

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, JANUARY 26, 2021  
1:30 P.M., STATE CAPITOL, ROOM 437

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*Due to the regional stay-at-home order and guidance on physical distancing, seating for this hearing will be very limited for press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://www.assembly.ca.gov/todaysevents>.*

*We encourage the public to provide written testimony before the hearing. Please send your written testimony to: [BudgetSub4@asm.ca.gov](mailto:BudgetSub4@asm.ca.gov). Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.*

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: (877) 692-8957 / Access Code: 43 71 315.*

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## INFORMATIONAL HEARING

### EMPLOYMENT DEVELOPMENT DEPARTMENT: UNEMPLOYMENT INSURANCE

- **OPENING REMARKS**
- **EMPLOYMENT DEVELOPMENT DEPARTMENT: UNEMPLOYMENT  
INSURANCE**
  - Rita L. Saenz, Director, Employment Development Department
  - Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
  - John Lawlor, Managing Director of Municipal Banking & Markets, Bank of America
  - Faiz Ahmad, Managing Director of Transaction Services, Bank of America
  - Bill Fox, Managing Director of Transaction Services, Bank of America

- Santosh Seeram-Santana, Legislative Director, Chinese for Affirmative Action
  
- **MEMBER COMMENTS AND QUESTIONS FOR THE PANEL**
  
- **PUBLIC COMMENT**

## INFORMATION ONLY

### 7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

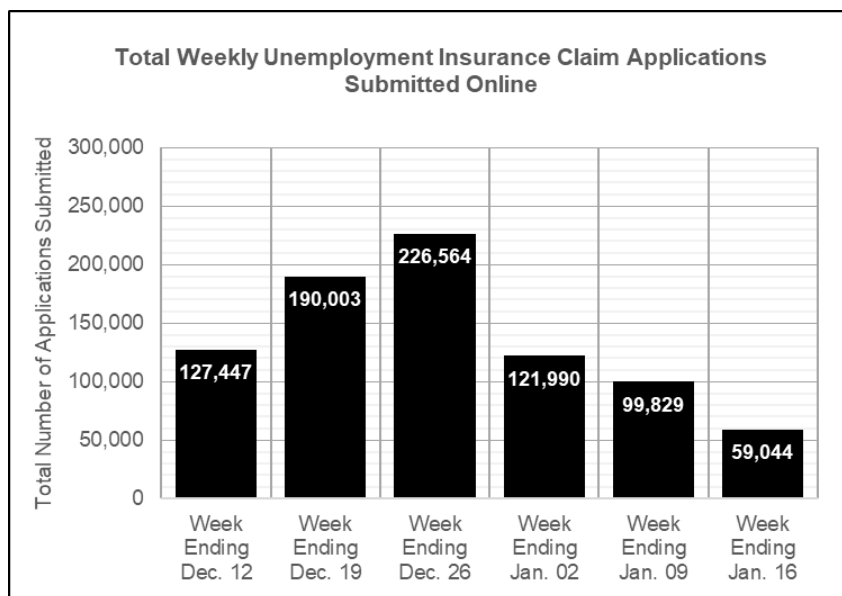
#### ISSUE 1: EMPLOYMENT DEVELOPMENT DEPARTMENT – UNEMPLOYMENT INSURANCE

This item provides a summary of the Employment Development Department (EDD)’s progress in clearing the unemployment insurance (UI) backlog, implementing the EDD Strike Team’s recommendations, roll out of new federal funds, assessment on frozen accounts and fraud, and language access challenges.

#### BACKGROUND

**Backlog.** In September 2020, the UI backlog reached 1.6 million claims. Since then, EDD has achieved some of the EDD Strike Team’s recommendations, including the implementation of ID.me, a new fraud detection tool that would attempt to automatically verify claimants, since much of the backlog was due to claims being sent to manual verification. The EDD estimated that with ID.me, the backlog would be cleared by January 27, 2021.

While ID.me cleared much of the backlog, since late November, the backlog has begun to increase. EDD indicated that the increase in claims is due to the additional regional stay-at-home orders. Below is a chart that displays the number of UI claims applications submitted by week:



Factors that may have affected this growth in claims includes increased infection rates and additional stay-at-home orders. On December 3, 2020, Governor Newsom issued additional regional stay-at-home orders based on the intensive care unit bed capacity of that region. Since those additional orders went into effect, EDD received more than 950,000 applications for UI.

**Strike Team.** On Saturday, September 19, 2020, the EDD Strike Team released *Recommendations to Set Path for Reform at the Employment Development Department*. The Strike Team report included more than 100 recommendations, with short, medium, and long-term solutions to improve customer experience in applying for and receiving UI benefits. As of January 21, 2021, EDD has completed 50 recommendations and has 27 in progress.

Of the 50 recommendations that have been completed, 21 have to do with EDD's operations and 29 are technology-related. Some of the major recommendations that have been completed are implementing a new fraud detection system (ID.me), tracking claims, document upload, a new case management system to track cases coming from Legislative offices, and allowing experienced claims staff to call claimants directly without a supervisor's approval.

However, many of the recommendations that have to do with the claimant's experience or communication with EDD, such as claimants not understanding their status, not understanding the form questions they are supposed to answer, retooling the call center to ensure claimants are not needlessly spending hours on hold, and accepting claims from newly-separated veterans online instead of only on paper, are either in progress or not completed.

The Legislative Analyst's Office will discuss EDD's progress in implementing recommendations related to how the department identifies and prevents fraud.

**Rollout of Federal Dollars.** On December 26, 2020, Coronavirus Aid, Relief, and Economic Security Act funding for Pandemic Emergency Unemployment Compensation (PEUC), a program that continued extended UI funds for claims, and Pandemic Unemployment Assistance (PUA), a program extending benefits to those with nontraditional employment, expired.

A new federal stimulus package was passed the same week that benefits expired, which includes the following changes for UI programs:

- Extends UI for 11 weeks and add an additional \$300 per week until March 13, 2021;
- Extends PUA and PEUC for 11 weeks;

- Extends Federal-State Extended Duration (Fed-ED) through March 14, 2021;
- Provides \$100 per week for some “mixed earners” who earned \$5,000 in self-employment but not eligible for PUA.

While the stimulus package provides relief for millions of Californians, due to the fact that the legislation was passed and signed close to the expiration of benefits, state EDD programs did not have the information they needed from the United States Department of Labor to immediately roll out the funds.

**Fraudulent Claims.** Individuals have been exploiting the UI claims system to file fraudulent claims to EDD. Fraud has ranged from sophisticated criminal enterprises to individuals who are incarcerated.

EDD has 27 staff dedicated to investigating fraud and 745 open fraud investigations. On November 23, 2020, nine county District Attorneys submitted a letter to the Governor alleging that California has paid out more than 35,000 claims to inmates.

Governor Newsom established a task force at the Governor’s Office of Emergency Services (CalOES) to coordinate state efforts on UI fraud investigations. This task force includes experts from CalOES, EDD, the Department of Corrections and Rehabilitation (CDCR), the Department of Technology, and the California Highway Patrol (CHP). The Governor additionally announced providing \$5 million to local governments to assist with prosecution.

One of the recommendations that the nine District Attorneys provided was to have EDD cross-check their claims with CDCR. The CalOES task force announced in late December that EDD would expand their contract with Thompson Reuters to screen existing claims. The CalOES task force additionally announced a new data sharing agreement which allows cross-checking with the state’s jail and prison population against claim information to prevent further fraud.

On December 26, 2020, EDD froze 1.4 million claims that were identified by the Thompson Reuters fraud screening program as suspicious. Most of these claims are PUA and did not go through ID.me, which went into effect in October 2020. Many of the claims are identity-related, meaning that the claimants will need to go through ID.me verification.

**Frozen Debit Cards.** In order to respond to these fraudulent claims, EDD froze more than 350,000 Bank of America debit cards suspected of fraud. While EDD has resolved some of these cases by issuing checks, some cards were frozen through Bank of America’s fraud detection program.

This has created mass confusion for claimants not knowing if they are to reach out to EDD or Bank of America to get access to their funds. EDD has slowly been verifying these cases and has told Bank of America to take the freeze off the cards that they have verified. Many claimants have reported calling Bank of America, whose representatives direct them to speak with EDD, and when they are finally able to reach EDD, EDD will tell them they need to speak with Bank of America, and vice versa.

While Bank of America notifies EDD right away when they freeze a card, the cardholder doesn't get notified right away, and only recently has Bank of America started mailing letters to let claimants know about their frozen card. Bank of America claims they do not have contact information for their cardholders and that only EDD does.

**Language Access.** Nearly 7 million Californians speak little to no English. While the online application for UI benefits are accepted in English and Spanish, there are approximately 2.4 million Californians that speak a language other than English and Spanish. At the bottom of EDD's website, there is a Google Translate tool that allows individuals to choose from 108 different languages.

Several non-profit organizations, including Chinese for Affirmative Action (CAA), Hmong Innovation Politics, Southeast Asian Development Center, and the Southeast Asia Resource Action Center, have reported that many of their clients find machine-generated translation to be insufficient in helping individuals with language barriers access EDD's website and struggle with filing claims correctly.

CAA reports that nearly 56 percent of UI benefits requests for assistance from their organization were due to their clients having difficulties due to language barriers and a lack of computer access. While EDD has a phone line to provide applications over the phone, dedicated phone lines in Cantonese, Mandarin, and Vietnamese are overburdened. EDD additionally provides callbacks for a language other than Spanish to individuals who call in, but CAA reports a four-to-six week window for callbacks. While paper applications are available in different languages, applications must be submitted in English or Spanish.

#### STAFF COMMENTS

**The California State Auditor's Office has released an audit on EDD's handling of unemployment insurance claims today and will release an additional assessment on EDD's fraud prevention efforts on Thursday, January 28, 2021. The Assembly Insurance Committee and Joint Legislative Audit Committee are planning an oversight hearing on these audit reports.**

EDD has made strong progress on implementing the Strike Team's recommendations and resolving the initial backlog. However, the backlog continues to grow and EDD faces difficulties when it comes to resolving issues around fraud, frozen cards, and language access.

Staff makes the following recommendations:

1. Staff recommends that EDD provide email and phone contact information to cardholders so that Bank of America can immediately notify cardholders that their card has been frozen. Staff additionally recommends that EDD require that when Bank of America notifies cardholders that their card has been frozen, Bank of America must provide cardholders a solution to how to get their card unfrozen (i.e. if the cardholder must contact EDD for identity verification, provide EDD's phone number, or if the cardholder must contact Bank of America to verify a transaction, they should provide Bank of America's phone number). If Bank of America cannot provide these services, then EDD must do so.
2. Staff recommends that EDD request Bank of America to provide a separate phone line for EDD debit card holders so that representatives can better assist claimants and calls are not confused with regular Bank of America customers.
3. Staff recommends that EDD, at minimum, provide applications that can be downloaded in the seven most common languages other than Spanish and English, and allow that application to be uploaded to EDD's website (and end the need for the application to be translated into English or Spanish by the claimant).

**Questions that members may wish to ask the EDD, the LAO, or Bank of America:**

**Unemployment Insurance Backlog.**

1. Based on EDD's progress on the backlog, will EDD be able to meet the January 27, 2021, estimate to clear the backlog?
2. Why does the backlog continue to increase? How many cases is EDD closing per week?
3. How long does the ID.me process take? How many claims in the backlog are people waiting to get identified through ID.me?
4. Are there resources that EDD needs to get more claimants through the ID.me system?
5. Are there any resources that EDD needs to ensure that claims are being paid out in a timely manner? Are there any resources that EDD needs to quickly and effectively communicate with claimants?

6. Is there a wait list for claimants who call EDD for assistance but are not able to speak with EDD staff?
7. How many claimants call EDD/Bank of America each day? How many claimants can be accommodated each day? How long is the average wait time to speak with an EDD/Bank of America representative?

### **Fraud and Frozen Cards.**

1. How does EDD identify cards to freeze? Of the 350,000 cards frozen, how many have been identified as cards that should not have been frozen? How many pending cases like these are there to resolve?
2. What are Bank of America's fraud protocols? How many UI debit cards has Bank of America frozen due to suspected fraud? How is Bank of America handling calls that come in from individuals whose cards are mistakenly frozen? How is EDD resolving this issue with Bank of America?
3. For the individuals whose accounts were frozen on December 26, how many claimants have reached out to EDD to try and unfreeze their account? Will this add to EDD's backlog? How long will it take to run all these claims through ID.me? Does EDD need more resources to quickly have claimants screened through ID.me?
4. How much does it cost to utilize the Thompson Reuters fraud screening process?

### **Roll out of Federal Dollars.**

1. Has EDD begun paying benefits from the December stimulus package to claimants? If not, why?
2. Are there any resources that EDD needs to quickly roll out these funds?

### **Language Access.**

1. Given the scope of the COVID-19 pandemic, many Californians who do not speak English need access to UI. What steps is EDD taking to ensure that this population has their needs met?
2. Are there any resources that EDD needs to provide better access to no or limited-English speaking claimants?

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**Staff Recommendation: This item was presented for information only.**

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