

LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency (LWDA) supports and protects California workers and employers. The LWDA is primarily responsible for three activities: (1) labor law enforcement, (2) workforce development, and (3) benefit payment and adjudication. The primary objective of the LWDA is to serve workers and employers by coordinating its many services and programs in a manner that is efficient, effective, and relevant to current and future economic conditions.

The proposed budget was constructed first by computing the workload budget funding level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget includes \$12.1 billion (\$97.9 million General Fund and \$12 billion other funds) and 11,833.7 positions for the various entities within the LWDA, and reflects an increase of \$427.3 million (a decrease of \$6.5 million General Fund and an increase of \$433.8 million other funds) or 3.7 percent over the revised 2007-08 Budget. Change Table LWD-01 illustrates the major changes proposed to LWDA spending in the Governor's Budget.

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, and federal and court-ordered mandates.

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Change Table LWD-01

Labor and Workforce Development Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$103,375	\$11,169,073	11,646.5	\$103,375	\$11,169,073	11,646.5
Workload Adjustments						
Automated Collection Enhancement System (ACES) Continuation	—	—	—	2,559	251	17.1
Enrollment/Caseload/Population	—	357,485	135.7	—	789,032	220.7
Employee Compensation/Retirement	1,985	13,792	—	2,215	15,290	—
Expiring Programs or Positions	—	-442	—	-8,	- ,765	-74 9
One-Time Cost Reductions	—	—	—	-7	-14,560	—
Full-Year Cost of New Programs	—	—	—	—	10,041	—
Other Workload Adjustments	-79	18,672	-25 5	24	28,827	- 4
Totals, Workload Adjustments	\$1,195	\$389,507	110.2	-\$3,420	\$817,116	150.5
Policy Adjustments						
Economic Employment and Enforcement Coalition Continuation	—	—	—	—	6,031	52.2
Other Policy Adjustments	—	—	—	—	417	0.9
Totals, Policy Adjustments	\$0	\$0	—	\$0	\$6,448	53.1
Total Adjustments	\$1,195	\$389,507	110.2	-\$3,420	\$823,564	203.6
udget Prior to Reductions	\$104,570	\$11,558,580	11,756.7	\$99,955	\$11,992,637	11,850.1
udget-Balancing Reductions^{1/}	-\$ 50	\$0	- 8	-\$,055	-\$	-16 4
Governor's Budget	\$104,420	\$11,558,580	11,754.9	\$97,900	\$11,992,437	11,833.7

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- Automated Collection Enhancement System—The Governor's Budget includes \$2.8 million (\$2.6 million General Fund) and 17.1 positions for the continuation of the Employment Development Department's (EDD) Automated Collection Enhancement System (ACES), which will improve the EDD's ability to track, collect, and audit the payment of specified employer payroll taxes, including the personal income tax withholding. When implemented, this system is anticipated to increase state revenues.
- October Revise—The Governor's Budget includes an increase of \$753 million (various special funds) in benefit payments. This increase reflects the net total local assistance dollars that are identified in the EDD's 2007 October Revise, which are Unemployment Insurance, Disability Insurance, School Employees Fund programs, and the available Workforce Investment Act funds. In addition, an increase of \$35.9 million and 220.7 positions in state operations is proposed for the various employment assistance payments that EDD administers.
- Electronic Adjudication Management System—The Governor's Budget provides \$9.7 million (Workers' Compensation Administration Revolving Fund) to support continued development of a paperless case management and automated calendaring system for the Division of Workers' Compensation in the Department of Industrial Relations (DIR).

PROPOSED BUDGET-BALANCING REDUCTIONS

- Total budget-balancing reductions for LWDA amount to \$150,000 and 1.8 positions in 2007-08 and \$2.1 million and 16.4 positions in 2008-09. These reductions do not require statutory changes.
- Programs exempted from reductions include tax collection activities of the EDD and General Fund revenue producing activities in the DIR.
- The major reductions are described below:
 - \$246,000 and 2.3 positions in 2008-09 for EDD Administrative Support and the Unemployment Insurance Appeals Board. This reduction will result in a minimal delay in audit appeals.

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- \$150,000 and 1.8 positions in 2007-08 and \$515,000 and 3.7 positions in 2008-09 for the Agricultural Labor Relations Board. These reductions will delay claims processing, investigations, and litigation of unfair labor practices cases.
- \$1.3 million and 9.5 positions in 2008-09 for DIR programs including Self-Insurance Plans, Mediation and Conciliation, Occupational Safety and Health Appeals Board, Occupational Safety and Health Standards Board, Division of Labor Statistics and Research, and Administrative Support. These reductions will reduce appeals hearings, delay implementation of regulations, and eliminate the publication of apprenticeship prevailing wage determinations.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Despite the need for significant General Fund reductions to ensure a balanced budget, the Governor's Budget includes the following major program enhancement for the LWDA:

ECONOMIC AND EMPLOYMENT ENFORCEMENT COALITION

The Governor's Budget proposes continuation of the Economic and Employment Enforcement (Triple E) Coalition. More progress needs to be made in combating the underground economy so that legitimate employers and their employees can compete on a level playing field. To that end, the Governor's Budget includes \$6.9 million (various special funds) and 62.6 positions for these enforcement agencies to continue the successful partnership that began in 2005.

The partnership draws upon individual expertise to identify the worst offenders for targeted workplace enforcement actions throughout the state. In addition to enforcement activities, the Triple E Coalition also engages in outreach and education so

TRIPLE E COALITION

The Triple E Coalition was established in 2005 to combat the underground economy through a partnership of agencies that enforce California's labor, employment tax, and licensing laws. These agencies include:

- Labor and Workforce Development Agency
- Department of Industrial Relations
- Employment Development Department
- Contractors' State License Board

that employers are provided with the information and assistance necessary to become legitimate and compliant businesses.

The underground economy undercuts the ability of legitimate businesses to compete fairly in the statewide marketplace. These operators willfully disregard California's tax, labor, and licensing laws, and in doing so, harm businesses, place employees at risk, and weaken the state's progress toward economic stability. By avoiding legal requirements, these underground operations carry much lower overhead costs giving them an unfair competitive advantage at the expense of businesses that play by the rules. Workers also pay a high price for the existence of these illegal operations. Finally, consumers are exposed to potential financial losses and even physical danger when they obtain services from unlicensed contractors and other service providers.

Since its inception, the Triple E Coalition has inspected nearly 3,000 businesses and issued over 9,000 citations and assessments. The Coalition has also identified close to \$110 million in unreported wages and assessed over \$17 million in unpaid employment taxes. Finally, 58 cases that were referred to the District Attorney's Office have resulted in criminal convictions.

During the next two years, the agencies involved in the Triple E Coalition will institute performance measures such as conducting surveys to assess the effectiveness of outreach efforts, instituting quarterly follow-up inspections for selected employers, and tracking the effectiveness of enhanced collection efforts implemented by the Coalition. This additional data is expected to provide key information to determine the ongoing effectiveness of the Triple E Coalition.