

Date of Hearing: May 12, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 400 (Petrie-Norris) – As Amended April 21, 2021

Policy Committee: Insurance Vote: 13 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

**SUMMARY:**

This bill creates an advisory board of legislative and gubernatorial appointees, within the Labor and Workforce Development Agency, to review the Unemployment Insurance (UI) operations of the Employment Development Department (EDD) and make recommendations on efficiency, customer service, access to benefits, fraud, strategic planning and operations.

It requires the board to issue recommendations quarterly with and requires EDD to respond to the recommendations through annual reports.

**FISCAL EFFECT:**

- 1) The estimated cost for staff support of the advisory board is approximately \$370,000. In addition, it is estimated that the travel, lodging, and other expenses of the board members for the required two annual meetings would be approximately \$8,000 per year (UI Administration Fund).
- 2) Costs to assign one EDD appointee to participate on the board and draft an annual report would be minor and absorbable.
- 3) EDD would evaluate each recommendation individually for cost as they are provided and discussed. It is possible any recommendations from the board may have significant fiscal impacts, but these would need to be evaluated on their own merit.

**COMMENTS:**

- 1) **Purpose.** This measure is in response to the scrutiny of EDD during the COVID-19 pandemic. According to the author, creating an advisory board with a clear framework and requiring EDD to respond to its recommendations can assist EDD in preparing for the next crisis.
- 2) **Background.** A dramatic increase in unemployment as a result of pandemic-related closures led to rapid growth in unemployment claims, beginning in March 2020. Supplemental benefits authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, including Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC), have further increased the volume and dollar amount of payments. PUA has allowed individuals normally ineligible for unemployment benefits to

access benefits, while PEUC has added lump-sum benefit payments of varying amounts on top of normal claims.

EDD has struggled to service an unprecedented volume of claims throughout the COVID-19 pandemic. The Governor deployed a “strike team” to EDD to provide an assessment and recommendations, which was released on September 16, 2020 and identified a number of immediate actions as well as recommended reforms.

- 3) **Related Legislation:** AB 402 (Wicks), pending in this committee, establishes the Office of Claimant Advocate within the EDD.

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