

JULY 30, 2020

Overview of Employment Development Department Response to COVID-19

PRESENTED TO:

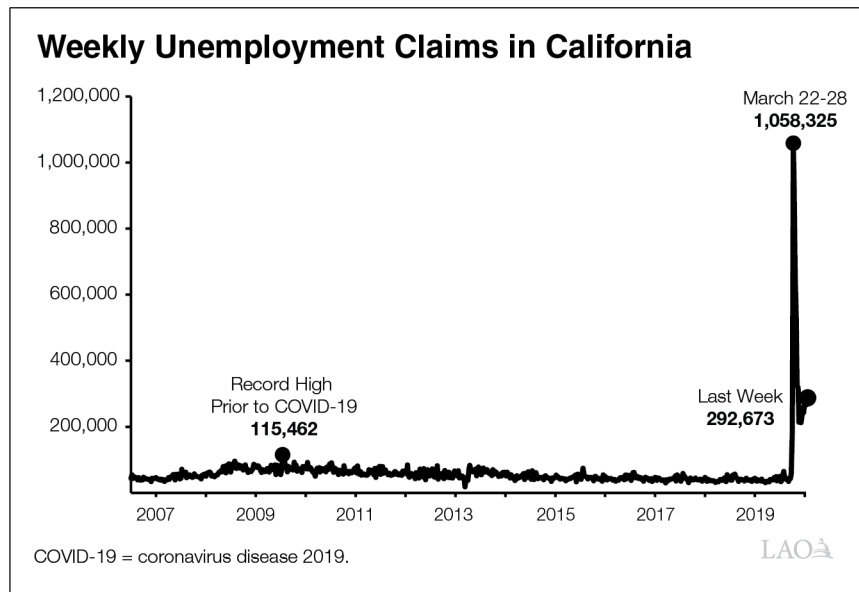
Assembly Budget Subcommittee No. 4 on
State Administration
Hon. Jim Cooper, Chair



LEGISLATIVE ANALYST'S OFFICE

Unemployment Due to COVID-19

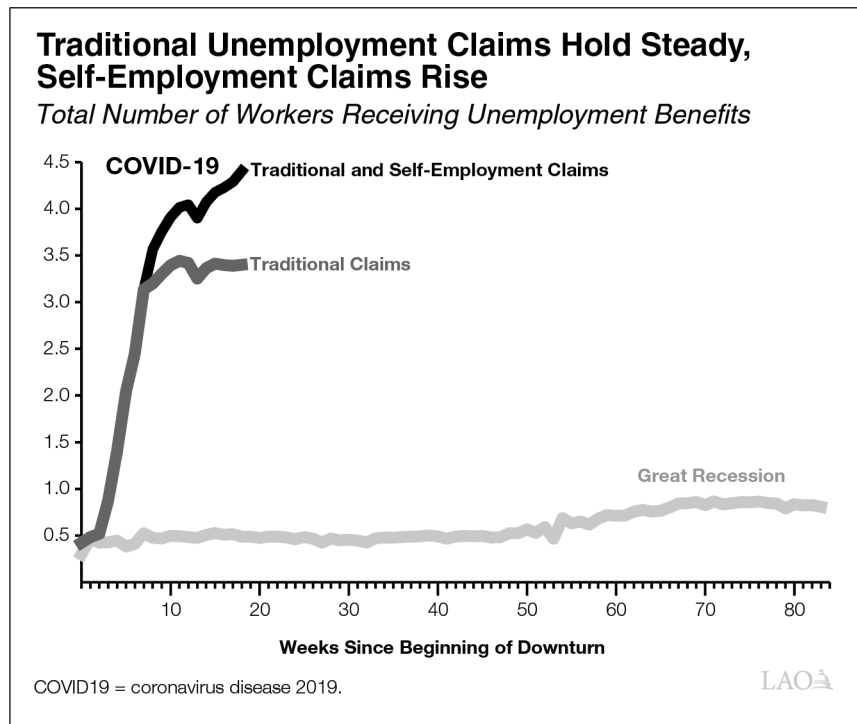
- **Unemployment Has Increased Dramatically.** The coronavirus disease 2019 (COVID-19) outbreak has pushed unemployment in California to record highs.
- **Unemployment Insurance Claims Are Historically High.** Under normal conditions, about 50,000 California workers file for unemployment insurance (UI) each week. Since the beginning of the outbreak in March, an average of 400,000 workers have filed for unemployment benefits each week.



Unemployment Due to COVID-19

(Continued)

- **One in Five Workers Receiving UI.** Roughly 4.4 million workers are currently receiving unemployment benefits. This represents more than one in five workers statewide.
- **Both Employees and Self-Employed Receiving Benefits.** Most of these workers (3.4 million) are employees and therefore receive traditional state unemployment benefits. An additional 1 million self-employed workers and other nontraditional workers are receiving benefits under a new federal program.
- **Self-Employed Claims Continues to Rise.** The number of unemployed workers receiving traditional unemployment benefits has held steady over the past two months, while the number of self-employed workers receiving benefits has continued to increase.



Summary of Federal Response to COVID-19

With so many Californians out of work, the federal government has expanded unemployment insurance benefits to mitigate the economic consequences of COVID-19. Major federal programs to support unemployed workers include:

- **Enhanced Weekly Benefit—\$600 Add-On.** Under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, all unemployment benefit recipients received an additional \$600 per week on top of their typical UI benefit. These payments were made for 16 weeks but expired last week. As of the time of this writing, a continuation of this benefit is being negotiated in the U.S. Congress.
- **Expanded Eligibility for Self-Employed and Nontraditional Workers.** Self-employed workers generally are not eligible for UI. The CARES Act expands federally funded UI benefits to self-employed workers as long as they are (1) available for work and (2) unable to work as a direct result of COVID-19. Self-employed workers also received the \$600 weekly add-on.
- **Federally Funded Benefit Extension.** Finally, the CARES Act also allows states to extend the duration of the UI programs by 13 weeks and use federal funds to pay benefits during the extended period. Under this provision, normal UI benefits in California are available for a total of 39 weeks (26 week standard duration plus 13 week extension). Subsequent state legislation enacted as part of the *2020-21 Budget Act* authorizes an additional seven weeks duration, for a total of up to 46 weeks, under an existing federal law.



EDD Staffing

- ***Additional Resources Provided.*** The federal Families First Coronavirus Relief Act provided state grants for administrative costs related to the increase in UI claims. California received about \$120 million in these grants and funds have been used for (1) call centers, (2) vendor costs to set up new UI programs, (3) staff overtime, and (4) redirected staff salaries.
- ***Redirected Staff.*** The administration has said that it has redirected about 1,400 staff from other Employment Development Department (EDD) branches and throughout state services to assist in processing UI claims.
- ***New Staff Being Hired Under Existing State-Federal Administrative Funding Structure.*** The federal government provides states funding to pay for basic state administrative costs related to operating state UI programs. Under this existing funding structure, the state has received federal funding for, and is in the process of hiring, more than 5,000 additional staff to address the increased workload.



UI Payments

- ***Roughly \$50 Billion in Benefits Distributed Since Mid-March.***
Since mid-March, the state has processed and distributed about \$50 billion in unemployment benefits to unemployed workers. Roughly 80 percent of these benefit payments were federally funded under the CARES Act. The \$600 weekly add-on under the CARES Act represents about \$35 billion in benefit amounts and federally funded benefits for self-employed workers represent about \$5 billion. The state has paid about \$10 billion in traditional unemployment claims that are funded by employer payroll taxes and paid out of the state UI Trust Fund.



Benefit Payment Workload and Timeliness During the Pandemic

Despite the additional resources provided to EDD discussed above, there continues to be concerns regarding EDD's capacity to issue UI benefits promptly once a claim has been submitted.

- ***Claims Processing Workload at Historically High Levels.*** In April, May, and June, the state processed between 1.5 million and 2.5 million UI claims each month. This amount is two to three times greater than the peak workload seen during the Great Recession and 15 to 25 times greater than EDD's workload under normal economic conditions.
- ***Certain Claims Require Extra Manual Processing.*** When an unemployed worker submits a claim, the worker's demographic information is confirmed with the Social Security Administration and the Department of Motor Vehicles and their employment information is confirmed with employer-provided salary data. Confirmed information is then used to determine eligibility and calculate a weekly benefit amount. EDD is able to process the majority of these claims using automated steps that require little staff time. In some cases, however, demographic or employment information cannot be confirmed using automated processes. These cases require claimants and/or employers to provide the EDD with the required information. They involve additional EDD staff time and tend to take much longer to process than automated claims
- ***First Payment Timeliness.*** The federal government sets as a performance target that at least 87 percent of first payments be delivered within 21 days of application. Under normal economic conditions, EDD typically is able to issue about 80 percent of first payments within 21 days. During April, May, and June, EDD issued 62 percent of first payments within 21 days. Among all states, the average first payment timeliness rate was 69 percent.

