



May 14, 2020

Honorable Holly Mitchell, Chair  
Senate Budget and Fiscal Review Committee

Attention: Joe Stephenshaw, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant (2)

### **Amendments to Various Budget Bill Items and Statutory Changes, Support and Local Assistance, Labor and Workforce Development Agency**

On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19. The impact on the state has resulted in a severe drop in economic activity, with corresponding negative effects on anticipated revenues. As a result of these conditions, all budget change proposals were reevaluated within the context of a workload budget based on the merits of each proposal and ultimately subject to the availability of funding.

As a result, the Administration is withdrawing, without prejudice, specified requests within the Labor and Workforce Development Agency area that were included in the 2020-21 Governor's Budget. The Administration is also modifying specified requests in this area that were included in the 2020-21 Governor's Budget. Modifications could include either reductions or increases to specific items or programs, or delaying substantial implementation of a new program or activity. Withdrawn requests are included on **Attachment 1 (See row 1 and 2)**. Additional details on modified requests are listed below and on **Attachment 1 (See row 3 through 7)**. To the extent there are corresponding Budget Bill language or statutory changes to withdrawn or modified proposals, these are detailed in **Section 1 of Attachment 2**. Although these proposals have substantial merit and may be resubmitted for future consideration, we must pivot to prioritize immediate COVID-19 related needs.

As noted above, pursuant to Budget Letter 20-08, the Department of Finance conducted a thorough assessment of the most critical funding needs within the general framework of workload budget, as defined in Government Code Section 13308.05, and based upon revised expected revenues. This assessment not only resulted in the changes described in the preceding paragraph, but also requires a number of new adjustments and requests that are respectfully submitted and detailed below. Funding detail for these adjustments can be found in **Attachment 1 (See row 6 through 16)**, and any related Budget Bill or statutory language changes associated with these

adjustments can be found in **Section 2 of Attachment 2**. If necessary, additional information may be included in a Budget Change Proposal or other back-up documentation submitted to the Legislature.

Finally, after conducting a review of all 2020-21 Governor's Budget Proposals, a number of requests are being sustained. Funding detail for these adjustments can be found on **Attachment 1 (See row 17 through 77)**.

**Modified Governor's Budget Proposals:**

**Labor and Workforce Development Agency: Department of Better Jobs and Higher Wages**—It is requested that Item 0559-001-0001 be decreased by \$2,440,000, removing funding to establish the executive staff for the new Department and requiring departments to absorb this workload within existing resources. The May Revision continues to include statutory changes to consolidate the state's workforce programs under a new Department of Better Jobs and Higher Wages (**See row 3 of Attachment 1**).

**Department of Industrial Relations: Victims of Wage Theft**—It is requested that Item 7350-001-3004 be increased by \$3,336,000 and 20 positions and Item 7350-001-3152 be decreased by \$3,336,000 and 20 positions, withdrawing the proposal to shift expenditure authority from the Garment Industry Regulation Fund to the Labor Enforcement and Compliance Fund. It is also requested that the associated statutory changes be withdrawn. The May Revision continues to include Budget Bill language to authorize the transfer of the unencumbered balance of the Unpaid Wage Fund to the Department's three restitution funds if such funds are insolvent (**See row 4 of Attachment 1 and Section 1 of Attachment 2**).

**Labor and Workforce Development Agency: Labor Agency Strategic Outreach**—It is requested that item 7350-001-3078 be increased by \$188,000, modifying this proposal to provide \$20 million one-time Labor and Workforce Development Fund and Budget Bill language to allow for an extended liquidation and encumbrance date through June 30, 2023. This will provide the resources to implement an interagency strategy for much needed labor law outreach and education at this time, while making adjustments in light of new fiscal conditions. Modifying this proposal eliminates funding beginning in 2021-22 for labor law strategic outreach within the Secretary for Labor and Workforce Development Agency and within the Agricultural Labor Relations Board (**See rows 5 through 7 of Attachment 1 and Section 1 of Attachment 2**).

**New Requests for May Revision:**

**Labor and Workforce Development Agency: Labor and Workforce Development Fund Loan to the General Fund**—It is requested that \$107 million from the Labor and Workforce Development Fund be transferred to the General Fund. This fund has capacity to remain solvent without significant programmatic impact. (**See row 6 of Attachment 1 and Section 2 of Attachment 2**)

**Labor and Workforce Development Agency: Future of Work Reappropriation**—It is requested that Item 0559-490 be added to extend the liquidation period of funding in Item 0559-001-0001, Budget Act of 2019 to June 30, 2021, to secure contracted labor market research for a report to be completed by the Future of Work Commission. **(See row 7 of Attachment 1 and Section 2 of Attachment 2)**

**Employment Development Department: Disability Insurance Benefits**—It is requested that Item 7100-101-0588 be increased by \$1,547,402,000 to reflect a projected increase in benefit payments for the Disability Insurance and Paid Family Leave programs. Additionally, the benefit authority in fiscal year 2019-20 is increased by \$718,926,000. These increases are due to a projected increase in disability insurance benefit claims as a result of the COVID-19 pandemic. **(See row 8 of Attachment 1)**

**Employment Development Department: Disability Insurance Program Administration Resources**—It is requested that Item 7100-001-0588 be increased by \$21,576,000 and 169.5 positions to reflect projected workload increases due to increases in disability insurance benefit claims as a result of the COVID-19 pandemic. Additionally, the disability insurance administrative authority in 2019-20 is increased by \$12,156,000 and 98.3 positions. **(See row 9 of Attachment 1)**

**Employment Development Department: Unemployment Insurance Benefits**—It is requested that Items 7100-101-0871 and 7100-111-0890 each be increased by \$37,954,544,000 to reflect a projected increase in unemployment insurance benefit payments as a result of the COVID-19 pandemic. **(See row 10 of Attachment 1)**

**Employment Development Department: School Employees Fund Benefits**—It is requested that Item 7100-101-0908 be increased by \$116.2 million to reflect a projected increase in benefit payments from the School Employees Fund due to an increase in benefit payments as a result of school closures responding to the COVID-19 pandemic. Additionally, the School Employees Fund benefit authority in 2019-20 is increased by \$45,488,000. **(See row 11 of Attachment 1)**

**Employment Development Department: Unemployment Insurance Program Administration Resources**—It is requested that Item 7100-001-0870 be increased by \$126.3 million and 777.1 positions and Item 7100-011-0890 be increased by \$126.3 million to reflect federal funding increases and projected workload increases due to rising unemployment as a result of the COVID-19 pandemic. Additionally, the unemployment insurance administrative authority in 2019-20 is increased by \$104,187,000 and 1,032.2 positions. **(See row 12 of Attachment 1)**

**Employment Development Department: Workforce Innovation and Opportunity Act (WIOA)**—It is requested that Items 7100-001-0869 and 7100-021-0890 each be increased by \$2,477,000 to reflect an increase in discretionary funds from the federal allotment. This is a \$293,000 increase in WIOA discretionary administration funds, a \$3,559,000 increase of WIOA program funds, and a \$1,375,000 decrease in Rapid Response funding.

It is also requested that Items 7100-101-0869 and 7100-101-0890 each be increased by \$22,963,000 to align local assistance authority with current federal allotments for local area activities. Additionally, the local assistance authority in 2019-20 is increased by \$14,064,000. **(See row 13 of Attachment 1)**

**California Workforce Development Board: Workforce Innovation and Opportunity Act (WIOA)**—It is requested that Item 7120-001-0890 be increased by \$1.5 million to shift the federal fund authority for the Cross-System Analytics and Assessment for Learning and Skills Attainment (CAAL-Skills) data initiative from the Employment Development Department to the California Workforce Development Board to align the budget with the programs operational and managerial structure. CAAL-Skills captures data necessary to evaluate the effectiveness of workforce development initiatives pursuant to federal WIOA requirements. **(See row 14 of Attachment 1)**

If you have any questions or need additional information regarding this matter, please contact the appropriate Principal Program Budget Analyst for that subject matter area.

KEELY MARTIN BOSLER  
Director  
By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN  
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Anthony Portantino, Chair, Senate Appropriations Committee  
Attention: Mark McKenzie, Staff Director  
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee  
Attention: Kirk Feely, Budget Fiscal Director  
Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
Attention: Jay Dickenson, Chief Consultant  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Cyndi Hillery, Budget Director  
Honorable Anna M. Caballero, Chair, Senate Budget and Fiscal Review Subcommittee No.4  
Honorable Jim Cooper, Chair, Assembly Budget Subcommittee No. 4  
Gabriel Petek, Legislative Analyst (4)  
Christopher W. Woods, Senate President pro Tempore's Office (2)  
Jason Sisney, Assembly Speaker's Office (2)  
Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office  
Alex Khan, Chief Consultant, Assembly Republican Leader's Office  
Julie Su, Secretary, Labor and Workforce Development Agency  
Jay Sturges, Assistant Secretary, Fiscal Policy, Labor and Workforce Development Agency  
Sharon Hilliard, Chief Deputy Director, Employment Development Department  
Tad Allred, Deputy Director, Administration Branch, Employment Development Department  
Caleb Horel, Chief, Fiscal Services, Employment Development Department  
Katie Hagen, Director, Department of Industrial Relations  
Victoria Hassid, Chief Deputy Director, Department of Industrial Relations  
Greg Edwards, Chief Financial Officer, Department of Industrial Relations

**GB WITHDRAWN ISSUES**

ROW	BU	Department	BR Title	General Fund BY	Other Funds BY	Positions BY	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
1	7350	Department of Industrial Relations	Electronic Adjudication Management System Modernization	--	-864,000	--	No	No	GM	AL	BU
2	7350	Department of Industrial Relations	Legal and Public Records Act Resources	--	-1,236,000	-7.0	No	No	GM	AL	BU
<b>Totals, GB Withdrawn Issues</b>				0	-2,100,000	-7.0					

**GB MODIFIED ISSUES**

ROW	BU	Department	BR Title	General Fund BY	Other Funds BY	Positions BY	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
3	0559	Secretary for Labor and Workforce Development Agency	Department of Better Jobs and Higher Wages	-2,440,000	--	-10.0	No	Yes	GM	AL	BU
4	7350	Department of Industrial Relations	Victims of Wage Theft	--	--	--	Yes	No	GM	AL	BU
5	0559	Secretary for Labor and Workforce Development Agency	Labor Agency Strategic Outreach	--	--	--	Yes	No	GM	AL	BU
6	7300	Agricultural Labor Relations Board	Labor Agency Strategic Outreach	--	--	-5.0	Yes	No	GM	AL	BU
7	7350	Department of Industrial Relations	Labor Agency Strategic Outreach	--	188,000	--	Yes	No	GM	AL	BU
<b>Totals, GB Modified Issues</b>				-2,440,000	188,000	-15.0					

**NEW MR BCP ISSUES**

ROW	BU	Department	BR Title	General Fund BY	Other Funds BY	Positions BY	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
8	0559	Secretary for Labor and Workforce Development Agency	Labor and Workforce Development Fund Loan to the General Fund	--	107,000,000	--	Yes	No	GM	AL	BU
9	0559	Secretary for Labor and Workforce Development Agency	Future of Work Reappropriation	500,000	--	--	Yes	No	GM	AL	BU
10	7100	Employment Development Department	May Revise: Disability Insurance Benefits	--	1,547,402,000	--	No	No	GM	AL	BU
11	7100	Employment Development Department	May Revise: Disability Insurance Program Administration Resources	--	21,576,000	169.5	No	No	GM	AL	BU
12	7100	Employment Development Department	May Revise: Unemployment Insurance Benefits	--	37,954,544,000	--	No	No	GM	AL	BU
13	7100	Employment Development Department	May Revise: School Employees Fund Benefits	--	116,200,000	--	No	No	GM	AL	BU
14	7100	Employment Development Department	May Revise: Unemployment Insurance Program Administration Resources	--	126,300,000	777.1	No	No	GM	AL	BU
15	7100	Employment Development Department	May Revise: Workforce Innovation and Opportunity Act (WIOA)	--	25,440,000	--	No	No	GM	AL	BU
16	7120	California Workforce Development Board	May Revise: Workforce Innovation and Opportunity Act (WIOA)	--	1,500,000	--	No	No	GM	AL	BU
<b>Totals, New MR BCP Issues</b>				500,000	39,899,962,000	946.6					

**GB SUSTAIN ISSUES**

ROW	BU	Department	BR Title	General Fund BY	Other Funds BY	Positions BY	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
17	0559	Secretary for Labor and Workforce Development Agency	Section 3.60 Pension Contribution Adjustment	18,000	27,000	--	--	--	GM	AL	BU
18	0559	Secretary for Labor and Workforce Development Agency	Budget Position Transparency	--	-308,000	-2.1	--	--	GM	AL	BU
19	0559	Secretary for Labor and Workforce Development Agency	Expenditure by Category Redistribution	--	308,000	--	--	--	GM	AL	BU

20	0559	Secretary for Labor and Workforce Development Agency	Allocation for Employee Compensation	26,000	57,000	--	--	--	GM	AL	BU
21	0559	Secretary for Labor and Workforce Development Agency	Allocation for Staff Benefits	12,000	26,000	--	--	--	GM	AL	BU
22	0559	Secretary for Labor and Workforce Development Agency	Allocation for Other Post-Employment Benefits	7,000	15,000	--	--	--	GM	AL	BU
23	7100	Employment Development Department	Implementation of Proposition 64: Cannabis Legalization Initiative	--	3,633,000	7	--	--	GM	AL	BU
24	7100	Employment Development Department	Accounting and Business Services Resources	--	3,000,000	--	--	--	GM	AL	BU
25	7100	Employment Development Department	October Revise: Disability Insurance Benefits	--	1,117,066,000	--	--	--	GM	AL	BU
26	7100	Employment Development Department	October Revise: Unemployment Insurance Benefits	--	279,230,000	--	--	--	GM	AL	BU
27	7100	Employment Development Department	October Revise: Unemployment Insurance Program Administration Resources	-2,500,000	1,000,000	-12.5	--	--	GM	AL	BU
28	7100	Employment Development Department	October Revise: School Employees Fund Benefits	--	--	--	--	--	GM	AL	BU
29	7100	Employment Development Department	Nonindustrial Disability Insurance Program Reimbursement Technical Adjustment	--	1,500,000	--	--	--	GM	AL	BU
30	7100	Employment Development Department	October Revise: Disability Insurance Program Administration Resources	--	5,437,000	34.9	--	--	GM	AL	BU
31	7100	Employment Development Department	Section 3.60 Pension Contribution Adjustment	3,435,000	5,373,000	--	--	--	GM	AL	BU
32	7100	Employment Development Department	Benefit Systems Modernization	23,000,000	23,000,000	147.5	--	--	GM	AL	BU
33	7100	Employment Development Department	Worker Status: Employees and Independent Contractors (AB 5)	3,359,000	--	--	--	--	GM	AL	BU
34	7100	Employment Development Department	Allocation for Employee Compensation	7,985,000	12,492,000	--	--	--	GM	AL	BU
35	7100	Employment Development Department	Allocation for Staff Benefits	4,380,000	6,855,000	--	--	--	GM	AL	BU
36	7100	Employment Development Department	Allocation for Other Post-Employment Benefits	2,298,000	3,593,000	--	--	--	GM	AL	BU
37	7100	Employment Development Department	Paid Family Leave Small Business Grant	1,000,000	--	--	--	--	GM	AL	BU
38	7100	Employment Development Department	Cannabis Employee Compensation and Benefits Technical Adjustment	--	-11,000	--	--	--	GM	AL	BU
39	7100	Employment Development Department	Technical Adjustment to Align Program Expenditures for IT Class Consolidation	--	--	--	--	--	GM	AL	BU
40	7100	Employment Development Department	Local Assistance Realignment	--	--	--	--	--	GM	AL	BU
41	7100	Employment Development Department	Budget Position Transparency	--	21,114,000	-36.9	--	--	GM	AL	BU
42	7100	Employment Development Department	Expenditure by Category Redistribution	--	-21,114,000	--	--	--	GM	AL	BU
43	7100	Employment Development Department	SWCAP Apportionment	--	-603,000	--	--	--	GM	AL	BU
44	7120	California Workforce Development Board	Section 3.60 Pension Contribution Adjustment	7,000	53,000	--	--	--	GM	AL	BU
45	7120	California Workforce Development Board	Allocation for Employee Compensation	11,000	71,000	--	--	--	GM	AL	BU
46	7120	California Workforce Development Board	Allocation for Staff Benefits	11,000	31,000	--	--	--	GM	AL	BU
47	7120	California Workforce Development Board	Allocation for Other Post-Employment Benefits	3,000	23,000	--	--	--	GM	AL	BU

48	7120	California Workforce Development Board	Technical Baseline Adjustments	--	-1,000	--	--	--	GM	AL	BU
49	7120	California Workforce Development Board	Entrepreneurship Pathways Grant Program	10,000,000	--	--	--	--	GM	AL	BU
50	7120	California Workforce Development Board	SWCAP Apportionment	--	49,000	--	--	--	GM	AL	BU
51	7300	Agricultural Labor Relations Board	Section 3.60 Pension Contribution Adjustment	87,000	11,000	--	--	--	GM	AL	BU
52	7300	Agricultural Labor Relations Board	Allocation for Employee Compensation	165,000	20,000	--	--	--	GM	AL	BU
53	7300	Agricultural Labor Relations Board	Allocation for Staff Benefits	84,000	11,000	--	--	--	GM	AL	BU
54	7300	Agricultural Labor Relations Board	Allocation for Other Post-Employment Benefits	45,000	5,000	--	--	--	GM	AL	BU
55	7300	Agricultural Labor Relations Board	Budget Position Transparency	-46,000	-6,000	-0.5	--	--	GM	AL	BU
56	7300	Agricultural Labor Relations Board	Expenditure by Category Redistribution	46,000	6,000	--	--	--	GM	AL	BU
57	7320	Public Employment Relations Board	Section 3.60 Pension Contribution Adjustment	138,000	--	--	--	--	GM	AL	GBN
58	7320	Public Employment Relations Board	Allocation for Employee Compensation	260,000	--	--	--	--	GM	AL	GBN
59	7320	Public Employment Relations Board	Allocation for Staff Benefits	134,000	--	--	--	--	GM	AL	GBN
60	7320	Public Employment Relations Board	Allocation for Other Post-Employment Benefits	66,000	--	--	--	--	GM	AL	GBN
61	7320	Public Employment Relations Board	Budget Position Transparency	-813,000	--	-2	--	--	GM	AL	GBN
62	7320	Public Employment Relations Board	Expenditure by Category Redistribution	813,000	--	--	--	--	GM	AL	GBN
63	7350	Department of Industrial Relations	Division of Workers' Compensation Security Upgrades	--	2,283,000	--	--	--	GM	AL	BU
64	7350	Department of Industrial Relations	Financial and Administrative Compliance	--	8,670,000	32.5	--	--	GM	AL	BU
65	7350	Department of Industrial Relations	Wage Claim Adjudication Support to Decrease Claim Processing Times	--	2,348,000	15.0	--	--	GM	AL	BU
66	7350	Department of Industrial Relations	Occupational Safety and Health Appeals Board Resources	--	461,000	2.0	--	--	GM	AL	BU
67	7350	Department of Industrial Relations	Amusement Ride and Tramway Unit Resources	--	571,000	3.0	--	--	GM	AL	BU
68	7350	Department of Industrial Relations	Worker Status: Employees and Independent Contractors (AB 5)	--	17,538,000	103.5	--	--	GM	AL	BU
69	7350	Department of Industrial Relations	Enhanced Enforcement Compliance (Various Legislation)	--	3,324,000	15.5	--	--	GM	AL	BU
70	7350	Department of Industrial Relations	Section 3.60 Pension Contribution Adjustment	--	4,471,000	--	--	--	GM	AL	BU
71	7350	Department of Industrial Relations	Allocation for Employee Compensation	--	9,250,000	--	--	--	GM	AL	BU
72	7350	Department of Industrial Relations	Allocation for Staff Benefits	--	4,734,000	--	--	--	GM	AL	BU
73	7350	Department of Industrial Relations	Allocation for Other Post-Employment Benefits	--	2,640,000	--	--	--	GM	AL	BU
74	7350	Department of Industrial Relations	Budget Position Transparency	--	-11,985,000	-89.5	--	--	GM	AL	BU
75	7350	Department of Industrial Relations	Expenditure by Category Redistribution	--	11,985,000	--	--	--	GM	AL	BU



76	7350	Department of Industrial Relations	Attorney General Services Rate Increases	--	189,000	--	--	--	GM	AL	BU
77	7350	Department of Industrial Relations	SWCAP Apportionment	--	-209,000	--	--	--	GM	AL	BU
<b>Totals, New MR BCP Issues</b>					54,031,000	1,518,233,000	217.4				

## **Section 1**

### **Provisional and statutory changes for withdrawn and modified Governor's Budget proposals:**

1. *Labor and Workforce Development Agency: Labor Agency Outreach Strategic Outreach* **(See rows 5 through 7 of Attachment 1)**. To effectuate the modification of this proposal, the following Budget Bill language changes are necessary:

Add Provision 2 to Item 0559-001-3078:

2. Of the amount appropriated in this item, \$6,704,000 shall be expended to implement an interagency labor law education and outreach strategy. The amount allocated shall be available for encumbrance or expenditure until June 30, 2023.

Add Provision 2 to Item 7300-001-3078:

2. Of the amount appropriated in this item, \$551,000 shall be expended to implement an interagency labor law education and outreach strategy. The amount allocated shall be available for encumbrance or expenditure until June 30, 2023.

Add Provision 1 to Item 7350-001-3078:

1. Of the amount appropriated in this item, \$12,745,000 shall be expended to implement an interagency labor law education and outreach strategy. The amount allocated shall be available for encumbrance or expenditure until June 30, 2023.

2. *Department of Industrial Relations: Victims of Wage Theft* **(See row 4 of Attachment 1)**. To effectuate the withdrawal of this proposal, the following statutory changes are necessary:

Withdraw proposed statutory changes as identified in RN 20 08877, dated February 18, 2020.

**Section 2**

**Budget Bill language changes for new May Revision Budget Change Proposals:**

1. *Labor and Workforce Development Agency: Future of Work Reappropriation (See row 9 of Attachment 1)*. Add the following item:

0559-490—Reappropriation, Labor and Workforce Development Agency. The amount specified in the following citations are reappropriated for administrative costs and shall be available for encumbrance or expenditure until June 30, 2021:

0001—General Fund

(1) \$500,000 in Item 0559-001-0001, Budget Act of 2019

2. *Labor and Workforce Development Agency: Labor and Workforce Development Fund Loan to the General Fund (See row 8 of Attachment 1)*. Add the following item:

0559-011-3078—For transfer by the Controller, upon order of the Department of Finance, from the Labor and Workforce Development Fund, to the General Fund..... (107,000,000)

Provisions:

1. The Department of Finance may transfer up to \$107,000,000 as a loan to the General Fund. The Department of Finance shall order the repayment of all or a portion of the loan if it determines that either of the following circumstances exists: (a) the fund or account from which the loan was made has a need for the moneys, or (b) there is no longer a need for the moneys in the fund or account that received the loan. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer.