

SUBCOMMITTEE NO. 5

Agenda

Senator Maria Elena Durazo, Chair
Senator Shannon Grove
Senator Dave Cortese
Senator Josh Newman



Wednesday, May 18, 2022
9:00 AM
1021 O Street - Room 1200

Part B-Labor, Workforce Development, Public Employment, and Public Retirement

Consultant: Christopher Francis, Ph.D.

Items for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
0559	SECRETARY FOR LABOR AND WORKFORCE DEVELOPMENT AGENCY.....	2
7100	EMPLOYMENT DEVELOPMENT DEPARTMENT.....	2
7120	CALIFORNIA WORKFORCE DEVELOPMENT BOARD.....	2
7350	DEPARTMENT OF INDUSTRIAL RELATIONS	2
7501	CALIFORNIA DEPARTMENT OF HUMAN RESOURCES	2
	Issue 1: Overview of Governor’s May Revision Proposals in Labor, Workforce Development, and Human Resources.....	2
7900	CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM.....	5
7920	CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM.....	5
	VARIOUS DEPARTMENTS.....	5
	Issue 2: Overview of Governor’s May Revision Proposals in Public Employment and Retirement	5

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

0559 SECRETARY FOR LABOR AND WORKFORCE DEVELOPMENT AGENCY**7100 EMPLOYMENT DEVELOPMENT DEPARTMENT****7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD****7350 DEPARTMENT OF INDUSTRIAL RELATIONS****7501 CALIFORNIA DEPARTMENT OF HUMAN RESOURCES****Issue 1: Overview of Governor’s May Revision Proposals in Labor, Workforce Development, and Human Resources****Governor’s May Revision Proposals for 2022-23**

The Governor’s May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor’s January budget and detailed below:

CROSS-OVER ISSUES

- **UC Labor Centers.** The May Revision includes an increase of \$13 million ongoing General Fund to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs, and invest in similar new initiatives throughout the UC system. The appropriation is proposed and was heard on May 18, 2022 under Subcommittee No. 1.

Also described and covered in the Subcommittee No.1 on Education hearing on May 18, 2022, the Administration includes multiple proposals to fill gaps in funding for apprenticeship intermediaries and programs for both support and training to increase apprenticeship opportunities for women, people of color, and individuals with disabilities and other barriers who historically do not participate at high rates in traditional apprenticeships.

- **CCC, California Healthy School Meals Pathway Program.** The May Revision includes an increase of \$45 million one-time Proposition 98 General Fund to support the implementation of the California Healthy School Meals Pathway Program, which is a pre-apprenticeship, apprenticeship, and fellowship workforce training pipeline pilot program for school food service workers.

CALIFORNIA WORKFORCE DEVELOPMENT BOARD (CWDB) AND DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

- **CWDB, Extreme Heat Workforce.** The May Revision includes \$17 million General Fund over two years to the California Workforce Development Board to expand high road training partnerships in industry sectors that support the state’s response to extreme heat, such as heating, ventilation and cooling, cool roofs, urban forestry, climate smart natural resource management, as well as other industries identified through collaboration with other state agency partners.

- **DIR, Protections from Extreme Heat.** The May Revision includes \$24.5 million General Fund to the Department of Industrial Relations to protect vulnerable populations through targeted outreach and education in multiple languages for employers and employees, and increased strategic enforcement before and during heat events to protect workers from heat-related illness and wildfire smoke hazards.
- **DIR, Apprenticeship Innovation Funding.** The May Revision includes \$70 million in 2022-23 and \$80 million in 2023-24 and 2024-25 to expand non-traditional apprenticeship programs and support additional apprentice activities. The May Revision includes statutory changes be adopted to implement this program as well as reductions in the amounts proposed for January Governor's proposals for the Employment Training Panel in Health and Social Work, High Road Training Partnerships in Health and Human Services to fund this initiative.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

- **EDDNext, Long-Term Modernization.** EDDNext is a five-year plan to modernize EDD. The May Revision includes \$136 million one-time funding (\$68 million General Fund) for EDD to continue planning and begin implementing various improvements to EDD leave benefit programs. This includes efforts on EDD's benefit systems, call center improvements, simplifying forms and notices, including user testing and engagement, developing data analysis tools to continue curbing fraudulent benefit claims, and upgrading department training and tools to increase the pace of application processing.

The first-year investment includes \$64.7 million to upgrade and replace parts of EDD's benefit services systems to provide improved customer service delivery, as well as to enhance overall program adaptability. Some immediate improvements include call center redesign, online portal enhancements to improve the online experience for claimants and employers, and expanded fraud data analytics. This first-year investment will also include design and planning of the future system, as well as efforts to improve claim forms usability. These resources will be critical to the long-term success of EDD.

In 2021-22, the EDD engaged in a business process re-engineering effort to analyze EDD's business operating model and assess existing technologies and pandemic lessons. This resulted in a roadmap for a multi-phase effort intended to promote responsible service, implement sustainable business operations and advance technical innovation that will ultimately improve customer service across EDD's unemployment insurance, disability insurance, and paid family leave benefit programs.

- **Identity Theft Awareness, Fraud Investigation Support, and Prosecution.** The May Revision includes \$23.6 million (\$10.9 million General Fund) in 2022-23, \$12 million (\$5.1 million General Fund) in 2023-24, and \$9 million (\$3.5 million General Fund) in 2024-25 to support ongoing EDD fraud investigation and interdiction efforts. Proposed investments include an identity theft awareness and prevention campaign, funding for

district attorneys' offices to continue prosecution of criminal fraud cases, and expanded fraud detection and prevention capabilities in the State Disability Insurance and paid family leave programs.

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES (CALHR)

- **State Workforce Demographic Data Collection.** CalHR will work with the State Controller to establish new demographic categories for the collection of data pertaining to the ancestry or ethnic origin of African American employees. The collection of this data continues CalHR's duties to maintain statistical information necessary for the evaluation of equal employment opportunity and upward mobility within state civil service.

Suggested Questions

- **EDDNext, Long-Term Modernization.**
 - What is the total amount projected to implement this
 - Can you provide more details on the specific milestones and metrics as part of the multiyear plan?
 - Please describe the involvement that the Department of Technology will have in this process?
 - How does impact EDD's vendor contract's going forward? Is the plan to house some contracted functionalities internally? If so, which functions?
 - Are there any reports due to the Legislature to monitor these reports?
 - What is the total projected amount of this plan once fully implemented? How does the Administration/EDD plan to manage any potential cost pressures? Has the Administration/EDD already built in cost contingencies and if so, what are they?
 - Can you elaborate on how these changes will enhance the user experience? How do these modernization activities improve EDD's ability to tackle catastrophic events, such as another pandemic, in the future?
 - What languages are currently supported by the EDD Call Center? Does EDDNext plan to expand language access options?
 - Has EDD formally revised its contract terms with ID.me? What identity verification options will applicants have beyond using facial recognition technology?
- **Identity Theft Awareness, Fraud Investigation Support, and Prosecution.**
 - Does the EDD currently, or usually, provide funding to district attorney's offices? How much funding is currently provided to continue prosecution of criminal fraud cases? What is the projected case load attributed to criminal fraud cases in areas relevant for these proposals? What was the case load over the last three years attributed to criminal fraud cases in areas relevant for these proposals?
 - In December 2020, a task force/ collaborative between EDD/OES/ and district attorney offices was announced along with a proposed \$5 million appropriation from OES's mission tasking budget item to help the county DAs with the

investigation and prosecution of unemployment benefit fraud cases. Have these funds been expended?

- **Extreme Heat proposals under DIR and CWDB.**
 - How were these amounts determined? What metrics and milestones are anticipated for the populations impacted by these proposals?
 - On the HRTPs, are there any organizations that you envision participating in the partnerships?
 - On DIR targeted outreach and education in multiple languages: Which languages are envisioned to be used? Please elaborate further on your anticipated outreach activities and how you plan to “target” them.
- **DIR Apprenticeship Innovation Funding.**
 - What are the statutory changes being proposed?
 - What non-traditional apprenticeship programs are you envisioning? Are there specific underrepresented groups that you will be targeting with these programs?
- **State Workforce Demographic Data Collection.**
 - Can you describe how this data collection, if at all, interacts with your California Leads as an Employer Implementation proposal?

Staff Recommendation. Hold open all May Revision proposals

7900 CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM
7920 CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM
VARIOUS DEPARTMENTS

Issue 2: Overview of Governor’s May Revision Proposals in Public Employment and Retirement

Governor’s May Revision Proposals and Adjustments for 2022-23

The Governor’s May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor’s January budget and detailed below:

CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CALPERS)

- **CalPERS State Contributions.** State contributions to the California Public Employees’ Retirement System (CalPERS) have decreased by a net total of \$215.6 million (\$180.1 million General Fund) in 2022-23 relative to the Governor’s Budget. The decrease is a result of CalPERS’ adjustment to the state’s contribution rates, which is largely driven by the normal progression of the existing amortization and smoothing policy; elimination of the \$2.5 billion pension payment to the state’s unfunded liabilities over fiscal years 2019-20 to 2021-22, as authorized by AB 84 (Committee on Budget), Chapter 16, Statutes of 2020; and changes in experience and actuarial assumptions (including impacts of the 21.3

percent investment return in 2020-21 and the reduction in the discount rate from 7.00 percent to 6.80 percent). The Governor's budget assumed that the state will contribute \$8.4 billion (\$4.8 billion General Fund) in 2022-23 to pay for state employee pension benefits (including CSU employees).

- **CalPERS Unfunded Liability.** The Administration proposed in the January budget to use \$3.5 billion of the total \$3.9 billion in Proposition 2 debt payment requirements as a supplemental pension payment to reduce the state's CalPERS unfunded liabilities. The May Revision estimates \$2.9 billion in one-time Proposition 2 debt repayment funding in 2022-23 to further reduce the unfunded liabilities of the CalPERS state plans. Any supplemental payment made toward the state's CalPERS unfunded liability is estimated to result in a minimum long-term gross savings ratio of 2:1.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS)

- **State Contributions.** State contributions to the California State Teachers' Retirement System (CalSTRS) increased by \$6 million General Fund in 2022-23, relative to the Governor's Budget, due to a revision in reported compensation for K-12 and community college teachers. The Governor's 2022-23 budget proposal included \$3.7 billion General Fund in required contributions to CalSTRS. No supplemental payments to CalSTRS is proposed in 2022-23, in contrast to past few years.

EMPLOYEE COMPENSATION

- **Collective Bargaining.** The May Revision increases employee compensation by \$217.6 million in 2022-23 (\$132.2 million General Fund) and \$143.0 million ongoing (\$70.5 million General Fund) to reflect updated estimates to the dental and vision premium rates, changes to enrollment in health and dental plans, updated employment information for salary increases and other post-employment benefit contributions, telework stipends, and Division of Juvenile Justice recruitment and retention differentials.

The May Revision also reflects a decrease of \$329 million General Fund in 2022-23 for retiree health and dental benefits reflecting lower-than-expected retirements and updated enrollment information. The Administration is currently in negotiations with six bargaining units representing attorneys and administrative law judges, firefighters, engineers, scientists, stationary engineers, and psychiatric technicians, whose contracts or side letter agreements are expired or will expire in Summer 2022.

Staff Recommendation. Hold open all May Revision proposals