

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 27, 2011
POSITION: Oppose

BILL NUMBER: AB 391
AUTHOR: R. Pan
RELATED BILLS: AB 1827 (2009-10)
AB 857 (2009-10)

BILL SUMMARY: Workforce Development: One-Stop Career Centers

This bill would require the Employment Development Department (EDD), by July 1, 2012, to provide in person unemployment benefit assistance in five one-stop job service centers located in different workforce development areas and that these services be funded through existing moneys available for the administration of the unemployment insurance program.

FISCAL SUMMARY

The EDD estimates it would need 25 Employment Program Representatives and 3 Employment Program Managers to provide in-person services at one-stop career centers at an annual cost of \$3.0 million in 2012-13 (including one-time costs of \$182,000 for equipment). Annual ongoing costs through December 2015 would be \$2.8 million. Unknown additional costs would also be incurred for renegotiated leases and remodeling needs at the affected one-stops. This funding would come from redirected federal Unemployment Administration Fund currently being used to support Unemployment Insurance (UI) call center and adjudication services. Total costs represent approximately 1 percent of the total administrative grant funds (\$363 million) awarded to California in 2010.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the Original version include the following significant amendment which does not change our position:

- The EDD would be required to provide in person unemployment benefit assistance in a total of five one-stop job service centers throughout the state rather than in one service center in each of the 49 workforce development areas.

COMMENTS

The Department of Finance is opposed to this bill because it would result in an inefficient use of limited UI resources, resulting in reduced service levels to unemployed workers. In addition, it would result in significant one-time costs for a temporary expansion to locate EDD staff in five workforce investment areas.

The federal government has historically underfunded the costs for the administration of the UI system. In response to limited resources, EDD was forced to make the most efficient use of its funding and approximately ten years ago shifted from a decentralized in-person service model to a centralized call center model with additional self-service access options. This model allows EDD to invest more in personnel services and less in building leases and associated costs.

(continued)

Analyst/Principal Date Program Budget Manager Date
(0242) J. Sturges Lisa Ann L. Mangat

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

R. Pan

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Comments (continued)

Even a partial return to a decentralized service model would result in the following inefficiencies:

- Impossible to have a perfect distribution of service representatives at the one-stop due to day to day variances in one-stop traffic. Employees at one career center may be left idle, while another is unable to meet the walk-in demand.
- Need to acquire additional leased space.
- Redesign one-stops to provide for customer service privacy for UI claimants.
- Impossible to serve all non-English speakers with the limited UI staff at one-stops.

This bill would require the Employment Development Department (EDD), by July 1, 2012, to provide in person unemployment benefit assistance in five one-stop job service centers located in different workforce development areas. This bill would specify that these services be funded through existing moneys available for the administration of the unemployment insurance program. Finally, these provisions would sunset on December 31, 2015.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)									
	SO	LA	(Dollars in Thousands)							
	CO	PROP	2011-2012		2012-2013		2013-2014		Code	
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	0870	
7100/EDD	SO	No		--	C	\$2,982	C	\$2,800	0870	
<u>Fund Code</u>	<u>Title</u>									
0870	Unemployment Administration Fund									