

## **LABOR AND WORKFORCE DEVELOPMENT**

**T**he 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.

The Budget includes total funding of \$14.8 billion (\$448 million General Fund, \$14.3 billion various other funds) for the Agency.

---

### **EMPLOYMENT DEVELOPMENT DEPARTMENT**

The Employment Development Department (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 EDD connects job seekers with employers through job services programs and one-stop service centers and provides employment training programs through the Employment Training Panel and the Workforce Investment Act of 1998. To support the Department, the Budget includes \$14.3 billion (\$438.8 million General Fund), which reflects a decrease of \$6.1 billion as compared to the revised 2011 Budget and is \$11.6 billion less than the 2011 Budget Act. This decrease is primarily due to the end of the federal UI extensions.

### UNEMPLOYMENT INSURANCE PROGRAM

The UI program is a federal-state program that provides weekly payments to eligible workers who lose their jobs through no fault of their own. Benefits range from \$40 to \$450 per week depending on the 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, the EDD began borrowing funds from the Federal Unemployment Account. The UI Fund deficit was \$9.8 billion at the end of 2011 and is projected to be \$11.7 billion at the end of 2012.

While annual interest payments were waived under the American Recovery and Reinvestment Act for 2010, interest of \$303.5 million was paid in September 2011 and the interest payment for September 2012 is estimated to be \$417 million. Interest 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.

Proposals to Balance the Budget:

- **Offset UI Interest Payment**—A loan from the Unemployment Compensation Disability Fund to the General Fund to pay for the UI interest expense. This achieves a General Fund savings of \$417 million in 2012-13. This is a continuation of the 2011-12 budget approach.
- **Employer Surcharge to Fund UI Interest Payments**—An increase in revenue of \$472.6 million, Employment Training Fund, as a result of implementing a surcharge on employers effective January 1, 2013. The surcharge revenue will fund future interest payments for funds borrowed from the federal government to pay California's unemployment insurance benefits and repay the funds borrowed from the Unemployment Compensation Disability Fund.
- **Eligibility Change**—In conjunction with the employer surcharge, increase the minimum monetary eligibility requirements to qualify for UI benefits to account for increases in employee wages that have occurred since the requirements were last adjusted in 1992.

Other Significant Adjustments:

- October Revise—A decrease of \$5.4 billion in 2011-12 and \$11.7 billion in 2012-13, Unemployment Fund, as a result of the end of the federal UI extensions. With this adjustment, total benefit payments will be \$13.2 billion in 2011-12 and \$6.9 billion in 2012-13. The October Revise also includes an increase of \$11.5 million in Disability Insurance benefit payments and a state operations increase of \$11.6 million and 142.5 positions for administrative support for the Disability Insurance program.
- Workforce Investment Act (WIA) Funding—A decrease of \$39.5 million federal funds for the Governor’s discretionary WIA funding. This decrease reflects a reduction in the discretionary funds, from 15 percent to 5 percent, provided by the federal government.

---

## **AGRICULTURAL LABOR RELATIONS BOARD**

The Agricultural Labor Relations Board investigates, prosecutes, and adjudicates unfair labor practice disputes and is responsible for conducting secret ballot elections so that farm workers in California may decide whether to have a union represent them in collective bargaining with their employer.

Significant Adjustment:

- Unfair Labor Practice Case Backlog—An increase of \$500,000 Labor and Workforce Development Fund and 3.8 positions to reduce a backlog of unfair labor practice cases. The Agricultural Labor Relations Board will implement permanent process changes and efficiencies that will enable unfair labor practice cases to be processed more quickly.

---

## **DEPARTMENT OF INDUSTRIAL RELATIONS**

The Department works to improve working conditions, enforces laws relating to wages, hours, conditions of employment, and workers’ compensation, and adjudicates workers’ compensation claims. The Budget includes \$425.1 million (\$4.4 million General Fund) to support the Department.

## LABOR AND WORKFORCE DEVELOPMENT

### Significant Adjustment:

- Expand Education and Outreach to Employees and Employers—An increase of \$2.3 million Labor and Workforce Development Fund to expand education and outreach efforts to increase the effectiveness of labor compliance field staff.

## GENERAL GOVERNMENT

The General Government Section includes multiple departments, commissions, and offices responsible for the operation of various government programs. The Budget includes total funding of \$4.1 billion (\$514.6 million General Fund and \$3.5 billion various funds) for these entities.

---

### CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

The California Department of Food and Agriculture (CDFA) protects and promotes California's agricultural industry and ensures that only safe and quality food reaches the consumer. The Budget proposes approximately \$65 million General Fund for a number of programs, such as agricultural plant and animal health, pest prevention, and food safety services.

Significant Adjustment:

- Further Reduce General Fund Support—A permanent decrease to various department programs of \$12 million in 2012-13, as part of a two-year effort to achieve \$31 million in ongoing General Fund savings. The 2011 Budget Act reflected an initial decrease to the CDFA's budget of \$19 million. This additional reduction primarily affects various programs relating to border control stations, pest prevention, and food safety activities. Some border station hours will likely be reduced. A portion of the General Fund reduction will be replaced by the Recycling Fund for new efforts the border stations will be making to mitigate recycling fraud, which

occurs when recycling material is brought into California for illegal redemption. Funding to counties for performance of pest trapping and incoming shipment inspection activities will be reduced. Other reductions will be offset by increasing fees associated with the certification of nursery stock and milk and dairy food safety, as well as by implementing several departmental efficiencies.

---

### **COMMISSION ON STATE MANDATES**

The Commission on State Mandates is a quasi-judicial agency that hears test claims to determine whether local agencies and school districts are entitled to reimbursement for increased costs mandated by the state. The Constitution requires the Legislature to either fund or suspend specified mandates in the annual Budget Act.

Proposals to Balance the Budget:

- **Suspend/Repeal State Mandates**—The Budget proposes to suspend various mandates except for most mandates related to law enforcement or property taxes. Consistent with the Governor’s focus on streamlining government and providing local flexibility, the Budget proposes to repeal dozens of the approximately 50 mandates that have been suspended for the past two years or more. Many of the activities required by these mandates have become common practice and should not be mandated by the state. This proposal will result in a decrease of \$728.8 million General Fund in 2012-13.
- **Redetermination of Mandate**—Chapters 762 and 763, Statutes of 1995, created the Sexually Violent Predators reimbursable state mandate. However, in 2006, voters approved Jessica’s Law (Proposition 83), which restated several of the provisions of the reimbursable mandate. Because mandates imposed by voter-approved initiatives are not reimbursable state mandates, the Administration will submit a request to the CSM to adopt a new test claim decision for the mandate to reflect this change.
- **Delay of Program Participation Requirements for Specified Probationers**—Chapter 219, Statutes of 2010, provided for enhanced sentencing of sex offenders. The Budget proposes to implement a two-year delay, from July 2012 to July 2014, of the requirement that probationers who are registered sex offenders participate in a sex offender management program. All the enhanced sentencing terms and parole lengths that were part of the bill, which basically required longer sentences for sex offenders and in some cases longer/lifetime parole, will remain in place. No sentencing changes will result from this proposed program delay.

In light of the public safety realignment, this delay will provide probation departments the opportunity to focus on the implementation of realignment. In addition, if this program were determined to be a reimbursable state mandate, this two-year delay could result in significant General Fund savings.

- Deferral of Pre-2004 Mandate Obligations—A decrease of \$99.5 million in 2012-13 as a result of deferring the 2012-13 payment for mandate costs incurred prior to 2004-05.

---

## **CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS**

California owns and operates six veterans homes located in Yountville, Chula Vista, Barstow, Lancaster, Ventura, and West Los Angeles. Two additional homes in Redding and Fresno are under construction, scheduled to be completed in January 2012 and April 2012, respectively. These homes provide residential and medical care services to honorably discharged California veterans who served on active duty and are over the age of 62 or disabled.

Significant Adjustment:

- Further Delay the Opening of Veterans Homes in Redding and Fresno—The opening of the homes was delayed through 2011-12 and will continue to be delayed through 2012-13.

---

## **OVERSIGHT OF REGULATORY PROGRAMS**

- Chapter 496, Statutes of 2011 (SB 617) provides for expanded economic analyses of new major regulations. The Administration has already begun the development of this program, which will provide standards for analysis and consideration of alternatives that are the least harmful to the economy.

This page intentionally blank to facilitate double-sided printing.