

May 12, 2023

Honorable Nancy Skinner, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to and Addition of Various Budget Bill Items, Support and Local Assistance, Employment Development Department

Technical Adjustment to Shift the Reduction of 2023-24 and 2024-25 Appropriations—It is requested that Item 7100-001-0001 be reduced by \$10,000,000, and Item 7100-004-0001 be eliminated. The Governor's Budget reduced various items of appropriation in the 2023-24 fiscal year in Control Section 4.07. This is a technical adjustment to provide transparency at the department level by shifting the reductions from the statewide control section to items of appropriation in the applicable departmental budgets (see Attachment 1).

Direct Deposit Implementation—It is requested that Item 7100-001-0001 be increased by \$6,344,000 in 2023-24 and \$1,677,000 in 2024-25; Item 7100-001-0185 be increased by \$878,000 in 2023-24, \$5,846,000 in 2024-25, and \$4,601,000 ongoing; Item 7100-001-0588 be increased by \$7,621,000 in 2023-24, \$6,471,000 in 2024-25, and \$3,587,000 ongoing; and Items 7100-001-0870 and 7100-011-0890 be increased by \$597,000 in 2023-24 and \$425,000 ongoing; for the Employment Development Department's (EDD) implementation of a direct deposit option for claimants applying for its benefit programs.

Unemployment Insurance Loan Interest Payment—It is requested that Item 7100-002-0001 be increased by \$26,627,000 one-time to align with the updated Unemployment Insurance (UI) loan interest payment estimate of \$306 million.

Unemployment Compensation Disability Fund Loan to the General Fund—It is requested that Item 7100-011-0588 be added in the amount of \$306 million to support the state's payment of the UI loan interest payment. As a result of lower revenue projections and a resulting increase in the budget problem, the May Revision proposes this loan to assist in closing the projected shortfall and ensuring the submission of a balanced budget plan. It is also requested that provisional language be added to prevent this loan from

impacting the State Disability Insurance contribution rates in future years (see Attachment 2).

Unemployment Insurance Program Benefit—It is requested that Items 7100-101-0871 and 7100-111-0890 be increased by \$1,754,795,000 ongoing to align with updated forecast benefit payments. Additionally, Item 7100-101-0871, Budget Act of 2022, pursuant to Provision 3, is increased by \$889,638,000 in 2022-23 to align with an estimated increase in claims.

Disability Insurance Program Benefits—It is requested that Item 7100-101-0588 be increased by \$660,809,000 ongoing to align with updated State Disability Insurance (SDI) program benefit payment estimates. Additionally, Item 7100-101-0588, Budget Act of 2022, pursuant to Provision 2, is increased by \$443,889,000 in 2022-23 to align with estimated SDI benefit claims.

Workforce Innovation and Opportunity Act Allocations—It is requested that Items 7100-001-0869 and 7100-021-0890 be increased by \$4,985,000 one-time in 2023-24, and Items 7120-101-0869 and 7100-101-0890 be increased by \$49,030,000 one-time in 2023-24, to align Workforce Innovation and Opportunity Act (WIOA) authority with estimated federal allocations. Additionally, Item 7100-101-0869, Budget Act of 2022, pursuant to Provision 1, is increased by \$7,221,000 in 2022-23, to align with anticipated federal allotments of nondiscretionary WIOA funds for local workforce development areas.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Andrew March, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Anthony J. Portantino, Chair, Senate Appropriations Committee
Attention: Mark McKenzie, Staff Director
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Kirk Feely, Fiscal Director
Honorable Chris R. Holden, Chair, Assembly Appropriations Committee
Attention: Jay Dickenson, Chief Consultant
Honorable Vince Fong, Vice Chair, Assembly Budget Committee
Attention: Joseph Shinstock, Fiscal Director
Honorable Wendy Carrillo, Chair, Assembly Budget Subcommittee No. 4
Honorable Maria Elena Durazo, Chair, Senate Budget and Fiscal Review Subcommittee No. 5
Gabriel Petek, Legislative Analyst
Christopher W. Woods, Senate President pro Tempore's Office
Jason Sisney, Assembly Speaker's Office
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office
Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Stewart Knox, Secretary, Labor and Workforce Development Agency
Jay Sturges, Associate Secretary, Fiscal Policy & Administration, Labor and Workforce
Development Agency
Nancy Farias, Director, Employment Development Department
Tad Allred, Deputy Director, Administration Branch, Employment Development Department
Caleb Horel, Chief, Fiscal Services, Employment Development Department

Amend Provision 3 of Item 7100-001-0001 as follows:

"3. Of the amount appropriated in Schedule (1) ~~\$10,000,000~~ \$20,000,000 shall be made available for targeted emergency medical technician training. These funds shall be available for encumbrance or expenditure until June 30, 2025, and for the liquidation of encumbrances until June 30, 2027."

7100-011-0588—For transfer by the Controller, upon order of the Department of Finance, from the Unemployment Compensation Disability Fund to the General Fund (306,000,000)

Provisions:

1. The amount transferred in this item is a loan from the Unemployment Compensation Disability Fund to the General Fund.
2. The Director of Finance may augment this item based on the actual interest due to the federal government. The Employment Development Department will notify the Department of Finance by September 1, 2023, of the estimated interest payment.
3. The loan from the Unemployment Compensation Disability Fund to the General Fund made during the fiscal year ending June 30, 2024, shall be paid back with interest, as specified in Section 16314 of the Government Code, no later than June 30, 2027.
4. The loan from the Unemployment Compensation Disability Fund shall only be made from surplus Unemployment Compensation Disability Fund funds. Loans shall not interfere with the carrying out of the object for which the Unemployment Compensation Disability Fund was created.
5. The annual contribution rate for the Unemployment Compensation Disability Fund shall not increase as the result of any loan made to the General Fund. In calculating the annual disability insurance tax rate each year, the Employment Development Department shall treat outstanding Unemployment Compensation Disability Fund loans as available cash in the Unemployment Compensation Disability Fund.

May 12, 2023

Honorable Nancy Skinner, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Items 7120-001-0890 and 7120-101-0001, Support and Local Assistance, California Workforce Development Board

Federal First Step Act Grant—It is requested that Item 7120-001-0890 be increased by \$5,334,000 one-time to allow the California Workforce Development Board to implement a federal grant that expands the Prison 2 Employment program into federal prisons. It is also requested that provisional language be added to provide an extended encumbrance period for this funding to March 30, 2026 (see Attachment 1).

Technical Adjustment to Shift the Reduction of 2023-24 —It is requested that Item 7120-101-0001 be reduced by \$10 million. The Governor's Budget reduced various items of appropriation in the 2023-24 fiscal year in Control Section 4.07. This is a technical adjustment to provide transparency at the department level by shifting the reductions from the statewide control section to items of appropriation in the applicable departmental budgets. It is also requested that provisional language be amended (see Attachment 2).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Andrew March, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Stewart Knox, Secretary, Labor and Workforce Development Agency
Jay Sturges, Associate Secretary, Fiscal Policy & Administration, Labor and Workforce
Development Agency
Tim Rainey, Executive Director, California Workforce Development Board
Curtis Notsinneh, Chief Deputy Director, California Workforce Development Board
Emily Sunahara, Deputy Director, Operations, and Policy Implementation, California Workforce
Development Board

Add the following provision to Item 7120-001-0890:

3. Of the amounts available in Schedule (1), \$5,334,000 shall be available for encumbrance or expenditure until March 30, 2026.

Amend Provision 5 of Item 7120-101-0001 as follows:

"5. Of the amount appropriated in Schedule (1), ~~\$20,000,000~~ \$10,000,000 shall be available for advance payment and support to the Emerald Cities Collaborative for the California Youth Leadership Corps for community change learn-and-earn career pathway programs at 20 selected community colleges over four-year period. It is the intent of the Legislature that ~~\$20,000,000~~ \$10,000,000 will be provided in 2024–25 to support this initiative."

May 12, 2023

Honorable Nancy Skinner, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

**Amendments to Budget Bill Items 7350-001-0001 and 7350-001-3121, Support,
Department of Industrial Relations**

Technical Adjustment to Shift the Reduction of 2023-24 and 2024-25 Appropriations—It is requested that Item 7350-001-0001 be reduced by \$60 million. The Governor's Budget reduced various items of appropriation in the 2023-24 fiscal year in Control Section 4.07. This is a technical adjustment to provide transparency at the department level by shifting the reductions from the statewide control section to items of appropriation in the applicable departmental budgets (see Attachment 1).

Resources to Implement Chapter 1, Statutes of 2023 First Extraordinary Session (SBX1-2)—It is requested that Item 7350-001-3121 be increased by \$286,000 and 1 position in 2023-24, and \$272,000 and 1 position in 2024-25 and ongoing, to provide resources for the Department of Industrial Relations to consult with the California Energy Commission to consider ways to manage oil refinery turnaround and maintenance schedules in a manner that considers workers' health and safety.

Extended Encumbrance for Resources to Implement Heat Advisory Study—It is requested that budget bill language be added to item 7350-001-3121 to extend the encumbrance period from June 30, 2024 to June 30, 2025 for the implementation of Chapter 263, Statutes of 2022 (AB 1643) to align with the Department of Industrial Relations' implementation proposed in the Governor's Budget (see Attachment 2).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Andrew March, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office
Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Stewart Knox, Secretary, Labor and Workforce Development Agency
Jay Sturges, Associate Secretary, Fiscal Policy & Administration, Labor and Workforce
Development Agency
Katrina Hagen, Director, Department of Industrial Relations
Deanna Ping, Chief Deputy Director, Department of Industrial Relations
Josh Iverson, Chief Financial Officer, Department of Industrial Relations

Delete Provision 3 and amend Provision 4 of Item 7350-001-0001 as follows:

3. ~~Of the amount appropriated in this item, \$11,250,000 in Schedule (2), \$8,750,000 in Schedule (3), and \$5,000,000 in Schedule (1) shall be available on a one-time basis to support the California COVID-19 Workplace Outreach Project.~~

4. Of the amount appropriated in Schedule (4), ~~\$60,000,000~~ 40,000,000 shall be available for the Apprenticeship Innovation Funding program. These funds shall be available for encumbrance or expenditure until June 30, 2025.

Add the following provision to Item 7350-001-3121:

2. Of the amount appropriated in Schedule (1), \$1,073,000 shall be used to support the Division of Occupational Safety and Health in implementing requirements of Chapter 263, Statutes of 2022 (Assembly Bill 1643). Notwithstanding any other law, these funds shall be available for encumbrance or expenditure through June 30, 2025.



May 12, 2023

Honorable Nancy Skinner, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Addition of Budget Bill Item 7600-495, Support, California Department of Tax and Fee Administration.

Reversion of Anticipated Administrative Savings—It is requested that Item 7600-495 be added to revert the anticipated unexpended balance of appropriations made for the California Department of Tax and Fee Administration administrative costs in the 2022 Budget Act (see Attachment 1).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Chris Hill, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
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/s/ Erika Li

ERIKA LI
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Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Amy Tong, Secretary, Government Operations Agency
Justyn Howard, Deputy Secretary, Government Operations Agency
Nicolas Maduros, Director, California Department of Tax and Fee Administration
Jason Mallet, Chief Financial Officer, California Department of Tax and Fee Administration

7600-495—Reversion, California Department of Tax and Fee Administration. As of June 30, 2023, the unencumbered balance of the following appropriation provided in the following citation shall revert to the fund balance of the fund from which the appropriation was made.

0001 – General Fund

- (1) \$25 million of the unexpended balance from Schedule (1), of Item 7600-001-0001, Budget Act of 2022 (Chs. 43, and 45, Stats. 2022) for the support of the California Department of Tax and Fee Administration.

May 12, 2023

Honorable Nancy Skinner, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Item 7730-001-0001, Support, and Addition of Items 7730-490 and 7730-495, Support, Franchise Tax Board

Customer Services Resources—It is requested that Item 7730-001-0001 be increased by \$2,738,000 General Fund and 19 positions ongoing to augment Franchise Tax Board (FTB) staffing levels that will handle increased workload in the taxpayer customer service center, and to also support efforts to improve customer service employee retention.

Reappropriation of Enterprise Data to Revenue 2 Project Vendor Compensation—It is requested that Item 7730-490 be added to reappropriate \$17,543,000 General Fund of the unexpended Enterprise Data to Revenue 2 (EDR2) Project funds for vendor compensation appropriated in the 2022 Budget Act (see Attachment 1). FTB and the project vendor jointly determined that work initially planned for 2022-23 was more complex than originally thought, and that the least risk to the overall project is realized by delaying implementation for three months to ensure adequate testing is performed. The planned deliverables for June 2023 have therefore shifted to September 2023.

Reappropriation of Enterprise Data to Revenue 2 Contingency Funding—It is requested that Item 7730-490 be added to reappropriate \$11,626,000 General Fund of the unexpended EDR2 Project contingency funds appropriated in the 2022 Budget Act (see Attachment 1). As part of the EDR2 project funding plan, annual contingency funds are appropriated so FTB can accommodate fluctuations in project costs without incurring project delays. If the contingency funds are not needed, the funds will revert to the General Fund at the end of the project.

Reappropriation of Franchise Tax Board Support Funding—It is requested that Item 7730-490 be added to reappropriate \$4 million General Fund of the unexpended support funding appropriated for Tax Programs in the 2022 Budget Act (see Attachment 1). The reappropriated funds are necessary for the processing of 2022 tax

returns and payments in fiscal year 2023-24 in response to the tax filing extension provided due to the severe winter storms.

Franchise Tax Board: Reversion of 2022 Balances—It is requested that Item 7730-495 be added as shown on Attachment 2 to revert the unexpended balance of appropriations in the 2022 Budget Act related to: the Better for Families/Middle Class Tax Rebate savings as compared to its appropriation, FTB staffing costs anticipated to be saved in fiscal year 2022-23, and one-time FTB legal expense savings in fiscal year 2022-23.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Chris Hill, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Amy Tong, Secretary, Government Operations Agency
Justyn Howard, Deputy Secretary, Government Operations Agency
Selvi Stanislaus, Executive Officer, Franchise Tax Board
Jeanne Harriman, Chief Financial Officer, Franchise Tax Board

Add Item 7730-490 as follows:

7730-490—Reappropriations, Franchise Tax Board. The balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in those appropriations, and shall be available for encumbrance or expenditure until June 30, 2024:

0001—General Fund

(1) Item 7730-001-0001, Budget Act of 2022 (Chs. 43, and 45, Stats. 2022), Schedule 1, the amount appropriated for the Enterprise Data to Revenue Project Phase 2.

(2) Item 7730-001-0001, Budget Act of 2022 (Chs. 43 and 45, Stats. 2022), Schedule 1, the amount appropriated for Tax Programs support costs.

Add Item 7730-495 as follows:

7730-495—Reversion, Franchise Tax Board. As of June 30, 2023, the balances specified below, of the appropriations provided in the following citations shall revert to the balances in the funds from which the appropriation were made.

0001 – General Fund

- (1) Item 7730-001-0001, Budget Act of 2022 (Chs. 43, and 45, Stats. 2022). Up to \$218,000,000 from Schedule (1) for the Better for Families/Middle Income Tax Refund and refund administrative support costs.
- (2) Item 7600-001-0001, Budget Act of 2022 (Chs. 43, and 45, Stats. 2022). Up to \$32,800,000 from Schedule (1) for the support of the Franchise Tax Board.
- (3) Item 7730-001-0001, Budget Act of 2022 (Chs. 43, and 45, Stats. 2022). \$2,000,000 from Schedule (1) for litigation support costs.