

LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency addresses issues relating to California workers and their employers. The Agency is responsible for labor law enforcement, workforce development, and benefit payment and adjudication. The Agency works to combat the underground economy and to help legitimate businesses and workers in California.

As the state's economic recovery continues, many Californians are entering and returning to the workforce seeking jobs that require skills that they may not have. The economy is generating more jobs that require new or improved skills and some degree of post-secondary education. The passage of the federal Workforce Innovation and Opportunity Act gives California a unique opportunity to address these issues through a reconfigured and revitalized public training and education system. Key features of the new Workforce Act:

- Require a unified state plan that incorporates input from workforce investment boards, schools, community colleges, rehabilitation programs, and CalWORKs welfare-to-work services.
- Emphasize regional planning that reflects the needs of employers.
- Require common performance measures across workforce development programs, adult education and literacy programs, and job services.

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- Reauthorize the Adult Education and Literacy Program with expanded emphasis on transition to post-secondary education and other career pathways.
- Allow for increased funding to support corrections education programs that reduce recidivism.

The Workforce Act promotes principles that strongly align with the key workforce strategies and initiatives of the Agency and the workforce entities it oversees: the California Workforce Investment Board, Employment Development Department (EDD), Employment Training Panel, and the Department of Industrial Relations' (DIR) Division of Apprenticeship Standards. The Agency will continue its efforts to coordinate policy and service delivery among its workforce programs while working in partnership with other state entities such as the Health and Human Services Agency, the Departments of Social Services and Rehabilitation, the Community Colleges, and the Department of Education. Additional information on the state's investments in adult education and workforce development can be found in the Investing in California's Workforce Chapter.

The Budget includes total funding of \$14.7 billion (\$265.4 million General Fund, \$14.4 billion various other funds) for the Agency.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The EDD administers the Unemployment Insurance (UI), Disability Insurance (DI), and Paid Family Leave programs and collects payroll taxes from employers, including the personal income tax. The Department connects job seekers with employers through job services programs and America's Job Centers of California and provides employment training programs through the Employment Training Panel and the Workforce Investment Act of 1998, which effective July 1, 2015, will be superseded by the Workforce Innovation and Opportunity Act of 2014. To support the Department, the Budget includes \$14.1 billion (\$248.3 million General Fund).

UNEMPLOYMENT INSURANCE PROGRAM

The UI program is a federal-state program that provides weekly payments to eligible workers who lose their jobs. Benefits range from \$40 to \$450 per week depending on 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, be immediately available to accept work, and meet eligibility requirements for each week of benefits claimed.

Beginning in January 2009, the state's UI Fund was exhausted due to an imbalance between benefit payments and annual employer contributions. To continue to make UI benefit payments without interruption, EDD began borrowing funds from the Federal Unemployment Account. While the unemployment rate has been slowly decreasing, the UI Fund deficit is still projected to be \$7.4 billion at the end of 2015.

Interest on the loan from the federal government will continue to accrue and be payable annually until the principal on the UI loan is repaid. The interest payment must come from state funds. To date, interest payments totaling \$1.1 billion have been paid by the state. The Budget includes \$184.4 million General Fund to make the 2015 interest payment. In addition, the Budget includes a \$303.5 million loan repayment to the Unemployment Compensation Disability Fund. As a result of the UI Fund's insolvency, employers are negatively affected by an overall reduction of 1.2 percent in their Federal Unemployment Tax Act credit. The amount of lost federal tax credits will increase by approximately \$350 million in 2015, to a total of \$1.3 billion.

UNEMPLOYMENT INSURANCE ADMINISTRATION FUNDING SHORTFALL

The administration of the base UI program is intended to be fully reimbursed through a federal cost recovery model, which allocates funding based on states' workload counts, processing times, and actual cost rates. However, the federal appropriation for UI administrative funding has been set at a level below what is needed nationwide to fully support this program. As a consequence, California continues to recover less funding than it would otherwise be entitled. This has resulted in EDD utilizing other state funds and unspent federal carryover funds from prior years to bridge this gap.

To address this issue, the Department of Finance, EDD, and the Labor and Workforce Development Agency undertook a detailed budget analysis of UI program functions, devising process improvements and identifying cost saving measures. The 2014 Budget included a package of \$49 million of efficiencies and a one-time increase of \$46.6 million General Fund to provide additional resources for the administration of the UI Program to support the following service levels:

- Process claims for unemployment benefits within 3 days of receipt.
- Respond to online inquiries within 5 days of receipt.

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- Schedule 95 percent of eligibility determinations in a timely manner.
- Respond to 50,000 calls per week.

The Budget includes \$39.7 million from the General Fund (\$18 million in new funds and \$21.7 million shifted from the current year to the budget year) to fund 594 positions (including 238.5 new positions) to continue service improvements.

Significant Adjustments:

- Employment Training Fund—The Budget makes permanent the \$10 million increase in Employment Training Fund resources provided by Chapter 663, Statutes of 2014 (AB 1476) to address increasing demand for training contracts.
- October Revise—The Budget includes a decrease of \$28 million in 2014-15 and a decrease of \$260 million in 2015-16 for UI benefit payments based on current economic conditions. The Budget also includes a decrease of \$103 million in 2014-15 and an increase of \$278.3 million in 2015-16 for DI benefit payments as a result of slight changes in the estimated average weekly benefit amount and claim duration compared to the previous forecast.
- Workforce Investment Act (WIA) Funding—The Budget includes an increase of \$15.4 million federal funds in 2014-15 for the Governor’s WIA discretionary funding and Rapid Response funding due to an increase in discretionary funds from 5 percent to 8.75 percent of the federal allotment. Additional increases in the Governor’s discretionary funds are expected after federal guidelines for the new Workforce Act are released in early 2015. The Budget also includes a decrease of \$31.6 million in 2014-15 for WIA Local Assistance to realign spending authority with available federal resources and adjust the local allocation based on the new discretionary formula.

DEPARTMENT OF INDUSTRIAL RELATIONS

The DIR strives to improve working conditions, enforces laws relating to wages, hours, conditions of employment, and workers’ compensation, and adjudicates workers’ compensation claims. The Budget includes \$619.7 million from various special funds to support the Department, which reflects an increase of \$22 million compared to the 2014 Budget Act.

Significant Adjustments:

- Elevator Inspections—The Budget includes an increase of \$4.4 million Elevator Safety Account and 27.5 positions to meet annual inspection requirements for approximately 108,000 conveyances throughout the state. Due to the account's surplus, the Budget also proposes a fee holiday for routine elevator inspections and an ongoing reduction in the inspection fee.
- Occupational Safety and Health Inspections—The Budget includes an increase of \$4.6 million Occupational Safety and Health Fund to phase in 44 positions and perform nearly 1,400 additional workplace health and safety enforcement inspections each year. These resources will increase statewide oversight of worker safety, help address federal audit findings, bring the percentage of California workplaces inspected each year in line with the national average, and nearly triple the number of targeted inspections of workplaces in California's high hazard industries.

AGRICULTURAL LABOR RELATIONS BOARD

The Agricultural Labor Relations Board (1) protects the associational rights of agricultural employees; (2) conducts secret ballot elections so that farm workers in California may decide whether to have a union represent them in collective bargaining with their employer; and (3) investigates, prosecutes, and adjudicates unfair labor practice disputes. The Budget includes \$9.5 million (\$8.3 million General Fund) to support the department, which reflects an increase of \$1.3 million compared to the 2014 Budget Act.

Significant Adjustment:

- Hearing Resources and Regional Office Expansion—The Budget includes an increase of \$1.6 million General Fund and 13 positions to support the operations of the General Counsel and the Board and increase the efficiency of the department. Regional offices are currently located in Visalia, Salinas, and Oxnard. The Budget proposes to add a satellite office in Northern California to meet needs in the Sacramento Valley and the North Coast. In addition, the El Centro office will be relocated and expanded to support the farmworker community in Southern California. The Budget also includes resources for the Board to address an increasing number of hearings and appellate workload, and adds an executive level position to oversee day-to-day administrative functions and more effectively support the mission of the Board and General Counsel.

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