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Committee on Insurance

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February 8, 2010

Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol, 1st Floor
Sacramento, CA 95814

Dear Governor Schwarzenegger:

This letter is to request your attention and action on several pressing matters concerning the Employment Development Department (EDD) and the Unemployment Insurance (UI) Program. Over 2.2 million Californians are unemployed and directly impacted.

The Assembly Insurance Committee conducted an oversight hearing on February 3rd and learned about a series of problems besetting EDD's administration of the UI program. These problems require immediate attention. For example, EDD is not meeting federal performance standards in making monetary and non-monetary determinations, and the Department's performance ranks among the worst in the nation. The consequences of EDD's terrible performance include delays in unemployed workers receiving their UI benefits, and losing those UI benefits when enrolling in job training programs. Further, EDD has not demonstrated an ability to manage a set of complex technology projects necessary to meet the long term needs of the state's unemployed. Technology projects are running significantly over original cost estimates, and in some cases they are nearly 6 years behind schedule.

We are very concerned that EDD does not currently have an effective plan that meets the immediate needs of unemployed workers who qualify for UI which is sustainable and balanced. For example, with one extension of federal benefits scheduled to expire on February 28, 2010, we are concerned whether the Department will be able to pay the next federal extension of unemployment insurance benefits in a timely manner.

First and foremost, we call on you to act swiftly in appointing a new EDD Director. We believe the lack of leadership at EDD significantly contributes to the Department's difficulties and poor program performance. Further, the absence of a Director means that there is no one to hold accountable, and this is unjustifiable to hard working Californians and their employers who pay taxes to support the benefits and programs EDD is responsible to administer.

EDD's performance problems are severe and the Assembly intends to continue it's oversight throughout the year, in an effort to get the Department back on track. In this regard we have requested the Joint Legislative Audit Committee to approve an audit of the UI program. Additionally, the Assembly Budget Sub-Committee on State Administration will continue to hold oversight hearings this Spring and take appropriate actions on EDD's budget to assist the Department in prioritizing the allocation of UI program resources.

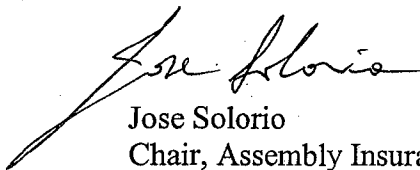
Members of the Assembly will also introduce legislation and support efforts intended to implement several key recommendations that were made during the Insurance Committee hearing. The legislation will focus on the following:

- 1) Exempting programs that are funded 100% by the federal government, such as UI, from furloughs, and other personnel restrictions which have no benefit to the State General Fund. Not only do furloughs impede the Department's ability to deliver services to unemployed Californians, but they also create a longer term state liability when EDD employees begin to utilize their banked furlough days.
- 2) Eliminating statutory barriers that interfere with unemployed workers easily accessing training programs without interrupting the UI benefits. EDD's current review and approval of California Training Benefits has resulted in lost UI benefits and has discouraged individuals from utilizing available training opportunities which are also fully federally funded.
- 3) Adding staff to EDD One Stop Employment Centers who can directly assist unemployed workers, answer questions and solve problems with claiming UI benefits, rather than directing them to a telephone system which is currently incapable of handling high volumes of calls.

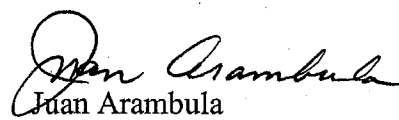
Some of the issues addressed in these legislative proposals may be addressed through your Executive Authority. We strongly encourage that you direct your Secretary of the Labor and Workforce Development Agency to evaluate what changes EDD can make administratively, and to expeditiously act upon her findings. If your Administration acts proactively to implement UI program changes, we will be happy to work with you and limit our legislation to only those matters requiring statutory changes.

We look forward to your attention to these matters.

Sincerely,



Jose Solorio
Chair, Assembly Insurance Committee



Juan Arambula
Chair, Assembly Budget Subcommittee
No. 4 - State Administration