dollars before federal surcharge UI taxes are high enough for the state and employers to begin making progress toward repaying the loan.

- **Loans Will Become a Permanent Feature of UI and a Major Ongoing Taxpayer Cost.** The state will need to borrow from the federal government in most years to make up the gap between UI benefits and contributions. This means that businesses could face a perpetually outstanding federal loan, on which the state must make interest payments. These interest costs will be significant, likely around $1 billion per year, and paid by the state's taxpayers.

- **UI Program Will Be Unable to Build Reserves Ahead of Next Recession.** Although a federal surcharge on businesses will help repay the federal loan, the surcharge cannot help the state build reserves after the loan is repaid. This is because the surcharge turns off once the loan balance reaches zero. Absent the federal surcharge, little or no reserves would be on hand at the start of the next recession, further increasing the state's reliance on costly federal loans.

Broken Financing System Also Undermines Key Objectives of the UI Program. The state's UI system faces other problems, too. First, state UI benefits cannot keep up with inflation or provide the intended wage replacement of half of workers' wages. Second, the state's approach to setting employer tax rates (a system called "experience rating") has the effect of depressing take-up of UI benefits among eligible, unemployed workers. Third, the state's lowest-in-the-nation taxable wage base deters employers from hiring lower-wage workers. In each case, our proposed fixes to the UI financing system would eliminate, or at least mitigate, these related shortcomings.

Staff Comments

The Subcommittee may wish to ask the following questions:

1. Given the uncertainties in the economy, especially given the unsteady leadership at the federal level, how prepared is EDD for a surge in unemployment claims?

2. Why was the ETF portion of the funding $50M short if it had such a large reserve? Why was it so off? Why did the administration decide to pull back ETF funding for the UI loan interest payment in 2025-26?

3. What approach does the Administration intend to take regarding the use of special funds and/or special fund loans to cover interest payments on the federal UI loan?

4. Will the Administration entertain any of the LAO's suggested reforms? Or does the Administration have a long-term plan to address the insolvency and future potential insolvencies?

Staff Recommendation: Hold Open.

Issue 5: Continuation of EDDNext Implementation and Cybersecurity Protection Programs Budget Change Proposals

The Governor's budget includes two budget change proposals for resources at EDD:

- **EDDNext Modernization 2025-26 Funding:** For 2025-26, the department requests $124,238,000 in 2025-26, funded equally by the General Fund and the Unemployment Compensation Disability Fund, to continue the EDDNext customer service improvement effort.

- **Cybersecurity Funding Shift:** For the 2025-26 budget year, the department request $13.8 million ongoing, and 29.0 positions funded equally between the General Fund and the Unemployment Disability Compensation Fund to continue support for its Cybersecurity Program. This funding will support the permanent extension of the cybersecurity resources that began in 2022-23, continued support for the movement of critical audit related data to a cloud solution, and maintain a secure Information Technology (IT) environment with Managed Detection and Response (MDR) services.

The 2022 Budget Act authorized $10,158,000 (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 2024 Budget Act noted that it had reevaluated this budget proposal and determined that a portion of these activities are related to EDD's disability insurance and paid family program and requested shifting $3,041,000 from the General Fund to the Unemployment Compensation Disability Fund in 2023-24 and 2024-25.

Background

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 he 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.

The Budget Act of 2024 allocated and additional $326,829,000 one-time in 2024-25, funded equally by the General Fund and the Unemployment Compensation Disability Fund to continue the EDDNext Modernization project.

Implementation Update

EDD reports the following implementation milestones:

- EDD made myEDD and the online unemployment application available in California's eight most-commonly spoken languages which include English, Spanish, Simplified Chinese, Traditional Chinese, Vietnamese, Armenian, Korean, and Tagalog.

- A total of 35 essential unemployment insurance forms were translated into 14 additional languages (not including English and Spanish) in 2024.

- Unemployment customers also now receive updates about the status of their claim and payment notifications via email or text message in their preferred language.

- Introduced a new, modernized EDD ChatBot.

- Using the new myEDD portal over two million Californians were able to reset their passwords using a convenient, self-serve feature instead of having to call for assistance from EDD representatives – freeing EDD employees to spend more time addressing complex cases.

- EDD began rebuilding the contact center systems with modern tools and services in partnership with Amazon Web Services (AWS) and deployed that system to all disability insurance claimants. This Integrated Contact Center project uses the Amazon Connect platform, so customers are now placed on a "virtual" hold with estimated wait times and opportunities to have an agent call back. With the modernized platform, EDD is now able to extend new, self-service options to all disability insurance customers.

- In 2024, EDD migrated the Accounting and Compliance Enterprise System (ACES) to an AWS cloud solution, investments in AWS' cloud service increased security, improved customer service, and made ACES more resilient and scalable to meet the evolving needs of California businesses.

- EDD made technical changes to improve the PFL claim processing and implemented automation to process Transitional Bonding Claims quickly. Now PFL claimants can check their claim status and other claim related information online instead of calling EDD.

Panel

- Caleb Horel, Chief Fiscal Services, Employment Development Department
- Teresa Calvert, Program Budget Manager, Department of Finance
- Grace Henry, Finance, Budget Analyst, Department of Finance
- 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. What major changes to EDDNext schedule, projects, or vendor portfolios have occurred in the last year?

3. What of the EDDNext Project has been completed to date?

4. Are we seeing any real-time improvements to wait times and case management yet?

5. What characteristics of the Integrated Claims Management System workflow make it the most complex remaining step for EDDNext?

6. What is the general status of the Cybersecurity update Project?

Staff Recommendation: Hold Open

7350 Department of Industrial Relations

The Department of Industrial Relations (DIR) 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, including worker and public health safety amongst the states various Oil Refineries. Within the DIR is several divisions and boards, included in those are the Division of Occupational Safety & Health (Cal/OSHA), the Division of Workers' Compensation and the Commission on Health & Safety & Workers' Compensation.

Issue 6: Budget Change Proposal: Subsequent Injuries Benefit Trust Fund (SIBTF) Workload

The Governor's budget requests 2.7 million Workers' Compensation Administration Revolving Fund (WCARF) and 15.0 permanent positions in 2025-26 and $2.5 million WCARF in 2026-27 and ongoing to address rising workloads in the Subsequent Injuries Benefit Trust Fund program.

Background

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.

Established in 1945, the purpose of the Subsequent Injuries Benefit Trust Fund (SIBTF) program is to encourage employment of workers with disabilities by relieving employers of liability for the greater levels of permanent disability that may result if an already-disabled worker later suffers an industrial injury. A worker who is injured on the job may have a pre-existing disability that compounds the impact of the workplace injury. Providing adequate compensation for the injured worker would account for the direct impacts of the workplace injury as well as any downstream impacts from their prior disability. However, this approach presents a conflict with a key principle in workers' compensation: that the employer should not be responsible for risks and costs of disability arising outside of work. California and other states faced this dilemma after World War II, when large numbers of disabled veterans entered the civilian workforce. As in most other states, California's solution was to establish the "Subsequent Injuries Fund" in 1945 - later renamed the Subsequent Injuries Benefits Trust Fund (SIBTF) - and to establish criteria for supplemental workers' compensation benefits that would be paid to certain workers from this Fund (Labor Code § 4751). For many years, the number of workers who sought benefits from the Fund was limited, and the amount of payments made by the Fund was modest. In recent years, however, application volumes and payments have grown rapidly.

The 2019 Budget included $4.8 million WCARF and 30 positions to support the SIBTF program, much of which was limited term (LT). The 2022 Budget made the LT resources from the 2019 Budget ongoing. The 2022 Budget also included 6.0 positions for the Division of Workers' Compensation (DWC) and 2.0 positions for the Office of the Director's Legal Unit (OD-Legal) for administrative support of the SIBTF program.

The 2019 Budget also briefly included trailer bill language to make changes to the SIBTF that correspond to the changes that were made to the rest of the state's Workers' Compensation system over the past 20 years. The proposed changes were rescinded before budget subcommittee hearings occurred.

In 2022, DIR contracted with RAND to conduct a study of the SIBTF program6. The key findings from the report are:

- The volume of applications for SIBTF benefits is growing
- The number of SIBTF cases resolved with benefits, including lifetime stream of benefits is growing
- Some chronic conditions that are typical attendants to normal aging but are rare in the regular workers' compensation system are common as permanent partial disabilities in SIBTF claims, including diabetes, arthritis, headaches, obesity, hypertension, sleep disorders, and sexual dysfunction.
- An increase in claimants with a 100-percent Permanent Disability rating increases SIBTF liabilities
- Payments from SIBTF rose moderately until 2020, when they accelerated quickly
- The total estimated SIBTF liability of resolved and pending cases in system between 2010 and 2022 is approximately $7.9 billion

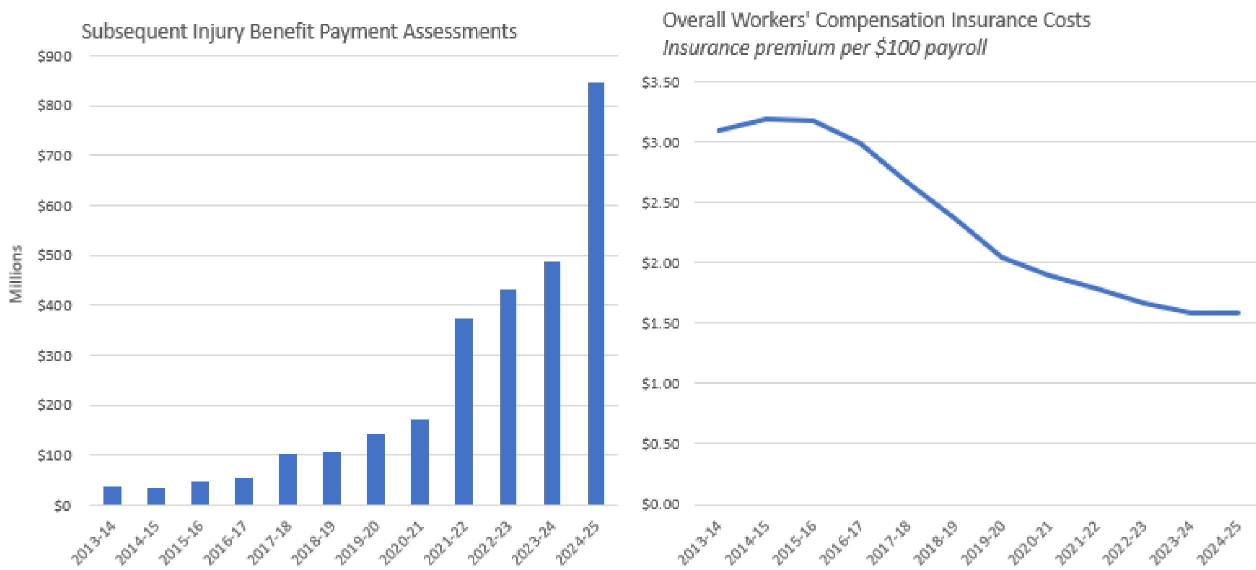
According to the administration, backlog is set to hit 22,000 by the budget year. Meaning, the agency is able to complete 500-700 claims per year while about 2,500 come in each year. But the backlog is not our primary concern. The underlying fund exposure, as a potential symptom of something amiss in the Workers' Compensation system overall, is what we're worried about.

DIR is requesting to increase the size of the SIBTF Claims Unit by adding 12.0 positions to the Unit. In addition, DIR requests 2.0 Associate Governmental Program Analysts for DWC to support the SIBTF program, and 1.0 Staff Services Analyst for DIR to provide general administrative support in areas such as Human Resources and Business Services. Additional staffing may be required in the future for OD- Legal to assist in the processing and resolution of pending SIBTF cases and workers' compensation administrative law judges who oversee the adjudication of SIBTF cases.

The LAO is concerned with not only the backlog of cases but also the underlying fund exposure, as a potential symptom of something amiss in the Workers' Compensation system – overall, that is not sustainable.

The figure below shows the rising SIBTF assessments paid by employers and the falling overall workers' comp insurance premiums paid by employers which has been decreasing.

Workers' Compensation Payments from Subsequent Injury Fund Have Risen While Overall Workers' Compensation Costs Have Declined



The backlog of SIBTF claims and the number of claims-per-examiner continue to be extremely high, and the number of new cases continue to increase sharply. The current volume of work is such that it cannot be accomplished with existing staff levels.

Panel

- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- George Parisotto, Division of Workers Compensation, Administrative Director
- Teresa Calvert, Program Budget Manager, Department of Finance
- Grace Henry, Finance Budget Analyst, Department of Finance

Staff Comments

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 and does not impact the General Fund.

The Subcommittee may wish to ask the following:

1. What key factors have contributed to the growing number of SIBTF claims and the growing SIBTF assessment on employers?

2. In the administration's view, are recent claims to the SIBTF consistent with the original statutory intent of the SIBTF?

3. The RAND study included an assessment that the SIBTF has a $7.9 billion liability for SIBTF claims made between 2010 and March, 2023. Does the department have an updated figure that accounts for claims submitted between March, 2023 and today?

4. Given the large and growing backlog and the complexity of SIBTF claims review, is the administration's view that the requested positions will be sufficient to eliminate the backlog? And, if so, on what timeline?

Staff Recommendation: Hold Open.

7300 Agricultural Labor Relations Board

The California Agricultural Labor Relations Act (ALRA or the Act) is modeled after the National Labor Relations Act, which extends collective bargaining and labor rights to workers. When the NLRA was passed, it excluded agricultural workers. After years of agricultural workers organizing to improve work conditions and labor strife in California due to the lack of a process for growers and farm workers to resolve their disputes, California enacted the ALRA in 1975, becoming the first state to extend collective bargaining rights to agricultural workers and establishing protections for farmworkers to come together to advocate for better working conditions and to protect themselves. The Act created the Agricultural Labor Relations Board (ALRB or Board) to oversee administration and enforcement of the Act, including adjudicating labor disputes and conducting union elections. The ALRB is the only state agency exclusively dedicated to serving and protecting farmworkers.

Issue 7: Budget Change Proposals: Unanticipated Workload Related to Chapter 7, Statutes of 2023

The Governor's budget requests 7.0 positions and $1,873,000 in 2025-26 and ongoing from the Labor and Workforce Development Fund for ARLB to address the increased workload and unanticipated demands that have been generated by AB 113 (Chapter 7, Statutes of 2023).

Background

Governor Newsom signed AB 2183 (Chapter 673, Statutes of 2022) and a subsequently agreed upon clean-up measure, AB 113. This new law is intended to remove barriers for agricultural workers to elect union representatives, thereby facilitating union elections and increasing access to this process by allowing farmworkers to sign petitions for majority support, and is in addition to the existing secret ballot election process. AB 113 requires the ALRB to determine the validity of majority support within an extremely expedited timeframe of five days. This determination requires decisions such as the geographic scope and size of the bargaining unit. Expedited time frames also exist for adjudicating challenges to MSPs, and hearings are to be held in no later than 14 days from the date the MSP is filed. The ALRB is also charged with investigating unfair labor practices and election objections that result from election activity. Past contested elections at the ALRB have created a significant increase in ALRB's workload, given the number of unfair labor practice charges filed that must be investigated, prosecuted and adjudicated.

According to the ALRB, this increase in workload has also exposed critical structural gaps, resulting in challenges to the Board meeting its statutory obligations and operational needs with respect to representation and compliance matters. This has been exacerbated by the increase in representation matters because of AB 113 and the complexity of the issues presented. The

Board is proposing to align staffing to support the current workload of the Board, Adjudication unit and General Counsel Program.

Panel

- Victoria Hassid, Board Chair, Agricultural Labor Relations Board
- Julia Montgomery, General Counsel, Agricultural Labor Relations Board
- Ryan Bender, Staff Services Analyst, Department of Finance
- Danielle Brandon, Principal Program Budget Analyst, Department of Finance
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask the following:

1. What has been the increased case load with the implementation of AB 2183 and AB 113?

2. As a result of the increased case load, what duties have been impacted?

3. How is the current federal policy affecting farm worker labor relationships?

Staff Recommendation: Hold Open

Non-Presentation Items

Non-Presentation Items: Staff have suggested the following items do not receive a formal presentation from the Administration in order to focus time on the most substantial proposals. Members of the Subcommittee may ask questions or make comments on these proposals at the time designated by the Chair of the Subcommittee or request a presentation by the Administration at the discretion of the Chair of the Subcommittee. Members of the public are encouraged to provide public comment on these items at the designated time.

0559 Labor and Workforce Development Agency

1: Budget Change Proposal: New Labor Agency Relocation

To accommodate the relocation of the Labor and Workforce Development Agency, and the departments within, it requests $10,359,000 and $194,000 (reimbursements) in 2025-2026, $15,067,000 and $93,000 (reimbursements) in 2026-2027, $16,221,000 and $93,000 (reimbursements) in 2027-2028, $17,486,000 and $93,000 (reimbursements) in 2028-2029, and $18,463,000 and $93,000 (reimbursements) in 2029-30 and ongoing to support the Workforce Management System, relocation and decommissioning activities, and increased lease costs associated with the move to the New Labor Agency Building (NLAB).

Along with the Labor and Workforce Development Agency, the following labor departments will relocate to the NLAB:

- Labor and Workforce Development Agency
- Employment Development Department
- California Workforce Development Board
- Agricultural Labor Relations Board
- Department of Industrial Relations

7350 Department of Industrial Relations

2: Budget Change Proposal: Division of Workers Compensation (DWC): Electronic Adjudication Management Systems Modernization (EAMS)

The Department requests $25.8 million one-time Labor and Workforce Development fund to continue the replacement of the Division of Workers' Compensation's aging Electronic Adjudication Management System, an electronic case management and document storage system, whose 16-year-old technology is nearing its end of life. This amount includes $12.3 million for contract services and $9.7 million for Information Technology costs.

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.

The 2024-25 budget provided $22,194,000 one-time funding in from the Workers Compensation Administration Revolving Fund to continue the replacement of the EAMS.

3: Budget Change Proposal: DWC: Audit and Enforcement Unit

The Department requests $3.2 million Workers' Compensation Administration Revolving Fund (WCARF) and 16.5 permanent positions in 2025-26, and $2.9 million WCARF in 2026-27 and ongoing to enable the Audit and Enforcement Unit within the Division of Workers' Compensation (DWC) to address its increased workload and fulfill its statutory obligations to require that insurance companies, self-insured employers, and third-party administrators comply with the Labor Code and the California Code of Regulations.

DWC has identified a shortfall in the Audit and Enforcement (AE) Unit's ability to meet its obligations under Labor Code (LC) Sections 129 and 129.5, which require conducting Profile Audit Reviews (PAR) every 5 years. In addition, AE Unit has limited resources to expand PAR audits beyond the present focus to include inquiries into the possible unreasonable denial of workers' compensation claims, denials of reasonable and necessary medical treatment, and the late or denial of payment to providers. Presently, those issues are the subject of complaints that come to DWC and may give rise to target audits and civil penalty audits; however, current staffing and budgetary constraints limit investigation and focus on these additional areas. AE Unit has experienced an increased number of appeals and litigations from claims administrators resulting in numerous court hearings and trials, including a current writ of mandate presently pending before the California Superior Court1, that divert time and resources from completing audits. The inability to conduct regular and expanded audits affects the quality of workers' compensation claims administration, potentially delaying or denying rightful benefits to injured workers.

The DWC's AE Unit expects to be able to meet its increased workload and its statutory obligations as a result of this increase in staffing. These resources will allow DWC's AE Unit to fulfill its Labor Code 129 and 129.5 regulatory obligation to audit active Claims Administrators every five years, and to conduct Target and Civil Penalty audits as needed and/or required to ensure that injured workers receive notification of their rights and receive workers' compensation benefits as mandated by law.

4: Budget Change Proposal: Division of Occupational Safety and Health or Cal/OSHA: Cal/OSHA Modernization Project

The Department requests $18.2 million Labor and Workforce Development Fund in 2025-26 to continue the development of the Division of Occupational Safety and Health's 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 in 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.

The 2024-25 budget included $25,278,000 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. Resources requested will continue the implementation of the project.

5:Cal/OSHA: Workplace Violence Prevention Plans in Hospitals (AB 2975 Implementation)

The Department requests 0.5 permanent positions and $125,000 in 2029-30 and ongoing from the Occupational Safety and Health Fund to implement Chapter 749, Statutes of 2024 (AB 2975).

AB 2975 requires the use of devices that automatically screen a person's body at specific entrances of hospitals. Additionally, hospitals are required to post a notice near the screening checkpoints advising of the screening and that no person shall be refused medical care, pursuant to specified federal law. Finally, hospitals are to adopt reasonable protocols for when a weapon is detected at screening, alternative weapons screening options, and proper training and hiring of security personnel. The legislation also charges DOSH and OSHSB to develop and adopt rulemaking to amend Labor Code Section 6401.8(a). After the new standard is adopted, DOSH will be charged with conducting ongoing enforcement of the new regulations. Accordingly, DOSH will require the following to properly implement the requirements of AB 1975:

Enforcement: Once the rulemaking process is completed, DOSH is responsible for the enforcement of activities to effectively implement this legislation. Ensuring that hospitals are complying with the new requirements of AB 2975 will increase the time and resources required for DOSH inspections of hospitals, including additional resources for preparation and on-site visits, meeting with employers, conducting walk-around of facilities, interviewing employees, and conducting return visits to verify abatement. In order to conduct enforcement efforts to ensure the developed regulations are implemented and enforced properly, DOSH requests permanent resources of 0.5

Note: The department originally estimated that the total fiscal impact to the Division of Occupational Safety and Health (Cal/OSHA) and the Occupational Safety and Health Standards Board (OSHSB) is estimated to be $344,000 from the Occupational Safety and Health Fund in the first year, and $323,000 afterward ongoing annually.

6: Cal/OSHA: Domestic Workers Definitions (SB 1350 Implementation)

The Department requests $1.2 million Occupational Safety and Health Fund (OSHF) and 4.5 positions in 2025-26 and $1.1 million OSHF and 4.5 positions in 2026-27 and ongoing to provide resources for the Division of Occupational Safety and Health to implement the new requirements of Chapter 895, Statutes of 2024 (SB 1350).

By removing the blanket exclusion for household domestic service employment, SB 1350 creates additional workload for the Division because the Division will have jurisdiction over an entire industry that was not previously regulated.

SB 1350 removes the blanket exclusion for household domestic service employment so that the majority of household domestic workers, with some exceptions, are a part of Cal/OSHA's jurisdiction, meaning all of the Labor Code sections and California Code of Regulations Title 8 regulations that provide workplace protections to workers will apply to them. This will create new and additional workload for the Division's Enforcement Branch and Legal Unit, because it will result in new inspections involving work and places of employment that historically fell outside of Cal/OSHA's reach.

Household domestic work includes the maintenance of the inside and outside of a house. For reference, DOSH estimated the number of new inspections based on inspections conducted on a comparable industry in landscaping services. Between 2015 and 2019, DOSH opened an average of 224.8 Cal/OSHA inspections per year on landscaping services. According to a report on the landscaping industry, residential maintenance and general service account for 33 percent of the landscaping industry. Based on 33 percent of the 224.8 average inspections for landscaping services, the Division anticipates a minimum of 75 additional inspections per year, primarily in outdoor work such as residential landscaping. In addition to residential landscaping services, other types of household domestic service work such as pool maintenance may trigger additional inspections.

In addition to inspections, the Division anticipates an increase in appeals. Currently, approximately 48 percent of citations are appealed by employers, which will result in 36 additional appeals per year. A majority of these appeals will likely be referred to the Legal Unit, with an attorney then defending the citations.

Based on this assessment, at a minimum, it is estimated that the Division would need three and a half (3.5) Associate Safety Engineers and one (1.0) Attorney IV.

7: Commission on Health & Safety Worker's Compensation (CHSWC): Schools' Occupational Injury and Illness Prevention Programs

Budget Change Proposal: Schools' Occupational Injury and Illness Prevention Programs

The Department requests $170,000 Workers' Compensation Administration Revolving Fund (WCARF) annually from 2025-26 through 2027-28 to allow the Commission on Health and Safety and Workers' Compensation to assist schools in establishing effective occupational Injury and Illness Prevention Programs.

According to the Department, there are currently funds available in the WCARF for the Commission on Health and Safety and Workers' Compensation (CHSWC) to expend under Labor Code Section 78 to assist schools in establishing effective Occupational Injury and Illness Prevention Programs (IIPP). These funds are mandated for this purpose and cannot be utilized to support any other activity.

8: Occupational Safety and Health Standards Board: Occupational Safety and Health Standards Rulemaking Support

The Department requests $301,000 Occupational Safety and Health Fund (OSHF) and 1.0 position in 2025-26, $588,000 OSHF and 2.0 positions in 2026-27, $874,000 OSHF and 3.0 positions in 2027-28, and $857,000 OSHF and 3.0 positions ongoing for the Occupational Safety and Health Standards Board (OSHSB or Standards Board) to assist with the rulemaking backlog and workload levels that have increased in recent years. These permanent positions will help reduce the rulemaking backlog and adopt critical occupational safety and health regulations that impact 19 million working Californians.

The pandemic consumed the vast majority of OSHSB rulemaking resources for 2020-21, 2021-22, and much of 2022-23, leading to a significant increase in backlog. In 2019, OSHSB had 38 backlogged rulemaking projects and 7 active rulemaking projects. In 2020, OSHSB had 42 backlogged projects and 5 active projects. In 2021, OSHSB had 34 backlogged projects and 4 active projects. In 2022, OSHSB had 36 backlogged projects and 5 active projects. In 2023, with the addition of two new staff and the conclusion of the COVID-19 rulemaking project, OSHSB was able to reduce the backlog to 31 projects and had 10 active rulemaking projects.

9: Budget Change Proposal: Department Wide: Administration Support

The Department requests $2.4 million from various special funds and 17.0 positions in 2025-26 and ongoing to address the growing administrative need within DIR's divisions.

Specifically:

- 10.0 permanent positions in the Department's Office of Administrative Services, in the following capacities and functions: 1.0 Associate Governmental Program Analysts (AGPA), 2.0 Office Technicians (OT)-Typing, and 1.0 Staff Services Manager I (SSM I) for HRO; and 1.0 Associate Business Management Analyst, 1.0 AGPA, 2.0 OT-General, and 2.0 OT-Typing for the Contracts, Procurement, Business Services and Facilities Offices.

- 7.0 permanent positions in the Department's Office of Fiscal Serves, as follows: 2.0 Accountant Trainees, 1.0 Accounting Administrator II, 1.0 OT-Typing, 1.0 Senior Accounting Officer (Supervisor), 1.0 Staff Services Analyst (SSA), and 1.0 SSM I.

10: Budget Change Proposal: Department Wide: Property Service Worker Protection (AB 2364)

The Department requests $900,000 one-time various special funds to commission a study on improving worker safety and safeguarding employment rights in the janitorial industry, and to convene an advisory committee to make recommendations regarding the scope of the study consistent with AB 2364 (Chapter 394, Statutes of 2024).

According to DIR, AB 2364 requires DIR to contract with UCLA-LC to conduct a comprehensive study including, but not limited to, analysis of California workers' compensation data, production rates in the janitorial industry, assessment of the risk of injuries, prevalence of wage theft, and the impacts of gender, race, national origin, disability, and age on production rates, and compliance with labor laws in the janitorial industry. In addition to outlining the content requirements for the scope of the study, AB 2364 sets a clear deadline for DIR to submit the UCLA-LC report to the members of the specially established advisory committee and the Chairs of the Assembly Committee on Labor and Employment and the Senate Committee on Labor, Public Employment and Retirement, on or before May 15, 2026. Based on the Department's experience, a study of this nature is reasonably estimated to cost $750,000.

DIR expects the advisory committee to convene ten times during its operational period and will be responsible for coordinating audio-visual and interpretation services, with an estimated cost of $10,000 per meeting, ensuring that the committee meetings are accessible and inclusive. DIR requests $100,000 in one-time funding to provide webcasting and translation. With travel for advisory committee members estimated at $5,000 total per meeting, the Department also requests $50,000 to fund travel.

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 Guy Strahl.