

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 4  
ON STATE ADMINISTRATION****ASSEMBLYMEMBER ADRIN NAZARIAN, CHAIR****TUESDAY, APRIL 12, 2016****1:30 P.M. - STATE CAPITOL, ROOM 447**

<b>ITEMS TO BE HEARD</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>0559</b>	<b>SECRETARY OF LABOR AND WORKFORCE DEVELOPMENT</b>	
<b>7350</b>	<b>DEPARTMENT OF INDUSTRIAL RELATIONS</b>	
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**ISSUE 1: PRIVATE ATTORNEYS GENERAL ACT BUDGET CHANGE PROPOSAL**

- Ralph Lightstone, Director of Legislation, California Labor and Workforce of Development Agency
- Mark Tollefson and Deanna Ping, Department of Finance
- Caitlin Vega, California Labor Federation
- Bill Turley, Consumer Attorneys of California
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

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**ISSUE 2: DEPARTMENT OF LABOR STANDARDS ENFORCEMENT BCP**

- Greg Edwards, Chief Financial Officer, and Julie Su, Labor Commissioner, Department of Industrial Relations
- Audrey Bazos and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**ISSUE 3: REVENUE AND EXPENDITURES ALIGNMENT BCP**

- Greg Edwards, Chief Financial Officer, Department of Industrial Relations
- Audrey Bazos and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**ISSUE 4: MINING AND TUNNELING BCP**

- Greg Edwards, Chief Financial Officer, and Juliann Sum, Chief, Division of Occupational Safety and Health, Department of Industrial Relations
- Audrey Bazos and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**ISSUE 5: AMUSEMENT PARK RIDES BCP**

- Greg Edwards, Chief Financial Officer, and Juliann Sum, Chief, Division of Occupational Safety and Health, Department of Industrial Relations
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**ISSUE 6: ENHANCED ENFORCEMENT LEGISLATION BCP**

- Greg Edwards, Chief Financial Officer, Department of Industrial Relations
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**7100 EMPLOYMENT DEVELOPMENT DEPARTMENT**  
**7120 CALIFORNIA WORKFORCE INVESTMENT BOARD**


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**ISSUE 7: PROGRAM AND BUDGET OVERVIEW**

- Patrick Henning Jr., Director, and Greg Williams, Administration Branch Deputy Director, Employment Development Department
- Tim Rainey, Executive Officer, Workforce Development Board
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**ISSUE 8: UNEMPLOYMENT INSURANCE PROGRAM FUNDING BCP**

- Greg Williams, Administration Branch Deputy Director, and Michele Sutton-Riggs, Unemployment Insurance Division Chief, Employment Development Department
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**ISSUE 9: BENEFIT OVERPAYMENT COLLECTION AUTOMATION PROJECT SPRING FINANCE LETTER**

- Greg Williams, Administration Branch Deputy Director and Gail Overhouse, Chief Information Officer, Employment Development Department
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

## ITEMS TO BE HEARD

### **0559 SECRETARY OF LABOR AND WORKFORCE DEVELOPMENT 7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

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The Governor's Budget includes \$641.4 million in 2016-17 for the Department of Industrial Relations (DIR), an increase of \$13.4 million or 2.1 percent from the current year. DIR is funded through special funds and reimbursements, with no General Fund.

#### **ISSUE 1: PRIVATE ATTORNEYS GENERAL ACT BUDGET CHANGE PROPOSAL**

##### **PANELISTS**

- Ralph Lightstone, Director of Legislation, California Labor and Workforce of Development Agency
  - Please present the Administration's proposal and provide an update on the status of the proposal given the discussions that have taken place with stakeholders.
- Mark Tollefson and Deanna Ping, Department of Finance
- Caitlin Vega, California Labor Federation
- Bill Turley, Consumer Attorneys of California
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

##### **LABOR CODE BACKGROUND**

Various provisions of the California Labor Code outline requirements that employers must meet with respect to employee wages, hours, and working conditions. For example, the Labor Code specifies a minimum hourly wage that must be paid to most workers, when overtime compensation must be paid, when meal and rest periods must be provided, what information employers must include on itemized wage statements, and what steps employers must take to provide a safe and healthy workplace.

When an employer does not pay wages as required by law, such as by not paying overtime, the Labor Code allows employees to recover these wages, either through an administrative proceeding with the state's Labor and Workforce Development Agency (LWDA) or through private legal action in Superior Court. The Labor Code also specifies additional civil penalties that may be imposed on employers who violate Labor Code provisions. Such civil penalties are in addition to wages that may be recovered and are intended to act as a deterrent against violations. The LWDA and the related state agencies that it oversees, including the Department of Industrial Relations (DIR) and the Division of Labor Standards Enforcement (DLSE) and Division of Occupational Safety and Health (DOSH) within DIR, are responsible for enforcing the Labor Code and are authorized to impose the civil penalties outlined in state law.

<b>PRIVATE ATTORNEYS GENERAL ACT</b>
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As noted above, employees who have wages improperly withheld may seek to recover these wages through private legal action against the employer. For those who do so, the Private Attorneys General Act (PAGA), enacted by Chapter 906 of 2003 (SB 796, Dunn) and Chapter 221 of 2004 (SB 1809, Dunn), grants employees the right to additionally seek civil penalties from employers that prior to PAGA could only be pursued by LWDA and related state agencies. The general intent of PAGA is to allow employees to pursue civil penalties through the legal system when LWDA and related state agencies do not have the resources to do so, with a goal of increasing the deterrent effect of the civil penalties and compliance with labor law. While civil penalties collected by LWDA are generally deposited in the state General Fund, any penalties collected under PAGA are split between the employee, who receives 25 percent, and LWDA, which receives the remaining 75 percent.

The LWDA's portion of PAGA penalties is deposited into the Labor and Workforce Development Fund (LWDF), which is used for enforcement of labor laws and to educate employers and employees about their rights and responsibilities under the Labor Code. The table below displays the amount of PAGA penalties received by the LWDF in recent years.

**PAGA Penalties Deposited in the Labor and Workforce Development Fund**

*(In Millions)*

2010-11	\$4.5
2011-12	5.3
2012-13	4.5
2013-14	5.7
2014-15	8.4

Under PAGA, an individual who wishes to pursue civil penalties against an employer must provide a written notice to both the employer and LWDA of the alleged violations and his or her intent to pursue civil penalties under PAGA. This notice is the first step in a PAGA claim. This requirement is intended to allow LWDA to step in and investigate claims that it views as preferable to handle administratively rather than through the PAGA process, such as when the claim overlaps with other matters already under investigation by LWDA.

In most cases, LWDA has 30 days to determine whether to investigate and, if it does investigate, 120 additional days to complete the investigation and determine whether to issue a citation. If LWDA does not investigate, or does investigate but does not issue a citation, the PAGA claim may proceed. For certain violations that are considered less serious, for example, failing to correctly display the legal name and address of the employer on an itemized wage statement, employers are provided 33 days to prevent a PAGA claim from proceeding by correcting the alleged violations. In the infrequent case of a PAGA claim related to workplace health and safety, a DOSH investigation is mandatory and separate time lines apply to the DOSH investigation and for the employer to correct the alleged violation.

The number of PAGA notices received by LWDA over the past few years is displayed below.

**PAGA Notices Filed With LWDA**

2010	4,430
2011	5,064
2012	6,047
2013	7,626
2014	6,307

Once the PAGA claim proceeds, LWDA typically receives no further information beyond payment of the portion of any civil penalties that is due to the LWDF. Civil penalties can be assessed through the PAGA process in two ways. When the court finds that the allegations in the PAGA claim have merit, they have the authority to impose civil penalties. Alternatively, the parties to the claim may settle out of court and include civil penalties as part of such a settlement. However, not all settlements include civil penalties. In fact, LWDA reports that in 2014-15 it received just under 600 payments for PAGA claims that resulted in civil penalties. This number is low relative to the amount of PAGA notices LWDA receives each year (roughly 10 percent of notices received in 2014), implying that the final disposition of a large portion of PAGA claims, and likely many settlements, do not involve civil penalties. When cases that involve a PAGA claim settle out of court and civil penalties are included as part of the settlement, PAGA requires court review and approval of the settlement.

**ADMINISTRATION'S CONCERNS**

The administration has raised several issues regarding the current implementation of PAGA that motivate the Governor's 2016-17 budget proposal, as described below.

**Insufficient Time and Resources to Review PAGA Notices and Investigate Claims.**

The LWDA notes that in the past it has been able to devote only minimal staff and resources, specifically, one position at DLSE beginning in 2014, to perform a high-level review of PAGA notices and determine which claims to investigate. In 2014, less than half of PAGA notices were reviewed, and LWDA estimates that less than 1 percent of PAGA notices have been reviewed or investigated since PAGA was implemented. When a PAGA notice is investigated, LWDA reports that it has difficulty completing the investigation within the timeframes outlined in PAGA. When an investigation is not completed, or not completed on time, the PAGA claim is automatically authorized to proceed.

**Reports of Undesirable Outcomes From PAGA Litigation.** The LWDA also highlights concerns from stakeholders that the outcomes of PAGA litigation may not always be in the best interest of the state as a whole. Specifically, the concern has been raised that some employers are incurring substantial legal costs to defend against PAGA claims that allege what might be viewed as relatively minor labor law violations. On the other hand, the concern has also been raised that PAGA settlements may not achieve the same level of wage recovery and civil penalties as might be the case were LWDA to investigate. Because parties to PAGA claims currently are not required to

notify LWDA on the outcomes of PAGA claims after the agency declines to investigate or issue a citation, other than to forward any penalties due to the LWDF, complete information on the final disposition of PAGA claims is not available. This lack of information makes it difficult to evaluate whether, and how often, these potential undesirable outcomes are occurring.

### **Potential for Significant PAGA Penalties When New Precedent Is Established.**

Finally, as a rationale for the 2016-17 proposal, LWDA cites employer concerns about court decisions in which widespread industry practices that a significant number of employers believe in good faith to be legal are found to violate the Labor Code. Such decisions set a new precedent that could lead to PAGA claims with potentially significant penalties for employers.

## **GOVERNOR'S BUDGET PROPOSAL**

As part of the 2016-17 budget, the Governor proposes several actions that the Administration states are intended to reduce litigation costs for employers and improve outcomes for employees by addressing the issues discussed above.

1. **Increase Staff to Review Notices and Oversee PAGA Process.** The Governor's proposal would provide \$1.6 million in 2016-17 and \$1.5 million ongoing from the LWDF to support ten new positions - one at LWDA and nine at the Department of Industrial Relations (DIR) - that would allow for greater oversight of the PAGA process. The table below lists the specific positions requested. The new positions would allow for a greater number of PAGA notices to be reviewed and investigated. Specifically, the administration estimates that the proposed positions would review about 900 additional PAGA notices, with a more in-depth review than current resources allow, and investigate an additional 45 claims each year. The proposed positions would also help address some increased workload related to various proposed changes to the PAGA process described below.

### **Positions Requested to Increase PAGA Oversight**

Classification	Agency	Number of Positions
Assistant General Counsel	LWDA	1
Attorney IV	DIR	3
Deputy Labor Commissioner III	DIR	1
Investigator	DIR	1
Legal Analyst	DIR	1
Auditor I	DIR	2
Office Technician	DIR	1
Total		10

2. **Require Additional Information on PAGA Proceedings Be Provided to LWDA.** The Governor's proposal would also amend PAGA to require that more information about PAGA proceedings be provided to LWDA. Specifically, the proposal would (1)

require that initial PAGA notices filed with LWDA have more detail than is currently required about the legal contentions and authorities supporting each alleged violation, (2) require that DIR receive a copy of the complaint when the legal action is initiated, (3) require that DIR be notified of the terms of PAGA settlements, and (4) require all PAGA-related notices to LWDA or related state agencies be submitted through a new online system.

3. **Proposes Additional Changes to the PAGA Process.** In addition to the proposed PAGA amendments described above, the Governor's proposal would make several other changes to the existing PAGA process, as described below.
  - a) **Require a Filing Fee for PAGA Notices.** The proposal would require that employees wishing to pursue a PAGA claim pay a fee of \$75 (or \$150 if the PAGA claim is seeking penalties on behalf of ten or more employees) when filing the initial PAGA notice with LWDA, except when the alleged violation relates to workplace safety or health. These fees would be deposited into the LWDF and used to offset some of the cost of the proposed new positions.
  - b) **Clarify That Employers May Request LWDA Investigation.** The proposal would amend PAGA to clarify that employers who receive a PAGA notice have the ability to request an investigation by LWDA or related state agencies. Employers would be required to pay a \$50 fee to file such a request.
  - c) **Extend Investigation Time Lines.** The proposal would extend the time allotted for LWDA to consider whether to investigate the violations in a PAGA notice from 30 to 60 days and extend the time to investigate and issue a citation from 120 to 180 days.
  - d) **Require Court Approval of All PAGA Settlements.** Currently, courts are generally required to review and approve only PAGA settlements that include civil penalties or that relate to violations of health and safety requirements. The proposal would require that all settlements be submitted to the court for review and approval.
  - e) **Allow LWDA to Object to Proposed PAGA Settlements.** Currently, in addition to being reviewed by the court, PAGA requires that settlements related to health and safety requirements are also submitted to DOSH for comment and that courts give appropriate weight to DOSH comments when considering approval of the settlement. The proposal would extend this requirement to all PAGA settlements by allowing the Director of DIR to object to any proposed settlement prior to the court's consideration of the settlement.
  - f) **Require That PAGA Notices Involving Multiple Employees Be Verified.** The proposal would require that PAGA notices that are seeking penalties on behalf of ten or more employees be verified, meaning that the employee filing the notice must attest that the information in the notice is true.

- g) **Grant Authority to DIR to Create Ad Hoc Employer Amnesty Programs Under Specified Conditions.** In some instances where a widespread industry practice has been found to be in violation of labor law, the Legislature has enacted temporary amnesty or safe harbor programs to allow affected employers to receive relief from potentially substantial penalties in exchange for quickly compensating employees for past violations. For example, Chapter 741 of 2015 (AB 621, Hernández) recently created the Motor Carrier Employer Amnesty Program. This program allows motor carriers to pay back wages and benefits to drivers whom are misclassified as independent contractors in exchange for relief from penalties for the violations in question.

The Governor's proposal would give DIR the authority to create temporary amnesty programs when certain conditions exist, including that (1) a court decision or other legal development invalidates a common industry practice that a substantial portion of the industry believed in good faith to be legal, (2) the decision or legal development affects at least 10,000 employees and is likely to lead to PAGA claims against at least five employers, and (3) the amnesty program is likely to provide more relief to employees than private legal action. The process of creating a temporary amnesty program would begin after a petition from an interested party, such as an employer, is filed with DIR and an opportunity is given to other interested parties, including employees, employers, and worker or industry advocacy groups, to comment on the petition. Amnesty programs created under the proposed new authority would be limited to 18 months and would require that an employer fully compensate employees for any back wages due.

#### LAO RECOMMENDATION

The Legislative Analyst's Office provided the basis for this Issue analysis and has issued a recommendation that the Legislature take the following actions with respect to the Governor's 2016-17 PAGA proposal:

- **Approve Requested Funding and Positions.** To enable LWDA to more effectively fulfill its role of reviewing and, in some cases, investigating PAGA claims, the LAO recommends that the Legislature approve funding for the ten positions requested in the Governor's proposal. "We note that, if the Legislature does not approve the administration's proposed fee on PAGA filings at this time (see our recommendation below), fee revenues will not be available to offset a portion of the costs of these positions and the full cost will be borne by penalties deposited in the LWDF. The LWDF has a sufficient balance to pay the full cost of these positions for the next several years, but the ability of the fund to support the positions over the longer term is unclear because it depends on potential growth or decline in PAGA penalty payments (payments appear to have been increasing in recent years). We note that the administration's proposal also depends on uncertain revenue projections. Should the Legislature approve the requested positions but reject the proposed fee, it will be important to monitor the condition of the LWDF and consider future adjustments to the expenditures of the

fund or possibly identify an additional funding source—such as a potential fee on PAGA filings as proposed by the Governor—as necessary.”

- **Amend PAGA to Require That Additional Information Be Provided to LWDA.** In order to better understand the outcomes of PAGA litigation, the LAO recommends that the Legislature amend PAGA to require more detail in initial PAGA notices, require that LWDA receive copies of PAGA complaints and any settlement agreements, and require that notices to LWDA related to PAGA claims be submitted through an online system, consistent with the Governor’s proposal.
- **Reject Remaining Proposed PAGA Amendments Without Prejudice in Favor of Separate Legislative Deliberation on PAGA Priorities.** The LAO recommends that the Legislature reject without prejudice the remaining proposed amendments, including (1) the proposed filing fee, (2) verification of PAGA notices involving more than ten employees, (3) clarifying that employers may request an LWDA investigation following a PAGA notice, (4) extending investigation time lines, (5) requiring court approval of all PAGA settlements, and (6) allowing LWDA to object to proposed PAGA settlements. The LAO states that these proposed amendments may have merit, but would be better addressed through a legislative policy process that examines the Legislature’s priorities for the PAGA process, allows for greater input from affected stakeholders to identify potential benefits and drawbacks, and allows for consideration of potential reporting requirements that would draw on the better information LWDA receives on the final outcomes of PAGA litigation.
- **Reject Proposed Language Allowing DIR to Create Ad Hoc Temporary Amnesty Programs.** The LAO recommends rejecting proposed language to grant DIR the authority to create temporary amnesty programs on an ad hoc basis, in favor of reviewing proposals for such programs on a case-by-case basis through the regular legislative policy process. This approach may slow the creation of future amnesty programs relative to what might be possible under the Governor’s proposal, but would preserve the Legislature’s important role in determining when to relieve significant groups of employers from penalties associated with violating labor law.

#### STAFF COMMENTS

Staff notes that stakeholders, including labor and consumer attorney organizations, have been involved in an ongoing dialogue with the administration on the multiple elements of this proposal. The administration and key stakeholders have requested additional time to continue to discuss how the proposal might be reshaped to allow it to address the administrative issues that are the primary purposes of this budget proposal.

Staff concurs with the LAO assessment that additional funding and staffing would provide greater PAGA oversight, which is consistent with legislative intent. The intent of PAGA is that LWDA have the opportunity to review PAGA notices and at least in some

cases conduct its own investigation prior to the PAGA claim proceeding. Given the minimal resources currently devoted to the review and investigation of PAGA notices, LWDA is not currently able to fulfill the role intended for it in the PAGA legislation. Staff agrees that providing additional funding and positions in the Governor's proposal likely would not be sufficient to review and investigate even a majority of PAGA notices, but would greatly expand LWDA's ability to meet the intent of the PAGA legislation.

The administration has raised concerns about possible negative outcomes from PAGA litigation for both employers and employees, but because comprehensive information about the final disposition of PAGA claims is not available to the LWDA, it is difficult to assess how serious or prevalent these issues are. Staff agrees with the LAO assessment that the Governor's proposed amendments to PAGA requiring more information be provided to LWDA, specifically, more detail in the initial PAGA notice and that a copy of the PAGA complaint and any settlement be provided to LWDA, are a reasonable extension of LWDA's oversight of the PAGA process that would make it possible to better assess the nature and extent of the undesirable outcomes highlighted in the Governor's proposal. Information obtained about the disposition of PAGA claims could play an important role in future consideration of other potential proposals to modify the PAGA process.

The remaining proposed amendments to the PAGA process differ from those discussed immediately above in that they raise more significant policy issues for PAGA. While some of these might be considered in some form if they were to further the more effective administration of PAGA, others might be more appropriately debated in the regular policy process. The proposal regarding the creation of amnesty programs has drawn particular attention and opposition. Temporary amnesty programs, such as the Motor Carrier Employer Amnesty Program recently enacted through Chapter 741, can be effective tools to more quickly bring about compliance, provide back wages and benefits to employees, and protect employers from potentially damaging penalties in instances when a longstanding industry practice is found to violate the law. Giving DIR the authority to create future amnesty programs under certain conditions but without specific legislative authorization in each case would likely expedite the creation of such programs. However, the Legislature has an important role to play in considering when employers should be granted relief from penalties imposed for violating labor law, and under what terms this relief should be granted. Staff agrees with the concern that giving DIR the authority to establish amnesty programs on an ad hoc basis would undermine the Legislature's role in this area, and believe that this concern outweighs the potential benefit of establishing future amnesty programs more rapidly.

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**Staff Recommendation:**

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Staff recommends the following:

- A request that some of the most controversial components of the Administration's trailer bill language proposal related to PAGA be removed, specifically the pieces that seek to (1) clarify that employers may request an investigation following the receipt of a PAGA claim, (2) require verification of PAGA notices involving more than ten employees, and (3) grant authority to DIR to create ad hoc employer amnesty programs under specified conditions. The Subcommittee may wish to formally deny these components of the trailer bill.
- Holding the balance of the proposal open pending continuing dialogue between interested stakeholders and the Administration, with a request that the Subcommittee be advised of the status of the proposal prior to the May Revision. This does not require a formal action by the Subcommittee.

**7350 DEPARTMENT OF INDUSTRIAL RELATIONS****ISSUE 2: DEPARTMENT OF LABOR STANDARDS ENFORCEMENT BCP****PANELISTS**

- Greg Edwards, Chief Financial Officer, and Julie Su, Labor Commissioner, Department of Industrial Relations
  - Please present the Administration's proposal.
- Audrey Bazos and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**BACKGROUND**

The **Wage Claim Adjudication (WCA)** unit within the Labor Commissioner's office accepts claims from individuals for unpaid wages, unpaid vacation or sick leave, missed meal and rest breaks, and other unpaid compensation - California Labor Code sections 96 and 98. WCA is the largest unit within DLSE with approximately 200 positions. In the WCA unit, there are 16 offices across the state with each managed by a Deputy Labor Commissioner (DLC) III, who report directly to the Assistant Chief over the WCA unit.

The **Retaliation Complaints Investigation (RCI)** unit accepts complaints from employees and job applicants who suffer retaliation because they engage in an activity protected by any law under the jurisdiction of the Labor Commissioner - California Labor Code section 1102.5 subsections (a)(b)(c) and (d). The most common allegations of retaliation are for filing or threatening to file a labor law violation complaint with the Labor Commissioner or for complaining about dangerous working conditions. The RCI unit has a northern and southern branch and each is managed by a DLC III who oversees the six offices within each, both reporting directly to the Labor Commissioner.

The Labor Commissioner's office is employed to pursue remedies for any worker whose employer threatens them or engages in an unlawful practice in response to any of the activities protected by the Labor Code. Employees are one of the best sources for providing information on employers skirting labor and tax laws. If an employee is afraid of losing their job for reporting unsafe working conditions or stolen wages it will significantly decrease the likelihood that these violations get reported to DIR. Strong anti-retaliation laws protect the rights of workers to demand safe and fair working conditions and teach employers that there can be costly repercussions for retaliatory actions. However, these laws can only achieve that goal to the degree that the division has the capacity to effectively enforce these provisions.

**BUDGET PROPOSAL**

This proposal for the Division of Labor Standards Enforcement (DLSE) requests an increase of 28.5 positions and \$4.988 million (from the Labor Enforcement and Compliance Fund) in 2016-17, 28.5 positions and \$4.756 million in 2017-18 with an on-going need of 26.5 positions and \$3.7 million in resources to achieve the following for the WCA unit and the RCI unit:

- Address the backlog that has accumulated due to an increase in caseload and the increase in complexity associated with evolving labor law requirements.
- Provide sufficient supervisory oversight to help ensure uniform performance throughout the state.

If approved, the following resources will be added to help the division meets these goals:

- 2.0 Deputy Labor Commissioner IV
- 2.0 Industrial Relations Counsel III (Specialist)
- 3.0 Deputy Labor Commissioner III
- 6.0 Deputy Labor Commissioner II
- 11.0 Deputy Labor Commissioner I
- 1.0 Associate Governmental Program Analyst
- 3.5 Office Technician (Typing)

In addition to the positions, funding is requested for the reclassification of 16.0 Deputy Labor Commissioner Is into Deputy Labor Commissioner IIs, the reclassification of a Management Service Technician into a Deputy Labor Commissioner I, and limited-term Temporary Help/Overtime funding to assist with backlogs.

**Allocation of Positions and Associated Justification.**

Wage Claim Adjudication (WCA) – A total of 9.0 positions - 6.0 Deputy Labor Commissioner IIs, 2.0 Deputy Labor Commissioner IVs and 1.0 Associate Government Program Analyst is included for WCA in this request. The justification is summarized below:

- **Claims Opened / Settlement Conferences.** In 2014, the WCA unit opened over 33,000 claims, held over 22,000 settlement conferences, and conducted nearly 10,000 hearings. All claims filed with WCA are addressed by a DLC I at each office.
- **Hearing Referral.** If a conference does not result in a settlement, the case will be set for an administrative hearing (Berman hearing) which is conducted by a Hearing Officer (DLC II). In 2014, approximately half of the settlement conferences held resulted in a referral for a hearing, a rate which has remained fairly steady over the past three years. While this statewide rate remains steady,

the rate at which cases are referred for hearing varies greatly among the WCA offices across the state. For example: Van Nuys and Bakersfield referred only 32 and 34 percent of cases for a hearing while Los Angeles referred 71 percent of their cases, which may indicate a disparity between these offices in how settlements conferences are approached. There are also significant differences in the length of time between when a case is filed and when it is referred to hearing. While the statewide average is 75 days, it took an average of only 36 days in Sacramento, but an average of 145 days in Van Nuys.

- **Hearings.** In 2014, a total of 9,558 hearings were held among the approximately 33 filled DLC IIs positions. This is a drop in hearings from the two previous years when 10,396 and 10,963 hearings were held, with approximately 32 and 30 DLC IIs, respectively. This reduction in productivity is likely due to the increasing complexity of wage claims, including statutory changes and court decisions pertaining to meal and rest period violations, the addition of liquidated damages to wage orders, and the extension of time that unpaid wages can be claimed. Statewide, the gulf between hearings referred and hearings conducted is widening, as is the number of days from hearing referral to hearing date, but the shift is particularly pronounced in certain offices. In San Bernardino, the number of days between a hearing and the date of its referral has more than tripled and in San Diego this timeframe has nearly doubled. In 2014, Sacramento held half as many hearings as were referred.

In 2014, a statewide total of 11,568 Berman cases were referred for a hearing, but only 8,707 of those cases were heard. In some instances, the employer and employee will reach a settlement agreement after the settlement conference, so not all cases referred for a hearing will warrant one. The cases that are left would be considered part of the backlog of work that needs to be addressed.

As part of this proposal, WCA will adjust its management structure to try to optimize use of the new resources

Retaliation Complaints Investigation (RCI) – A total of 19.5 Positions (11.0 Deputy Labor Commissioner Is, 3.0 Deputy Labor Commissioner IIIs, 3.5 Office Technicians-Typing, and 2.0 Industrial Relations Counsel III-Specialist) Analyst is included for RCI in this request. The justification is summarized below:

- In 2014, the RCI unit accepted complaints alleging violations of 23 of the 45 laws relating to retaliation. Of the 3,800 complaints received that year, the unit accepted 1,874 for investigation; the others being rejected because they were deemed to be outside of the jurisdiction of the Labor Commissioner. Cases accepted by the RCI unit have increased by 48 percent from 2011 to 2014, an increase of 16 percent each year. It is assumed that the current growth rate in accepted cases will continue. The primary reason for this presumption is the most recent change in Labor Code 98.6, which carries a \$10,000 civil penalty payable to the worker for most retaliation violations.

- It currently takes an average of 122 days from when a case is opened to the time it is assigned to a DLC I, primarily due to the need to close out the backlog of old cases. This results in a delay in the assignment of new cases. However, delaying the investigation of new cases can have negative repercussions. It can decrease the likelihood of a settlement because the employer's liability grows as long as the complainant remains unemployed therefore the resistance to settle is greater. Additionally, the complainant may simply give up on their case because they've found another job, thus, allowing the employer to avoid the consequences of engaging in retaliation.
- For cases that are not settled, abandoned, or withdrawn, a DLC I will recommend a determination to the Labor Commissioner, Chief of DLSE, who will then issue a final determination. These determinations are subject to appeal, and because there is no disincentive to appeal, they are fairly common. In addition, the determination is not legally binding, and if an employer refuses to comply with the terms of the Labor Commissioner's determination (payment of lost wages, offer of reinstatement, etc.), the determination must be proved in court in order to be enforceable. This requires DLSE attorneys (Industrial Relations Counsels (IRCs)) to try the case in court in order to enforce these determinations and to recover any wages and/or penalties on behalf of the worker.
- In addition to this workload, the IRCs also provide consultative services to DLC Is on active investigations; conduct research on recent legislation to determine the impact on the retaliation cases; update RCI's Legal Manual and publications; address specific requests from the Labor Commissioner regarding retaliation law; and enforce judgments as they are issued by the court. Currently, there are 3.0 IRC positions to handle this workload, however, this is insufficient and there is now a backlog of 80 determination cases that have yet to even be filed in court.
- As mentioned earlier, RCI accepted cases are increasing about 16 percent each year, with a 48 percent growth of cases over a three-year period. About 1,500 cases were closed last year, but 1,874 were accepted. For the last four years there have been about 440 more cases accepted each year than the number of cases assigned. These cases are eventually assigned in the following year. As a result of the inability to keep up with incoming cases, the backlog of old cases is growing. Nearly every DLC I ended 2014 with more open cases than they started the year with. At the end of the year, there were over 2,400 open cases, with 888 cases being first opened in 2013 or earlier. Of those 888 cases, 140 are with Legal for the determination to be upheld in court or for collection, and 30 remain on appeal.

**STAFF COMMENTS**

The Administration states that the proposal will achieve the following:

1. Reduce the time lag between a wage claim settlement conference and a hearing, so that completion can be achieved in accordance with the statutory requirement of 120 days.
2. Reduce the backlog of retaliation cases, and continue to assess the status on an annual basis.
3. Reduce the potential for future backlogs to reoccur.

No issues have been raised with this request and the request appears reasonable and justified.

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**Staff Recommendation:**

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Staff recommends approval of this BCP request.

**ISSUE 3: REVENUE AND EXPENDITURES ALIGNMENT BCP****PANELISTS**

- Greg Edwards, Chief Financial Officer, Department of Industrial Relations
  - Please present the Administration's proposal.
- Audrey Bazos and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**BUDGET PROPOSAL**

This BCP seeks to correctly align expenditure authority and special fund revenue from various fees and permits to the appropriate program; increase resources for labor law enforcement in the car wash program to help bring its special funds into balance; delete decades-old statutory caps on certain fees to allow for proper cost recovery; and clean up and standardize language for various fees and permits. This proposal includes statutory changes to various sections of the Labor Code for the Division of Occupational Safety & Health and the Division of Labor Standards Enforcement.

Approximately \$1.6 million in regulatory licenses and permits are deposited into the General Fund each year as a result of the DIR's regulatory activities, even though the General Fund no longer provides any support to the department. These recommendations, if approved, will redirect these monies into DIR special funds, providing a commensurate offset to employers by reducing the annual employer assessment. This proposal will not affect the department's fine and penalty revenue, approximately \$25 million annually, which will continue to be deposited into the General Fund.

Included in this proposal is the elimination of 7.0 positions related to the Child Performer Services Permit program; with 1.0 of these positions being redirected to the Asbestos and Carcinogen Unit and another 4.0 positions being redirected to labor law enforcement in the Car Wash industry.

In general, many of the changes included in the proposal fall into the following categories:

- **Redirect Regulatory Fees from the General Fund to Offset Employer Assessments.** The DIR formerly received significant support from the General Fund, and various regulatory fees were deposited into the General Fund to offset General Fund costs. Since 2014-15, DIR has not received any General Fund support and is now fully supported by assessments paid by all employers. In several instances, the proposal would redirect regulatory fees (about \$1.6 million) back to DIR to offset the amount of revenues needed from the employer assessment.

- **Remove Statutory Caps on Regulatory Fees.** In some cases, current law places caps on the fees that DIR may charge for various regulatory activities. The proposal would remove these caps to give DIR the flexibility to set fees that cover the costs of regulatory activities. This is intended to avoid the need, now or in the future, for additional funding from the employer assessment to cover the costs of regulatory activities that are not fully covered by capped fees.
- **Clarify that Regulatory Fees May Be Set to Cover Indirect Costs.** In some cases, current law specifies that fees may be set to cover only the direct costs of inspections and approval processes. Previously, indirect overhead costs related to these activities would have been borne by the General Fund. Since the General Fund no longer supports DIR operations, overhead costs must either be supported by the regulatory fees or by the broad employer assessment. The proposal clarifies that regulatory fees may be set to cover a reasonable percentage of overhead that may be attributable to the regulatory activity, offsetting the revenues that need to be raised through the general employer assessment.
- **Abolish Certain Funds With Limited Purposes and Small Appropriations.** In some cases, DIR administers funds with narrow purposes and relatively small appropriations. The proposal would abolish some of these funds and redirect fee revenues to larger, general purpose funds that would pay for program operations going forward.

The table, provided by the LAO, below summarizes the major issues identified and solutions proposed by DIR, along with the amount of General Fund dollars that would be redirected to offset the employer assessment.

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
<p><u>Temporary Entertainment Work Permits</u></p> <p>Chapter 557 of 2011 (AB 1401, Committee on Arts, Entertainment, Sports, Tourism, and Internet Media) newly required temporary permits for minors under age 16 to be employed in the entertainment industry. Chapter 557 also created the Entertainment Work Permit Fund (EWPF) to receive permitting fees and to pay for the administration of the program by the Division of Labor Standards Enforcement (DLSE).</p>	<ul style="list-style-type: none"> <li>• The amount of fees deposited into the EWPF and level of administrative expenditures was small are viewed as insufficient to justify maintaining a separate fund.</li> <li>• Since the 2014-15 budget, administrative expenses of the program have been funded from the Labor Enforcement and Compliance Fund (LECF).</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor Code to deposit permit fees in the LECF to support the administration of temporary entertainment work permits.</li> <li>• Abolish the EWPF and transfer resources to the LECF.</li> </ul>	None

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
<p><u>Farm Labor Contractor Licenses</u></p> <p>Chapter 3 of Part 6 of Division 2 of the Labor Code (beginning with Section 1682) requires that farm labor contractors to be licensed by DLSEr. A portion of licensing fees are deposited into the Farmworker Remedial Account, which is used to compensate individuals for certain damages caused by farm labor contractors, a portion is dedicated to funding enforcement of farm labor contractor requirements, and a portion is deposited in the General Fund.</p>	<ul style="list-style-type: none"> <li>A portion of fees are deposited in the General Fund, even though the General Fund no longer supports DLSE's activities.</li> </ul>	<ul style="list-style-type: none"> <li>Amend the Labor Code to redirect the portion of farm labor contractor licensing fees currently deposited in the General Fund to the LECF to support enforcement of farm labor contractor requirements.</li> </ul>	\$670,000
<p><u>Talent Agency Licensing Fee</u></p> <p>Chapter 4 of Part 6 of Division 2 of the Labor Code (beginning with Section 1700) requires that talent agencies be licensed.</p>	<ul style="list-style-type: none"> <li>Talent agency licensing fees are deposited in the General Fund, even though General Fund no longer supports DLSE's activities.</li> </ul>	<ul style="list-style-type: none"> <li>Amend the Labor Code to redirect talent agency licensing fees currently deposited in the General Fund to the LECF to support the administration of licensing activities.</li> </ul>	\$174,000
<p><u>Child Performer Services Permit</u></p> <p>Chapter 634 of 2012 (AB 1660, Campos) requires individuals that represent artists who are minors to obtain a child performer services permit (CPSP) from DLSE. Chapter 634 also established the CPSP Fund to receive permit fees and pay for the costs of administering the program. The DLSE currently has nine positions associated with the CPSP program.</p>	<ul style="list-style-type: none"> <li>Seven positions are not needed to administer the CPSP program.</li> <li>The amount of fees deposited into the CPSP Fund and level of administrative expenditures was small are viewed as insufficient to justify maintaining a separate fund.</li> </ul>	<ul style="list-style-type: none"> <li>Reallocate one position to the Asbestos and Carcinogen Unit and four positions to enforcement in the car wash industry.</li> <li>Amend the Labor Code to deposit CPSP fees in the LECF to support the administration of the CPSP program.</li> <li>Abolish the CPSP Fund and transfer resources to the LECF.</li> </ul>	None
<p><u>Car Wash Worker Fund</u></p> <p>Chapter 2 of Part 8.5 of Division 2 of the Labor Code (beginning with Sections 2054)</p>	<ul style="list-style-type: none"> <li>The CWWF has a large surplus.</li> <li>Field enforcement in the car wash industry is</li> </ul>	<ul style="list-style-type: none"> <li>Provide four positions (reallocated from the CPSP program) for increased field enforcement in the car</li> </ul>	None

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
<p>requires that all employers that operate car washes to annually register with DLSE and pay fees. Current law sets the fee and provides that the fee may be adjusted to reflect inflation. A portion of registration fees are deposited in the Car Wash Worker Restitution fund to compensate car wash workers for unpaid wages. The remainder of the fees are deposited in the Car Wash Worker Fund (CWWF) and are used to pay for administering the registration process and enforcing labor law requirements in the car wash industry.</p>	<p>inadequate.</p> <ul style="list-style-type: none"> <li>Field enforcement is currently funded from the LECF.</li> <li>The administration does not have the ability to increase or decrease the amount of fees paid by car wash employers.</li> </ul>	<p>wash industry, funded from the CWWF.</p> <ul style="list-style-type: none"> <li>Amend the Labor Code to allow DLSE to set the registration fee at levels necessary to support direct and indirect costs of administering car wash requirements.</li> </ul>	
<p><u>Industrial Home Work License and Permit Fees</u></p> <p>Part 10 of Division 2 of the Labor Code (beginning with Section 2650) provides that an individuals may not employ industrial homeworkers without obtaining a license, or be employed as an industrial homemaker without obtaining a permit, from DLSE and paying a fee.</p>	<ul style="list-style-type: none"> <li>Industrial homework licensing and permit fees are currently deposited in the General Fund, even though the General Fund does not support DLSE's activities.</li> </ul>	<ul style="list-style-type: none"> <li>Amend the Labor Code to redirect industrial homework license and permit fees currently deposited in the General Fund to the LECF to support the administration of licensing and permitting activities.</li> </ul>	\$1,000
<p><u>Construction and Demolition Work Permits and Registrations</u></p> <p>Chapter 6 of Part 1 of Division 5 of the Labor Code (beginning with Section 6500) requires that permits be obtained from the Division of Occupational Safety and Health (DOSH) prior to the initiation of specified projects and operations, including the construction of certain trenches, buildings, demolitions, or use diesel engines in mines and tunnels. Chapter 6 also requires contractors that work with asbestos to register with the</p>	<ul style="list-style-type: none"> <li>Permitting and registration fees are current deposited into the General Fund, even though the General Fund does not support DOSH's activities.</li> </ul>	<ul style="list-style-type: none"> <li>Amend the Labor Code to redirect construction and demolition work permits and registrations currently deposited in the General Fund to the Occupational Safety and Health (OSH) Fund.</li> </ul>	\$492,000

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
state. Contractors pay fees to obtain permits and registrations under Chapter 6.			
<p><u>Elevator Permits and Inspector Certifications</u></p> <p>Chapter 2 of Part 3 of Division 5 of the Labor Code (beginning with Section 7300) requires that certain conveyances, including elevators, escalators, and other platform lifts, pay a fee and obtain a permit from DOSH prior to operation. Chapter 2 also requires conveyance inspectors pay a fee and obtain a certification from DOSH.</p>	<ul style="list-style-type: none"> <li>• Current law allows permitting and certification fees cover only the cost of actual inspections and certifications, not indirect administrative costs. However, the General Fund no longer supports DOSH’s indirect administrative costs, such that indirect costs are borne by employers at large.</li> <li>• Current law prohibits DOSH from charging a fee for the inspection of a conveyance that was inspected by an authorized inspector not employed by DOSH. However, current law does not specify that that DOSH may charge a fee to process and issue the required permit.</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor code to clarify that permitting and certification fees may include a reasonable percentage of indirect administrative costs, in addition to the actual direct costs of permitting and certification activities.</li> <li>• Amend the Labor Code to clarify that DOSH may charge a fee to process and issue operating permits when inspections are performed by authorized inspectors not employed by DOSH.</li> </ul>	None
<p><u>Aerial Passenger Tramways</u></p> <p>Chapter 4 of Part 3 of Division 5 of the Labor Code (beginning with Section 7340) requires that passenger tramways must pay a fee and obtain a permit from DOSH prior to operation.</p>	<ul style="list-style-type: none"> <li>• The term “aerial” is dated and does not apply to most tramways in operation today.</li> <li>• Since 2007, tramway permitting fees have been currently deposited into the Elevator Safety Account (which also receives permitting fees for elevators and portable amusement rides). DOSH would prefer to deposit only elevator-related fees into the Elevator Safety Account.</li> <li>• Current law allows</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor Code to delete the word “aerial.”</li> <li>• Amend the Labor Code to redirect revenues and liabilities related to tramways from the Elevator Safety Account to the OSH Fund.</li> <li>• Amend the Labor code to clarify that permitting and certification fees may include a reasonable percentage of indirect administrative costs, in addition to the actual direct costs of</li> </ul>	None

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
	<p>permitting and certification fees cover only the cost of actual inspections and certifications, not indirect administrative costs. However, the General Fund no longer supports DOSH's indirect administrative costs, such that indirect costs are borne by employers at large.</p> <ul style="list-style-type: none"> <li>• Current law allows DOSH to charge a fee to process permit applications when the tramway is inspected by an inspector not employed by DOSH. However, current law places a \$10 cap on the fee that limit's DOSH's ability to recover its full costs.</li> </ul>	<p>permitting and certification activities.</p> <ul style="list-style-type: none"> <li>• Amend the Labor Code to remove the cap on fees to process permits for tramways inspected by an inspector not employed by DOSH.</li> </ul>	
<p><u>Tower Crane Permit and Inspector Certification Fees</u></p> <p>Chapter 5 of Part 3 of Division 5 of the Labor Code (beginning with Section 7370) requires that employers obtain a permit in order to operate tower cranes and requires DOSH to charge a fee to cover the cost of issuing permits and performing inspections as part of the permitting process.</p> <p>Additionally, Chapter 5 requires that certain cranes be certified by licensed certification agencies.</p>	<ul style="list-style-type: none"> <li>• Current law allows permitting and certification fees cover only the cost of actual inspection, permitting, and licensing activities, not indirect administrative costs. However, the General Fund no longer supports DOSH's indirect administrative costs, such that indirect costs are borne by employers at large.</li> <li>• Crane permitting fees and licensure fees for certifying agencies are currently deposited in the General Fund, even though the General Fund does not support DLSE's activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor code to clarify that permitting and licensing fees may include a reasonable percentage of indirect administrative costs, in addition to the actual direct costs of inspection, permitting, and licensing activities.</li> <li>• Amend the Labor Code to redirect permitting and licensing fees currently deposited in the General Fund to the Occupational Safety and Health (OSH) Fund.</li> </ul>	<p>\$265,000</p>

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
<p><u>Pressure Vessel Certifications of Inspectors, Permits, Inspections, and Related</u></p> <p>Chapter 4 of Part 6 of Division 4 of the Labor Code (beginning with Section 7720) allows DOSH to collect fees for the inspection of pressure vessels and for other consultations, surveys and audits related to pressure vessel permitting.</p>	<ul style="list-style-type: none"> <li>• Unlike other statutes that require fees for inspections and permitting, the language in Chapter 4 is permissive.</li> <li>• Current law allows DOSH to charge a fee to process permits for pressure vessels. However, current law places a \$15 cap on the fee that limit's DOSH's ability to recover its full costs.</li> <li>• Unlike other statutes that allow fees to be charged for processing permits in cases when the inspection is made by a certified inspector not employed by DOSH, the language in Chapter 4 is inconsistent and prohibits the collection of any when the inspection is conducted by an inspector not employed by DOSH (even though DOSH still has to process the permit).</li> <li>• Current law does not specifically state that fees may be set to cover both the direct and indirect overhead costs of activities related to pressure vessels. However, the GF no longer supports DOSH's indirect administrative costs, such that the current language could be interpreted to mean that indirect costs are borne by employers at large.</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor Code to require DOSH to collect fees for inspections and permitting.</li> <li>• Amend the Labor Code to remove the \$15 cap on permitting fees.</li> <li>• Amend the Labor Code to specifically permit DOSH to charge a fee to process a permit for pressure vessels when the inspection is performed by a certified inspector not employed by DOSH.</li> <li>• Amend the Labor Code to clarify that fees may set to cover both direct and indirect costs of administering Part 6.</li> </ul>	<p>None</p>

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
<p><u>Portable Amusement Ride Inspections</u></p> <p>Part 8 of Division 5 of the Labor Code (beginning with Section 7900) requires portable amusement rides to be inspected and receive a permit to operate, and allows DOSH to collect fees for such inspections.</p>	<ul style="list-style-type: none"> <li>• Unlike other statutes that require fees for inspections and permitting, the language in Part 8 is permissive.</li> <li>• Current law allows fees to cover only the cost of actual inspection, not indirect administrative costs. However, the General Fund no longer supports DOSH's indirect administrative costs, such that indirect costs are borne by employers at large. In the case of California Portable Ride Operators, LLC v. Division of Occupational Safety and Health, the court found that DOSH could not levy a fee to cover indirect costs based on current law.</li> <li>• Current law allows DOSH to charge a fee to process permits for amusement rides when inspections are performed by a certified inspector not employed by DOSH. However, current law places a \$10 cap on the fee that may limit DOSH's ability to recover its full costs.</li> <li>• Current law deposits portable amusement ride fees into the Elevator Safety Account. DOSH would prefer for these revenues to be deposited into the OSH Fund.</li> <li>• Current law requires DOSH to prepare an annual report</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor Code to require DOSH to collect fees for inspection and permitting activities.</li> <li>• Amend the Labor Code to clarify that fees may be set to cover both direct and indirect costs, and provide authority for emergency regulations to adjust fees.</li> <li>• Amend the Labor Code to remove the \$10 cap on fees to process a permit when the inspection was performed by a certified inspector not employed by DOSH.</li> <li>• Amend the Labor Code to redirect portable amusement ride fees from the Elevator Safety Account to the OSH fund.</li> <li>• Amend the Labor Code to require the annual report on amusement rides to be posted to the DIR website instead of submitting to the Department of Food and Agriculture.</li> </ul>	<p>None</p>

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
	<p>summarizing all inspections of amusement rides and accidents and submit this report to the Division of Fairs and Expositions in the Department of Food and Agriculture. While the report may have value in general, the Department of Food and Agriculture does not need the report.</p>		
<p><u>Permanent Amusement Ride Safety Inspection Program</u> Part 8.1 of Division 5 of the Labor Code requires permanent amusement rides to be inspected and certified and allows DOSH to collect fees to cover the cost of administering the inspection and certification process.</p>	<ul style="list-style-type: none"> <li>• Unlike other statutes that require fees for inspections and permitting, the language in Part 8.1 is permissive.</li> <li>• Current law allows fees to cover only the cost of actual inspection, not indirect administrative costs. However, the General Fund no longer supports DOSH's indirect administrative costs, such that indirect costs are borne by employers at large.</li> <li>• Current law deposits portable amusement ride fees into the Elevator Safety Account. DOSH would prefer for these revenues to be deposited into the OSH Fund.</li> <li>• Part 8 requires that portable amusement ride owners that fail to pay required fees must also pay a penalty. Part 8.1 does not place a similar requirement on owners of permanent amusement rides.</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor Code to require DOSH to collect fees for the inspection and certification of permanent amusement rides.</li> <li>• Amend the Labor Code to clarify that fees may be set to cover both direct and indirect costs of inspection and certification activities.</li> <li>• Amend the Labor Code to redirect permanent amusement ride fees from the Elevator Safety Account to the OSH fund.</li> <li>• Amend the Labor Code to require the same penalty for nonpayment of permanent amusement ride fees as is required for portable amusement ride fees.</li> </ul>	<p>None</p>

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
<p><u>Tunnels and Mines Blasters' Licenses and Certification of Gas Testers and Safety Representatives</u></p> <p>Chapter 3 of Part 9 of Division 5 of the Labor Code (beginning with Section 7990) requires that individuals must be licensed in order to work as a blaster (use explosives) in a mine or tunnel and sets a fee for obtaining such a license.</p> <p>Chapter 3 also requires that individuals must be certified before working as a gas tester or safety representative in a mine or tunnel, and sets a fee for obtaining such a certification.</p>	<ul style="list-style-type: none"> <li>• Current law caps the fee for blasters licenses and gas testers/safety representative certifications at \$15, limiting DOSH's ability to cover costs.</li> <li>• Current law does not specify that fees may be set to cover both direct and indirect costs of administering the licensing and certification process. However, the General Fund does not support DOSH activities, meaning that the costs of these activities are born by employers at large.</li> <li>• Fees from license and certification applications are deposited into the General Fund. However, the General Fund no longer supports DOSH operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor Code to remove the cap on fees for blasters licenses and gas testers/safety representatives certifications.</li> <li>• Amend the Labor Code to clarify that fees may be set to cover both direct and indirect costs of administering the licensing and certification processes.</li> <li>• Amend the Labor Code to redirect fee revenues that had been deposited into the General Fund to the OSH fund.</li> </ul>	<p>\$5,000</p>
<p><u>Certification of Asbestos Consultants and Training Programs</u></p> <p>Chapter 3 of Part 10 of Division 5 of the Labor Code (beginning with Section 9020) provides for DOSH to certify asbestos consultants and allows DOSH to charge a fee for the certification process. These fees are deposited into the Asbestos Consultant Certification Account in the Asbestos Consultant Certification Fund.</p> <p>Chapter 3 also provides for DOSH to approve training entities to conduct task-specific training programs based on the</p>	<ul style="list-style-type: none"> <li>• Unlike other statutes that require fees for certifications and approvals, the language in Chapter 3 is permissive.</li> <li>• Current law does not specifically state that fees may be set to cover both the direct and indirect overhead costs of activities asbestos consultant certification and training approval. However, the General Fund no longer supports DOSH's indirect administrative costs, such that the current language could be</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the Labor Code to require DOSH to collect fees for asbestos consultant certification and training approval.</li> <li>• Amend the Labor Code to clarify that fees may be set to cover both the direct and indirect costs of certification and approval activities.</li> <li>• Amend the Labor Code to abolish the Asbestos Consultant Certification Fund and both accounts within it, redirect fees to the OSH fund, and deposit the balance of the fund in the OSH</li> </ul>	

Program/Activity	Issues Identified by DIR	Solutions Proposed by DIR	GF Revenue Redirected to Offset Employer Assessment
state’s asbestos health and safety standards and allows DOSH to charge a fee for the approval process. These fees are deposited into the Asbestos Training Approval Account in the Asbestos Consultant Certification Fund.	interpreted to mean that indirect costs are borne by employers at large. <ul style="list-style-type: none"> <li>• Both the Asbestos Consultant Certification Account and the Asbestos Training Approval Account have surplus balances.</li> <li>• The asbestos consultant certification and asbestos training approval processes are currently subsidized to a significant extent by the OSH Fund.</li> <li>• The asbestos consultant certification and asbestos training approval processes are understaffed, resulting in backlogs.</li> </ul>	fund. Going forward, activities would be paid for from the OSH fund. <ul style="list-style-type: none"> <li>• Provide funding from the OSH fund for 1.0 staff services analyst to increase DOSH’s ability to meet timelines.</li> </ul>	
<b>Total</b>			<b>\$1,607,000</b>

DIR = Department of Industrial Relations  
 EWPF = Entertainment Work Permit Fund  
 LECF = Labor Enforcement and Compliance Fund  
 CPSP = child performer services permit  
 DLSE = Division of Labor Standards Enforcement  
 CWWF = Car Wash Worker Fund  
 DOSH = Division of Occupational Safety and Health  
 OSH Fund = Occupational Safety and Health Fund

**STAFF COMMENTS**

The table included above was provided by the LAO as a tool to review the various changes that are being sought as part of this BCP on revenue alignment.

The Subcommittee is in receipt of a letter from the Western Carwash Association (WCA) that expresses support for the four new positions being sought as part of this proposal, but that objects to the proposal to allow the Labor Commissioner the authority to periodically adjust the annual registration fees that would help to fund these four positions. The WCA argues that the Car Wash Worker Fund maintains a balance that can support these positions for the foreseeable future and that the fund should be spent down first, and more successful enforcement and collection of penalties should be realized, before there is a possibility of an increase in the fee through which the Fund is replenished.

Other than this input, staff is not aware of issues with the balance of this proposal.

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**Staff Recommendation:**

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Staff recommends that the Car Wash Worker Fund component of this issue be held open and that the balance of the BCP be approved, with the trailer bill proposal adopted as placeholder to allow for technical adjustments that may be necessary as part of the trailer bill process.

**ISSUE 4: MINING AND TUNNELING BCP****PANELISTS**

- Greg Edwards, Chief Financial Officer, and Juliann Sum, Chief, Division of Occupational Safety and Health, Department of Industrial Relations
  - Please present the Administration's proposal.
- Audrey Bazos and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**BACKGROUND**

In 1973, California received initial approval as a state plan to assume responsibility for developing and enforcing occupational safety and health laws in lieu of Federal Occupational Safety and Health Administration (OSHA) performing those functions in California. Continued approval and funding of California's State Plan by OSHA is contingent on our performing in a manner that is "at least as effective as" the federal program. (See 29 US Code § 667.) California has enacted both a statutory and regulatory framework necessary to meet this minimum requirement. (See, e.g., the California Occupational Safety and Health Act of 1973, codified in part at Labor Code §§ 6300-6719).

DOSH is also responsible for administering the provisions of The Tom Carrell Memorial Tunnel and Mine Safety Act of 1972, codified at Labor Code sections 7950-8004, which the Legislature enacted in response to the tragic explosion of the Sylmar Tunnel in 1971 that killed 17 workers. DOSH, through its Mining and Tunneling Unit contained within the Enforcement Branch:

1. Conducts pre-job safety conferences prior to any initial tunneling or underground mining operation;
2. Performs mandated periodic inspections of tunnels under construction, underground mines, surface mines, quarries and enforces compliance with Title 8 as required;
3. Conducts accident, complaint and referral inspections of activities at mines and tunnels under construction and enforces compliance with Title 8 as required;
4. Gives certification exams for safety representatives and gas testers to work in tunnels and mines;
5. Gives licensing exams for blasters to use explosives and provides oversight on all demolition projects using explosives;
6. Issues permits allowing the use of diesel engines in tunnels and mines and enforces compliance with the provisions of the permits.

<b>BUDGET PROPOSAL</b>
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The Department of Industrial Relations (DIR) requests 2.0 positions and \$563,000 for 2016-17 and \$548,000 ongoing in the Occupational Safety & Health (OSH) fund for the Division of Occupational Safety and Health (DOSH) to provide resources to begin to close the gap between current inspections levels and current statutory requirements for inspecting California tunnels and mines. Included in the cost of this proposal is \$155,000 for overtime expenditures, which will effectively add one additional position, for the equivalent of three additional inspectors.

DOSH also plans to fund a study to examine the statutory requirements of the Tom Carrell Memorial Tunnel and Mine Safety Act of 1972 in conjunction with advancements in technology, state and federal standards and regulations, and any other industry factors to determine what changes, if any, to current statutory and/or regulatory requirements might be advisable.

The division currently lacks the resources to fulfill its statutory mandate to conduct all required inspections of tunnels and mines each year. Those requirements are as follows:

- Surface mines require 1 inspection/year;
- Underground mines require 4 inspections/year;
- Tunnels under construction require 6 inspections/year;
  - Large tunnel projects (i.e., tunnels under construction for 12 to 14 months) require 6 mandated inspections.
  - Medium tunnel projects (i.e., tunnels under construction for 4-6 months) require an average of 2 mandated inspections.
  - Small tunnel projects (i.e., tunnels under construction for less than 4 months) require, in general, only one inspection.

### Resource History

*(Dollars in thousands)*

<b>Program Budget</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Authorized Expenditures	3,643	3,707	3,083	3,627	3,758
Actual Expenditures	3,167	3,369	2,883	3,132	3,572
Revenues					
Authorized Positions	31.0	29.0	25.0	23.0	25.0
Filled Positions	24.4	24.4	20.8	20.6	21.5
Vacancies	6.6	4.6	4.2	2.4	3.5

**Workload History**

<b>Workload Measure</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Average</b>
Complaints & Accidents	22	21	35	36	49	27	32
Tunnels - Total Mandated Inspections	415	435	478	391	394	454	428
Tunnels - Inspections	144	103	93	46	79	118	97
Tunnels - No Inspection	271	332	385	345	315	336	331
Mines - Total Mandated Inspections	512	509	502	503	491	513	505
Mines - Inspections	224	353	336	226	194	313	274
Mines - No Inspection	288	156	166	277	297	200	231
Tunnel Pre-Jobs	267	256	281	267	232	275	263
Examinations	492	421	449	415	375	320	412
Training (days)	324	396	352	220	264	352	318
Administrative Duties (hours)	639	639	568	355	426	568	533

**STAFF COMMENTS**

No issues have been raised with this request and the request appears reasonable and justified.

**Staff Recommendation:**

Staff recommends approval of this BCP request.

**ISSUE 5: AMUSEMENT PARK RIDES BCP****PANELISTS**

- Greg Edwards, Chief Financial Officer, and Juliann Sum, Chief, Division of Occupational Safety and Health, Department of Industrial Relations
  - Please present the Administration's proposal.
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**BACKGROUND**

Following the deaths of two amusement ride patrons close in time in the 1990s, the California Legislature passed Assembly Bill 850 [codified at Labor Code 7920-7932], establishing the Permanent Amusement Ride (PAR) Safety Inspection Program, effective starting in 2000. The California Amusement Rides Safety Law [codified at Labor Code sections 7900-7919] took effect in 1969, providing for the inspection and permitting of temporary amusement rides. Aerial passenger tramway safety law [codified at Labor Code sections 7340-7357] took effect in 1966, providing for the inspection and permitting of aerial passenger tramways.

**1. Permanent Amusement Rides (PAR)**

In the PAR program [Labor Code 7920-7932, 8 CCR 344.5-344.17, and 8 CCR 3195.1-3195.14], the ART Unit is required, or has the authority, to perform all of the following:

- a. Inspect a permanent amusement ride after receiving notification of an injury accident [authorized under Labor Code 7925 and 8 CCR 334.8(f)(1)].
- b. Inspect a permanent amusement ride after receiving a complaint [authorized under 8 CCR 344.8(f)(4)].
- c. Annually audit the records of every permanent amusement ride (counted as an "annual inspection" in the workload tables in this proposal) [required under Labor Code 7924(f)].
- d. Annually conduct a pre-announced, operational inspection when the permanent amusement ride is not open to the public, performed in conjunction with the annual records audit listed above [required under Labor Code 7924(f) and 8 CCR 344.8(d)(2)(B)].

Note: TBL would eliminate these inspections (but not the annual records audits) where a Division qualified safety inspector (QSI) already inspected the particular ride under the requirement described in item e, below.

- e. Annually conduct a pre-announced, qualified safety inspector (QSI) inspection when the permanent amusement ride is not open to the public, for rides where the owner or operator does not conduct the QSI inspection [required under Labor Code 7924(a), (d), and (e), and 8 CCR 344.8(c)].

- f. Annually conduct an unannounced inspection when patrons are riding the permanent amusement ride [required under Labor Code 7924(f) and 8 CCR 344.8(d)(2)(A)].
- g. Inspect and approve the operation of every new permanent amusement ride [required under 8 CCR 344.8(a)].
- h. Inspect and approve the operation of a permanent amusement ride after a major modification has been performed [required under 8 CCR 344.8(b)].
- i. Issue citations and participate in the appeal process [Labor Code 7930, 7931].

## 2. Temporary Amusement Rides (TAR)

In the TAR program [Labor Code 7900-7919, 8 CCR 344.18, 8 CCR 3900-3920], the ART Unit:

- a. Has the authority to inspect a temporary amusement ride after receiving notification of an injury accident or mechanical failure [Labor Code 7914 and 8 CCR 3920].
- b. Must inspect every temporary amusement ride at least once a year prior to granting an annual permit for the ride to be put into operation, with a review of engineering plans and records as a part of every inspection [Labor Code 7906].
- c. Has the authority to inspect a ride each time it is disassembled and reassembled at different locations throughout the year [Labor Code 7906].

## 3. Aerial Passenger Tramway (TRAM)

In the TRAM program [Labor Code 7340-7357, 8 CCR 343, and 8 CCR 3150-3191], the ART Unit:

- a. Has the authority to inspect an aerial passenger tramway after receiving notification of an injury accident [Labor Code 7356 and 8 CCR 3154].
- b. Must inspect every aerial passenger tramway twice a year – or use acceptable inspections of a private, licensed engineer – and issue permits for operation valid for up to one year [Labor Code 7344, 7349 and 7354.5]. (Currently no private engineers conduct such inspections.)
- c. Must approve engineering plans for the construction or alteration of a tramway prior to the start of such construction or alteration [Labor Code 7353-7354].

### Resource History

*(Dollars in thousands)*

Program Budget	2010/11	2011/12	2012/13	2013/14	2014/15
Authorized Expenditures – est.	2,808	2,958	2,674	2,816	2,976
Actual Expenditures	2,729	2,931	2,580	2,804	2,934
Revenues	2,079	2,330	2,394	2,446	2,526

Authorized Positions	19.0	18.0	18.0	18.0	18.0
Filled Positions	18.3	18.0	16.4	16.6	16.8
Vacancies	0.7	0.0	1.6	1.4	1.2

### Workload History

#### Permanent Amusement Rides (PAR) Workload History

Activity	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Accidents reported	497	431	467	530	530	491
- Accidents requiring inspection	249	216	234	265	265	246
- Accidents inspected	157	98	63	65	63	89
- Accidents not inspected	92	118	171	200	202	157
Complaints	10	12	5	5	12	9
Ride inspections - total mandated	4555	4564	4627	4663	4783	4638
Rides inspected	3758	3602	3662	3485	3302	3562
Rides not inspected	797	962	965	1178	1481	1076
New ride inspections	56	41	44	53	60	51
Major modifications inspections	66	55	78	57	68	65
Training (days)	66	66	66	66	66	66
Administrative duties	330	330	330	330	330	330

## Temporary Amusement Rides (TAR) Workload History

Workload Measure	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Accidents	2	4	3	4	3	3
Complaints	8	8	11	10	9	9
Number of rides permitted	917	981	926	830	956	922
Number of ride permit inspections	1323	1300	1138	1079	1069	1182
- Rides requiring 2nd inspection	275	294	278	249	287	277
- Rides received 2nd inspection	16	15	13	12	14	14
New ride inspections	20	20	20	20	60	28
Major modification inspections	3	2	3	3	3	3
Training (days)	30	30	30	30	30	30
Administrative duties	225	225	225	225	225	225

## Tramway (TRAM) Workload History

Workload Measure	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Accidents and complaints	6	8	11	8	6	8
Tram Inspections - mandated	700	700	682	682	688	691
- Tramways inspected	700	700	682	572	465	624
- Tramways not inspected	0	0	0	110	223	67
New tramway inspections	2	2	4	6	4	4
Major modifications inspected	2	2	1	4	1	2
Training (days)	36	36	24	24	24	29
Administrative duties	360	360	240	240	240	288

**BUDGET PROPOSAL**

This proposal requests 3.0 positions and \$570,000 in Budget Year and \$547,000 ongoing, to allow the Amusement Ride and Tramway (ART) Unit to exercise its statutory authority to inspect permanent amusement rides; temporary amusement rides when they are disassembled, moved, and reassembled; and aerial passenger tramways on a routine basis. The breakdown in the staffing request is for 2.0 Associate Safety Engineer (ASE) positions for permanent and temporary amusement ride inspections and 1.0 Senior Safety Engineer (SSE) position to supervise, review engineering plans and perform aerial passenger tramway inspections.

These additional resources, along with Trailer Bill Language (TBL) to eliminate certain inspections, will allow the Amusement Ride and Tramway (ART) Unit of the Division of Occupational Safety and Health (DOSH) to meet its statutory mandates to inspect permanent amusement rides (PAR) and aerial passenger tramways (TRAMS). It will also allow DOSH to more fully exercise its statutory authority to inspect permanent amusement rides after receiving notification of an injury accident and temporary amusement rides (TAR) when a ride is disassembled, moved, and reassembled.

After enactment of the Trailer Bill Language submitted with the Department of Industrial Relation's (DIR) 2016-17 Revenue & Expenditure Alignment for Various Special Funds BCP, these positions will be funded from the Occupational Safety and Health Fund.

**STAFF COMMENTS**

No issues have been raised with this request and the request appears reasonable and justified.

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**Staff Recommendation:**

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Staff recommends approval of this BCP request.

**ISSUE 6: ENHANCED ENFORCEMENT LEGISLATION BCP****PANELISTS**

- Greg Edwards, Chief Financial Officer, Department of Industrial Relations
  - Please present the Administration's proposal.
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**BACKGROUND**

The Division of Workers' Compensation (DWC) 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. DWC's mission is to minimize the adverse impact of work related injuries on California employees and employers.

The Division of Labor Standards Enforcement (DLSE) provides essential services for California workers and employers, including adjudication of wage claims, inspection of workspaces for labor law compliance, enforcement of prevailing wage rates and apprenticeship standards in public works projects, licensing and registration of business, investigations of retaliation complaints, and education of the public on labor laws. Enforcement efforts help ensure workers receive wages due pursuant to California wage law; level the playing field for law abiding employers; and, via fines and penalties, result in annual revenue to the General Fund and other special funds.

**BUDGET PROPOSAL**

The Department of Industrial Relations requests additional resources to fulfill the provisions of recently chaptered legislation:

AB 219 (Chapter 739/2015)	AB 1509 (Chapter 792/2015)
AB 438 (Chapter 515/2015)	AB 1513 (Chapter 754/2015)
AB 621 (Chapter 741/2015)	SB 350 (Chapter 547/2015)
AB 970 (Chapter 783/2015)	SB 358 (Chapter 546, 2015)
AB 1124 (Chapter 525/2015)	SB 588 (Chapter 803/2015)

DIR requests 33.5 positions and \$5.970 million in 2016-17, 28.5 positions and \$4.494 million in 2017-2018 and 22.5 positions and \$3.475 million on-going to assist DIR and its DWC and the DLSE in fulfilling the provisions of recently chaptered legislation.

Division of Workers' Compensation (DWC). Additional resources are necessary for new legislative mandates that require: 1) the translation of forms into additional languages allowing access to injured workers who are non-English speakers to the services and benefits administered by DWC and; 2) the establishment and administration of a workers' compensation drug formulary for medications prescribed in the workers' compensation system.

Division of Labor Standards Enforcement (DLSE). Additional resources are necessary for various new legislative mandates that: 1) expanded the definition of what constitutes public works, requiring the payment of prevailing wages; 2) established amnesty programs allowing employers to enter into settlement agreements to resolve wage and misclassification disputes; 3) gave DLSE statutory authority to cite for violations of local wage law and failure to reimburse employees for business expenses; 4) increased employees' retaliation protections at work and; 5) enhanced DLSE's ability to recover unpaid wages on the behalf of workers.

Approval of this request will help ensure that existing enforcement required by law does not deteriorate and ultimately impair the department's ability to enforce labor law. The positions and associated funding are critical to DIR operations.

<b>STAFF COMMENTS</b>
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No issues have been raised with this request and the request appears reasonable and justified.

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**Staff Recommendation:**

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Staff recommends approval of this BCP request.

**7100 EMPLOYMENT DEVELOPMENT DEPARTMENT  
7120 CALIFORNIA WORKFORCE INVESTMENT BOARD****ISSUE 7: PROGRAM AND BUDGET OVERVIEW****PANELISTS**

- Patrick Henning Jr., Director, and Greg Williams, Administration Branch Deputy Director, Employment Development Department
  - Please provide a brief overview of the EDD's program and budget.
- Tim Rainey, Executive Officer, Workforce Development Board
  - Please provide a brief overview of the Workforce Development Board's programs and budget.
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**BACKGROUND**

The Governor's Budget includes \$13.8 billion, including \$147.3 million General Fund, in 2016-17 for the Employment Development Department (EDD), an increase of \$162.6 million or approximately 1.2 percent from the current year. EDD is funded through the General Fund, special funds, and reimbursements. EDD's purpose is to provide a variety of services to facilitate a match between employers' needs and job seekers' skills. The Unemployment Insurance Program, Disability Insurance Program, Employment Training Panel, and Workforce Innovation and Opportunity Act are some of the major public services administered through EDD.

The Administration has been asked to provide a high-level review of the EDD programs and budget for the Subcommittee.

**WORKFORCE PROGRAM DETAIL**

The EDD administers the federal Workforce Innovation and Opportunity Act (WIOA), which replaced the Workforce Investment Act Program on July 1, 2015. The WIOA offers a comprehensive range of workforce development activities through statewide and local organizations. Available workforce development activities provided via America's Job Centers of California in local communities benefit job seekers and employers, laid-off workers, youth, incumbent workers, new entrants to the workforce, veterans, and persons with disabilities. These activities range from self-assisted access to employment-related information to job skills training programs. The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills of participants.

Proposed WIOA expenditures for 2016-17 are \$397.7 million, with \$360.5 million toward local assistance, rapid response, and special grants, and \$37.2 million for discretionary

purposes. The following table displays the WIOA Governor's Discretionary Plan for 2015-16.

Initiatives	Amount	Purpose/Description	How & When Funds will be Awarded
<p><b>Regional Workforce Accelerator Program</b></p>	<p>\$5,700,000</p>	<p>Funds from this line-item will continue the existing Regional Workforce Accelerator Program, by making development grants available to workforce collaboratives. The funds will also be used to fund partnerships that bring together local workforce Boards, health and human service agencies, employers and industry representatives, labor, and education and training institutions. These grants and partnerships will create innovative strategies that accelerate educational attainment and reemployment for Californians within the following populations:</p> <ul style="list-style-type: none"> <li>• Veterans</li> <li>• Long-term unemployed</li> <li>• Low-income job seekers</li> <li>• Barriers to employment</li> <li>• At-risk/disadvantaged youth</li> <li>• Disadvantaged and disconnected job seekers</li> <li>• CalWORKs recipients</li> <li>• Parolees/ex-offenders.</li> </ul>	<p><b>\$40,000</b> Existing Grantee Extension:  <ul style="list-style-type: none"> <li>• Long Beach <b>\$40,000 October 2015</b></li> </ul> <p><b>\$5,660,000</b> Competitive Application:                      RFA Release:  <b>April 1</b></p> <p>Applications Due:  <b>May 2</b></p> <p>Award Announcements:  <b>May 16</b></p> <p>Grant Start Date:  <b>June 2016</b></p> </p>
<p><b>SlingShot</b></p>	<p>\$6,000,000</p>	<p>Funds from this line-item will be awarded to regional coalitions that develop, and organizations that support, the regional alignment of supply (job seeker) and demand (labor market/industry sectors) through innovative workforce development, training, and career education approaches. There are 3 cohorts totaling 12 regional coalitions in various stages of their regional alignment activities</p> <p>Funds support 3 activities:</p> <ul style="list-style-type: none"> <li>• Development of an Action Plan</li> <li>• Research, Design and Development</li> <li>• Sustainability and Growth</li> </ul>	<p><b>Cohort 3 \$20,000 Action Plan Development</b> Upon CWDB approval of a 2 page action plan:  <ul style="list-style-type: none"> <li>• Humboldt <b>January 2016</b></li> <li>• Central Coast <b>Spring 2016</b></li> </ul> <p><b>Cohort 2 \$1,000,000 Research, Design &amp; Development</b>                      Upon CWDB approval of the partnership compact agreement:  <ul style="list-style-type: none"> <li>• Silicon Valley/SF <b>Spring 2016</b></li> <li>• North Bay Area <b>Spring 2016</b></li> <li>• Orange County <b>Spring 2016</b></li> <li>• San Diego/Imperial <b>July 2015</b></li> <li>• Los Angeles <b>Spring 2016</b></li> </ul> <p><b>Cohort 1 \$960,000 Sustainability &amp; Growth</b>  <ul style="list-style-type: none"> <li>• TBD <b>June 2016</b></li> </ul> </p> </p></p>
<p><b>Technical Assistance/Program Evaluation</b></p>	<p>\$800,000</p>	<p>Funds from this line-item will allow EDD and the CWDB to utilize and provide expert technical assistance and support as the entity supporting the implementation of the Accelerator and SlingShot projects. Specific tasks will include technical assistance in the development of regional collaboration, and program evaluation activities to ensure that the State is in compliance with the WIOA Discretionary required activities.</p>	<p><b>\$127,500</b> – IA agreement with Foundation for Ca Comm. Colleges' Career Ladders Project  <b>Contract Start: February 2016</b></p> <p><b>\$672,500</b> – Competitive application:                      RFA Release:  <b>April 1</b></p> <p>Applications Due:  <b>May 2</b></p> <p>Award Announcements:  <b>May 16</b></p>

			Grant Start Date: <b>June 2016</b>
<b>Work for Warriors</b>	\$670,000	Funds from this line item will support the California Military Department's (CMD) Work for Warriors (WFW) program in the current year, providing one-time budget funding while the CMD identifies a permanent funding source to support the WFW program. The WFW program matches the skill sets of service members, veterans, and their spouses with the needs of civilian employers.	<b>\$670,000</b> – IA agreement with the CMD <b>Contract Start: July 2015</b>
<b>Governor's Award for Veterans' Grants</b>	\$2,700,000	Funds from this line-item will expand upon existing projects that accelerate employment and re-employment strategies for California Veterans. Funds will focus on the efforts to transition veterans into high-wage, high-demand occupations to include: <ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Professional</li> <li>• Scientific</li> <li>• Technical Services</li> <li>• Construction</li> <li>• Transportation</li> <li>• Security</li> <li>• Utility and Energy Sectors</li> <li>• Information Technology</li> </ul> This funding will encourage the promotion of veterans as individuals with marketable skills and experience. The intent is to build meaningful and sustainable industry investment and partnership, system innovation, and to develop initiatives that have the best potential to place targeted veterans, including recently separated veterans, into self-sufficient jobs and on pathways to careers.	Competitive Application:  SFP Release: <b>March 18</b>  Proposals Due: <b>April 29</b>  Award Announcements: <b>June 2016</b>  Grant Start Date: <b>June 2016</b>
<b>Disability Employment Initiative</b>	\$1,400,000	Funds from this line-item will be used to design, develop, and implement projects that accelerate employment and re-employment strategies for people with disabilities by creating more effective linkages with California's employer community. These strategies will help increase employer awareness and dispel myths and perceived barriers regarding hiring people with disabilities. These are critical to increasing employment opportunities and outcomes for people with disabilities by working more closely with California's employer community.	Competitive Application:  SFP Release: <b>April 2016</b>  Proposals Due: <b>May 2016</b>  Award Announcements: <b>June 2016</b>  Grant Start Date: <b>June 2016</b>

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**Staff Recommendation:**

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This item is informational and requires no action.

**ISSUE 8: UNEMPLOYMENT INSURANCE PROGRAM FUNDING BCP****PANELISTS**

- Greg Williams, Administration Branch Deputy Director, and Michele Sutton-Riggs, Unemployment Insurance Division Chief, Employment Development Department
  - Please present the Administration's proposal.
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

**BACKGROUND**

The UI program is a federal-state program that provides weekly payments to eligible workers who lose their jobs through no fault of their own. Benefits range from \$40 to \$450 per week depending on the individual's earnings during a 12-month base period. To be eligible, an applicant must have received enough wages during the base period to establish a claim, be totally or partially unemployed, be unemployed through no fault of his or her own, be physically able to work, be seeking work and immediately available to accept work, as well as meet eligibility requirements for each week of benefits claimed.

Over the past several years, the UI program has received multiple augmentations from state and special funds in order to address a structural funding deficit and to increase service levels. These augmentations have made it possible for EDD to continue to meet the service level targets which were identified as part of the 2014-15 Finance Letter. Specifically, these resources were used to increase the number of telephone calls answered and to reduce call demand by processing Internet and paper claims, Internet inquiries (EDDComm messages), and scheduling eligibility determination interviews more timely. The EDD was appropriated \$27.8 million of BAF and \$14.0 million of CF in the 2015 Budget Act to continue to maintain the level of service which began in 2013-14.

The following chart outlines UI funding and personnel history for three years:

**Funding and PE History**

(Dollars in millions)

	2013-14	2014-15	2015-16
<b>Base Program Funding</b>			
Federal Funds (Base/Above-Base)	417.8	384.7	374.6
Federal Carryover	79.8	48.8	16.7
Contingent Fund			68.1

Other Special Funds	74.0	23.7	17.7
<b>BCP/Finance Letter/Revise Augmentations</b>			
Federal Funds	35.4	21.0	
Contingent Fund	29.7	64.0	14.0
General Fund		24.9	
Benefit Audit Fund			27.8
<b>Grand Total Funding</b>	<b>636.7</b>	<b>567.1</b>	<b>518.9</b>

<b>Positions</b>			
Actual PEs	4,769.7	4,298.2	
Estimated PE's			3,984.0

Workload History. Annual workload history from 2007-08 through 2014-15, and projected workload for 2015-16 and 2016-17 has been compiled below:

#### Actual and Estimated UI Workload

Fiscal Year	Initial Claims	Weeks Claimed	Non-Monetary Determinations	Appeals Closed
2007-08	2,682,767	23,211,414	1,221,434	289,754
2008-09	5,082,849	48,585,669	1,384,178	333,415
2009-10	6,953,048	77,824,741	1,546,422	453,633
2010-11	6,899,259	69,629,674	1,343,179	468,804
2011-12	5,743,599	57,696,934	1,230,785	445,746
2012-13	4,807,433	44,905,472	1,306,238	415,203
2013-14	4,013,891	32,761,583	1,010,443	351,864
2014-15	2,706,390	21,627,694	848,335	266,187
2015-16 (forecast)	2,595,031	21,496,680	832,650	250,320
2016-17 (forecast)	2,486,000	20,620,160	809,750	237,030

The Employment Development Department (EDD) requests a reduction of \$33.9 million and 148.2 Personnel Equivalents in Unemployment Administration Fund authority for 2016-17 due to updated workload estimates, reduced federal carryforward, and reduced Electronic Benefit Payment (EBP) earnings. To offset the decrease in federal earnings, carryforward, and EBP revenue, the EDD requests an increase of \$10.4 million of Contingent Fund and \$10.4 million of Benefit Audit Fund to continue to support the Unemployment Insurance Program. The additional funding will allow the EDD to meet its service targets for answering telephone calls, scheduling eligibility determination interviews, processing claims, and responding to online inquiries.

This proposal will enable EDD to continue its efforts to provide acceptable levels of service to California's UI claimants. Additionally, this proposal establishes a baseline methodology to continue to address the federal underfunding issue annually as well as continuing to maintain adequate service levels to California's UI population. The EDD is the only state entity impacted by this proposal. In recent years, the state's UI program drew significant attention for its poor service levels. The 2013-14, 2014-15, and 2015-16 augmentations have offset the program's underfunding at the federal level, resulting in increased service levels, and helping the EDD achieve the benchmarks set forth in each request. The federal underfunding is expected to continue, leaving the state to rely on ongoing alternate funding sources to maintain the gains in service that have been achieved to date.

Baseline Methodology. This proposal builds upon the prior approved methods by establishing a single calculation that identifies the staffing needs of the UI program. By leveraging the most recent state fiscal year MPU calculations and updated workload projections, the EDD will be able to maintain the levels of service as seen in the last several fiscal years. The main difference between this methodology and the prior methodology is that the EDD leverages the existing model to fund specific workloads at 100 percent, as opposed to the 2012-13 service level of 85 percent. As illustrated below, this results in additional PE needs for those workloads which have been targeted in 2014-15 and 2015-16.

#### PE Calculations Using New Method

Workload Category	Workload Estimate	SFY 2014-15 MPUs	2012-13 Service Levels (85%)	Current Service Levels (100%)	Variance
Initial Claims	2,486,000	34.420	720.0	847.1	127.1
Weeks Claimed	20,620,160	1.656	287.4	338.1	50.7
Non-Monetary Determinations	809,750	75.063	511.4	601.7	90.3
		<b>Total PE Need</b>	1,518.8	1,786.9	268.1

Maintaining the three service level workloads at 100 percent of the funded model eliminates the need for the Department to calculate an additional service level need as

had been the practice in 2014-15 and 2015-16. The additional service level calculation included in the 2015-16 Budget Act was 594 PEs.

Updated UI Workload Projections. There has been a decrease in UI program workload over the last 12 months. The following table compares May 2015 workload projections for 2015-16 to October 2015 projections for 2016-17:

#### Workload Comparisons

Workload Category	2015-16 May 2015	2016-17 October 2015	Variance	Percentage Change
Initial Claims	2,723,000	2,486,000	-237,000	-8.7%
Weeks Claimed	21,888,000	20,620,160	-1,267,840	-5.8%
Non-Monetary Determinations	818,470	809,750	-8,720	-1.1%
Appeals	253,150	237,030	-16,120	-6.4%

As a result of the workload changes and the new methodology for service levels, there is a decreased need for staff when compared to the staffing level of 3,984.0 which was established for 2015-16. Utilizing the new methodology, a PE need of 3,835.8 has been identified at a cost of \$509.9 million for 2016-17. This equates to a reduction of 148.2 PEs and \$9.0 million in expenditures.

Funding Issues. The drop in workload results in a reduction of expenditures. The reduction in expenditures results in EDD and CUIAB receiving less money from the federal government. The decrease in federal dollars is estimated to be a \$12.6 million reduction in the new base grant allocation and updated above base earnings for 2016-17. Additionally, EDD anticipates that by the end of 2015-16 all of the UI carryforward (\$16.7 million) will be exhausted, leaving no UI carryforward going into 2016-17. Lastly, the existing EBP contract will be ending on July 31, 2016. The EDD solicited bids from vendors for a new EBP contract starting in 2016-17. The selected vendor's revenue share figure is almost 80 percent less than the current contract. Once this contract goes into effect in 2016-17 it is estimated that EDD will lose approximately \$800,000 a month, equating to a reduction of \$9.6 million over the course of the year.

The EBP revenues are shared between the UI and Disability Insurance programs. The UI revenue is deposited back into the program in order to offset program expenses. The DI revenue share is deposited back into the Unemployment Compensation Disability Fund. It is estimated that the UI Program EBP revenue will be reduced by \$4.8 million annually due to the change in the contract.

Because of the various decreases in funding, and by capturing additional resources via Control Section and Employee Compensation adjustments, the EDD has identified a

need of \$20.7 million in order to fill the current funding gap. Due to the availability of funding in both BAF and CF, the EDD is proposing to split the need between the two fund sources evenly. The following table illustrates the identified funding gap:

### Funding and Expenditure Changes

(Dollars in millions)

	2015-16	2016-17	Variance
<b>Program Funding</b>			
Federal Funds (Base/Above-Base)	\$374.6	\$362.1	(\$12.5)
Federal Carryover	16.7	0.0	(16.7)
Contingent Fund	82.1	85.0	2.9
Other Special Funds	45.5	42.0	(3.5)
<b>Grand Total Funding</b>	<b>\$518.9</b>	<b>\$489.2</b>	<b>(\$29.8)</b>

<b>Estimated Expenditures</b>	<b>\$518.9</b>	<b>\$509.9</b>	<b>(\$9.0)</b>
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<b>Funding Gap (Funding less Expenditures)</b>	<b>(\$20.8)</b>
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In order for the EDD to address funding changes (increases or decreases) and maintain adequate levels of service, EDD is proposing budget language that would allow the Department to adjust its state supplemental funding in both BAF and CF. This would allow EDD, upon notification to DOF and the Legislature, to make current year and budget year changes to its state supplemental funding. The proposed language is currently included in the Budget Act for the UA Fund, the Unemployment Compensation Disability Fund, and the Consolidated Work Program Fund.

If additional budget language is not included in the Budget Act and if sequestration reductions are applied to FFY 2017 UI grants, UI Program services would be severely impacted and would need to absorb an estimated \$24.1 million reduction in federal resources. This proposal will enable EDD to continue its efforts to provide services to California's UI claimants. EDD will monitor program service levels to ensure that claimants receive services timely and appropriately.

**STAFF COMMENTS**

No issues have been raised with this request and the request appears reasonable and justified.

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**Staff Recommendation:**

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Staff recommends approval of this BCP request and the associated Budget Bill Language.

<b>ISSUE 9: BENEFIT OVERPAYMENT COLLECTION AUTOMATION PROJECT SPRING FINANCE LETTER</b>
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<b>PANELISTS</b>
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- Greg Williams, Administration Branch Deputy Director and Gail Overhouse, Chief Information Officer, Employment Development Department
  - Please present the Administration's proposal.
- Mark Tollefson and Deanna Ping, Department of Finance
- Ryan Woolsey, Legislative Analyst's Office
- Public Comment

<b>BACKGROUND</b>
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Section 1379 and 2739 of the California Unemployment Insurance Code authorizes the Employment Development Department (EDD) to recover UI and DI fraud and non-fraud benefit overpayments paid to claimants. In addition to involuntary collection action to recover benefit overpayments, the EDD may request an offset of federal and state income tax refunds, lottery winnings, or any other money owed to a claimant by the state.

**Resource History- Existing System Support of Benefit Overpayment Application:**

(Dollars in thousands)

Program Budget	SFY 09/10	SFY 10/11	SFY 11/12	SFY 12/13	SFY 13/14	SFY 14/15
Actual Expenditures	\$209	\$210	\$212	\$219	\$222	\$231
Revenues	\$ 138,355	\$158,963	\$183,040	\$176,037	\$176,644	\$363,387
Authorized Positions	2	2	2	2	2	2
Filled Positions	2	2	2	2	2	2
Vacancies	0	0	0	0	0	0

ACES. The ACES is a Custom Off-The-Shelf (COTS) software program that was implemented in January 2011 for the State's employment tax program. The ACES was a major Information Technology (IT) project that replaced the Tax Accounting System for 1.4 million employers and was implemented in 16 months, on time and budget. As of December 2015, the ACES has generated over \$880 million in additional employment tax revenue of which \$43.5 million has been paid to the vendor, FAST Enterprises, for their COTS automated solution.

This request is consistent with and contributes to the following goals of the EDD's Strategic Plan:

- **Fiscal Stewardship:** Responsibly managing our public resources and aligning investments with strategic goals. Furthermore, it speaks to pursuing projects with a positive return on investment. Currently, existing technology prohibits the issuance of bank levies as a means for recovering UI and DI benefit overpayments, resulting in the potential loss of revenue and the opportunity to replenish the UI and DI funds, along with additional Benefit Audit Fund (BAF) and Contingent Fund (CF) collections.
- **Sustainable Operations:** Aligning system operations, administration, resources, and business processes with strategic priorities and budgetary parameters. Currently, the Tax Branch is operating under two collection systems; the ACES and the BOCS application. The ACES is supported, scalable, and continuously receives version and service-pack updates. The BOCS application is written in Visual Basic 6.0 (VB6) programming language with an Access database (Access is not an EDD database standard), is no longer supported by or receiving software updates from Microsoft, and is reliant upon the expertise of two programmers for support and maintenance.
- **Enabling Innovation:** Investing in our future by supporting appropriate business and technology solutions. Furthermore, it speaks to seeking established business solutions that take less time to deploy. Currently, the UI, Integrity and Accounting Division (UI-IAD) manually processes and posts all paper remittance transactions to a claimant's benefit overpayment collection account.
- **Responsible Service:** Negotiating clear commitments with stakeholders and focusing on priorities. Furthermore, it speaks to providing more efficient self-services to our customers. Currently, existing technology does not provide a method for customers to self-serve online, and as a result, requires customers to place a call to the Department to provide or obtain routine information, rather than having the opportunity to self-serve.

#### BUDGET PROPOSAL

This Spring Finance Letter (SFL) requests a one-time budget augmentation of \$1,610,769 in State Fiscal Year (SFY) 2016-17 and a one-time augmentation of \$6,067,818 in SFY 2017-18. This FL also requests a continuing appropriation of \$1,055,000 beginning in SFY 2018-19 for the ongoing support of the new Benefit Overpayment Collection System (BOCS) application. These requests will be used to fund contracts, hardware, software, ongoing support, and 12.3 new Personnel Equivalents to replace the existing application used to collect Unemployment Insurance and Disability Insurance overpayments with an integrated and automated system. The proposed solution will significantly reduce the risk of failure of the existing system by integrating the BOCS application into the Accounting and Compliance Enterprise System, which will also allow for a new revenue collection tool in the form of bank levies

which is estimated to bring in almost \$23 million in additional funds annually once fully implemented.

The EDD utilizes the BOCS application that was built in 2000 to collect Unemployment Insurance and Disability Insurance overpayments. BOCS consists of three separate VB6 applications residing on a single windows server, utilizing 49 Microsoft Access databases. The Visual Basic and Access databases used by the current system are no longer supported by Microsoft and are at great risk of failure.

The application interfaces with other EDD systems to collect overpayments. At the end of SFY 2014-15, the EDD's benefit overpayment accounts receivable totaled approximately \$1.3 billion which was comprised of over 590,000 outstanding overpayments. If the current application were to fail, the ability to collect overpayment debt would be adversely affected, whereby the EDD benefit overpayment collections would revert to manual processes and result in a substantial loss of revenue. Therefore, due to the risk of failure associated with the current application and the continued need to collect benefit overpayments in the most cost effective manner, the EDD is proposing the existing application be retired and the functionality configured into the existing ACES.

#### Major Project Objectives

- Revenue Generation:

The EDD has the legal authority to issue bank levies as a means of recovering UI and DI benefit overpayments. The current BOCS application does not have the necessary capabilities to collect money through a levy process. Failure to take advantage of the levy collection tool, as a means of generating additional revenue, results in missed opportunities to deposit monies into both the UI and DI funds, BAF and CF. The EDD estimates that once fully implemented, this solution will bring in an additional \$23 million annually tied to this new collection tool. The estimated revenue figures were derived by using the SFY 2014-15 results from an existing Tax program that also involves bank levies- Financial Institution Records Match (FIRM). A percentage of what the Collection Division (CD) collected from FIRM was computed through a collection rate that used the FIRM recoveries by its associated Accounts Receivable (AR) from levies sent. The collection rate was then applied to the ending BOCS Fraud Overpayments AR from UI and DI fraud accounts that were greater than \$5,000 as of June 30, 2015.

The following table indicates the estimated additional revenue breakout by fund:

Fund	Allocation by Fund
UI	\$16,114,000
BAF	\$3,606,000
DI	\$1,935,000
CF	\$1,156,000
Total	\$22,811,000

- Better Service to Customers:

Currently, customers cannot self-serve through the Internet. Customers must contact the BOCS staff during office hours to obtain or provide routine information related to their account, thereby preventing staff from working on high priority accounts and denying customers the ability to self-serve. The proposed system will provide self-service capabilities that will include general information and frequently asked questions. Authenticated customers will be provided access to view and update account information, establish payment arrangements, view history, and make payments. With the new self-service options, EDD estimates a savings of approximately 6.8 PEs; however, these staff will be redirected to address additional workload associated with the new bank levy process.

- Automation of existing work processes:

The UI-IAD manually posts all payment remittance transactions from scanned hard copy images to a claimant's benefit overpayment collection account. Payments are made with a credit card or via paper form (e.g. personal check, Cashier's Check, or Money Order) and are remitted with or without a payment coupon. Prior to posting a payment remittance to the Single Client Data Base (SCDB), a vast number of paper remittances require manual research and analysis to ensure the payment will be posted to the correct benefit overpayment collection account. Paper remittances received with a payment coupon do not require analysis prior to being posted to the SCDB. In SFY 2014-15, the monthly average of processed paper remittances was 31,140, of which 16,274 were received with a payment coupon. Manually keying paper remittances introduces errors through data entry resulting in potential inaccurate postings, which may trigger erroneous collection actions. With this new integrated system the Department estimates that the number of manual remittances would be cut in half within a year, resulting in a savings of approximately 1.1 PEs; however, these staff will be redirected to address additional workload associated with the new bank levy process.

**One-Time IT Resources.** In order to incorporate the BOCS functionality into the existing ACES application, the EDD will contract with FAST Enterprises as the primary vendor. FAST's key responsibility as the system integrator will be to transfer the BOCS functionality into the ACES application. Using the existing application and vendor will reduce the risk, effort, and cost in developing a benefit overpayment application. FAST is the chosen contractor because they are the only vendor with rights to maintain and support its proprietary COTS application, GenTax, which is used by ACES. Since GenTax is a proprietary product developed by FAST, only FAST has the core-code access and knowledge of their product to ensure the system is maintained and updated in a manner that is optimal. No other vendor or state staff has the access or capability of creating or distributing modifications to their core-code.

The project will also require 12.3 new PEs of State IT staff (4.8 in 2016-17 and 7.5 in 2017-18) to complete project-related activities in addition to the activities performed by the vendor. Program staff will also be leveraged throughout the project lifecycle, acting as subject matter experts who will specify business requirements, rules, and workflows. Program staff will be required for testing, training, and organizational change support activities, as well. However, the program positions will be redirected from other duties throughout the duration of the project. State IT staff will be performing the following functions in addition to the vendor:

- Project management including scheduling, identifying and managing project risk
- Requirements elicitation and refinement
- Primary vendor procurement and scanning vendor procurement
- System design sessions with the primary vendor
- Legacy system data migration and modification activities
- Document and Information Management Center (DIMC) related activities for adding the scanning and remittance transaction postings
- Developing and modifying interfaces with existing EDD systems
- Developing test scripts, test plans for system, interface, user, penetration, end to end and stress testing (these are done by non-prime vendor staff to ensure the solution truly meets the Department's needs)

**Outcomes and Accountability.** The proposed solution will provide a modern, integrated and automated system that includes an improved payment remittance process and will use overpayment liability collection, storage, and account management to increase the effectiveness of the EDD's operations and staff.

Below are the EDD's projected outcomes if we move forward with the implementation of BOCA:

- Increase system support by integrating the BOCS into the ACES after implementation.
- Collect approximately \$23 million through the levy process, within one year after implementation.
- Improve access to the EDD by offering self-service options to benefit overpayment customers with a 10 percent adoption rate, within one year after implementation.
- Reduce the number of manually posted paper remittances by 50 percent, within one year after implementation.
- Process incoming correspondence automatically following implementation.
- Provide customers with additional payment options to facilitate compliance by allowing customers to make electronic payments for billed liabilities, within 18 months after implementation.
- Leverage the ACES functionality to automate work processes requiring manual intervention by integrating the BOCS into the ACES system, within 18 months after implementation.

**STAFF COMMENTS**

This Spring Finance Letter was recently received by the Subcommittee and continues to undergo review. No issues have been raised with the proposal as yet.

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**Staff Recommendation:**

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Hold open.