

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.

The May Revision includes total funding of \$17.6 billion (\$299.5 million General Fund and \$17.3 billion other funds) for all programs included in this 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. EDD connects job seekers with employers through a variety of job services programs and one-stop service centers. The Department also supports workforce training programs.

The May Revision includes \$17 billion (\$283.6 million General Fund), which reflects an increase of \$73 million compared to the Governor's Budget. This change is primarily due to a \$153 million increase in DI benefit payments and a \$72 million decrease in UI benefit payments.

Significant Adjustments:

- *Revised UI Benefit Payments*—A decrease of \$351 million in 2012-13 and a decrease of \$72 million in 2013-14 to reflect a projected decrease in UI benefit payments due to a lower unemployment rate and the discontinuation of the federal benefits extension program in December 2013.
- *Effects of Federal Sequestration*—The Emergency Unemployment Compensation Program provides payments to unemployed individuals who have exhausted their regular unemployment benefits (lasting 26 weeks). While regular unemployment benefits were unaffected by sequestration, extension benefits were reduced by approximately \$468 million for federal fiscal years 2013 and 2014. These reductions result in a 17.7-percent reduction in payouts to approximately 350,000 to 400,000 unemployed individuals who normally receive a full benefit check.
- *UI Program Administration Funding*—An increase of \$29.7 million from the Contingent Fund for the administration of the UI Program. The May Revision reflects a decrease of 870 positions to administer the UI Program in 2013-14 as compared to the 2012 Budget. This decrease is a result of two main factors —an improving economy and an inherent funding shortfall in the program. As the unemployment rate drops, fewer resources are needed to process claims and pay UI benefits. Additionally, because the federal cost recovery model does not provide sufficient funds to support the administrative costs of the UI Program, a number of positions go unfunded. Federal extensions, other state funds, and federal carryover from prior years have helped bridge this gap in recent years, but the Department still faces a significant funding gap in 2013-14. The funding gap will continue to grow as most of these one-time sources are no longer available. Sequestration exacerbated the problem by reducing available UI administration funding by an additional \$31.2 million in 2013-14. The proposed funding will allow EDD to retain approximately 300 positions to pay UI benefits, process UI claims, answer telephone calls, and collect payroll taxes.