California Labor and Workforce Development Agency

EDD Employment Development Department
State of California

Edmund G. Brown Jr.
Governor

October 28, 2014

The Honorable Mark Leno, Chair
California Joint Legislative Budget Committee
California State Senate
State Capitol, Room 5100
Sacramento, CA 95814

The Honorable Nancy Skinner, Vice Chair
California Joint Legislative Budget Committee
California State Assembly
State Capitol, Room 6026
Sacramento, CA 95814

Dear Senator Leno and Assemblymember Skinner:

The Employment Development Department (EDD) is submitting the enclosed report for the time period April 2012 through December 2013, to the California Joint Legislative Budget Committee in accordance with the reporting directive pursuant to Section 70 of Senate Bill 856 (Chapter 719, Statutes of 2010). This report provides the final summary of the implementation of the Alternate Base Period program.

If you have any questions or need additional information, please contact Gregory Riggs, Deputy Director of the Policy, Accountability and Compliance Branch at (916) 654-7014.

Sincerely,

PATRICK W. HENNING, JR.
Director

Enclosure

cc: Gregory Riggs, Employment Development Department

P.O. Box 826880 • Sacramento CA 94280-0001 • www.edd.ca.gov

Employment Development Department
State of California

ALTERNATE BASE PERIOD LEGISLATIVE REPORT

Final Report to the
Joint Legislative Budget Committee

Covering
April 2012–December 2013

Employment Development Department

EXECUTIVE SUMMARY

In response to the economic downturn and record high unemployment in California, the Legislature passed Assembly Bill (AB) X3 29 (Chapter 23, Statutes of 2009, Third Extraordinary Session), which required the Employment Development Department (EDD) to implement the Alternate Base Period (ABP) project to expand existing Unemployment Insurance (UI) eligibility rules and processes for those claimants who cannot qualify for benefits within the traditional base period. The Legislature passed AB 119 (Chapter 31, Statutes of 2011) as part of the 2011 Budget Act, which required the EDD to implement ABP by April 2, 2012.

The EDD submitted a Special Project Report (SPR) to the California Technology Agency (CTA), as a result of changes in the project schedule and costs exceeding 10 percent from the approved 2009 Project Summary Package. The ABP SPR was approved on March 11, 2011, by the CTA and the project was implemented within schedule and budget as documented in the SPR.

The ABP project depended on the completion of the Single Client Database Modernization project, a significantly complex database conversion effort, which was successfully implemented on November 27, 2011.

INTRODUCTION

This legislatively mandated report provides the final summary of the ABP project to the Joint Legislative Budget Committee pursuant to Section 70 of Senate Bill 856 (Chapter 719, Statutes of 2010).

This report fulfills the above statutory requirement and provides the following information:

- Background information, including a brief discussion on:
  - UI program implications of the legislation
  - Federal economic stimulus dollars implications

- ABP project information, including:
  - Workload Statistics
  - High-level Milestones
  - Expenditure Summary Data
  - Summary

BACKGROUND INFORMATION

UI Program Implications of the Legislation
AB X3 29 (Chapter 23, Statutes of 2009, Third Extraordinary Session) required the EDD to expand existing UI eligibility rules and processes to consider wages earned in the most recently completed calendar quarter at the time the claim is filed and to determine monetary eligibility for UI benefits. Historically, only wages earned in the first four of the five most recently completed calendar quarters are considered to determine monetary UI eligibility. The ABP method allows unemployed persons who do not have sufficient wages in their regular base period to qualify for a claim, by considering wages earned in the four most recent completed calendar quarters.

Federal Economic Stimulus Dollars Implications
On June 15, 2011, the U.S. Department of Labor certified the application submitted by EDD, for Unemployment Compensation Modernization incentive funds, making the full $839 million available to California. Assembly Bill 112 (Chapter 30, Statutes of 2011) was enacted in June 2011 to allow the EDD to utilize $48 million of the incentive funds for processing the claims workload associated with the ABP. The bill stated that the funds are available for three years, from July 1, 2012 to June 30, 2015. The remaining $791 million of incentive funds were used to offset borrowed federal funds used to support the UI benefit costs since the UI Trust Fund is insolvent.

ABP WORKLOAD STATISTICS

Time Period	Total Valid Claims	Invalid Standard Base Period Claims	ABP Claims Established at Claim Filing Point	ABP Claims Resulting from Wage Investigation	Total Valid ABP Claims	Benefits Paid Associated w/ABP Claims
Calendar Year 2012 (Beg. April 2012)	1,323,231	229,119	21,252	16,558	37,810	$36,629,784
Calendar Year 2013	1,676,053	273,998	30,731	20,865	51,596	$89,035,880
Grand Total	2,999,284	503,117	51,983	37,423	89,406	$125,665,664

"Total Valid Claims" reflects both Standard Base Period and ABP claims found valid at the claim filing point. A valid claim is when an individual has sufficient wages within the standard or alternate base periods to meet the monetary requirements to qualify for a claim. Employers are not required to report wages until the end of the first month following the end of a quarter for which the wages are earned. However, employers may elect to report wages earlier. As a result, the EDD is able to determine eligibility at the claim filing point for some ABP claims without conducting a wage request investigation from employers and claimants.

"Invalid Standard Base Period Claims" are claims with insufficient wages to meet the monetary requirements for UI benefits using the Standard Base Period. However, using the ABP instead may allow some of these claims to meet the monetary requirements to qualify for UI benefits. As stated, a total of 89,406 claims met the statutory monetary requirements to qualify for a claim using the ABP from April 2012 through December 31, 2013, representing approximately three percent of the total

valid claims. Of the total valid ABP claims, 51,983 claims had sufficient wages in the ABP to meet the monetary requirements without additional wage data from employers or claimants. The remaining 37,423 claims met the monetary requirements to qualify for a claim using the ABP, but only after requesting proof of wages from the employers and claimants.

ABP PROJECT MILESTONES

Milestones	Projected Start Date	Projected End Date	Status
Initiation Activities	May 2009	June 2009	Complete
Planning Activities	July 2009	February 2011	Complete
Requirements Gathering, Test Plans and Development	July 2009	July 2011	Complete
Executing Activities: Programming, Testing, Implementation	April 2010	March 2012	Complete
Project Closeout Activities	April 2012	July 2013	Complete

PROJECT EXPENDITURE SUMMARY DATA

ABP Expenditures					
Category	SPR Budget[1]	Expenditures	Total Project Budget[2]	Total Project Expenditures[3]	Total Project Variance
ABP Project – State Fiscal Year 11/12	$9,109,442	$8,488,170			
ABP Project – State Fiscal Year 12/13	$2,516,457	$3,947,868			
Grand Total	$11,625,899	$12,436,038	$19,425,732	$17,327,861	$2,097,871

SUMMARY

The ABP method of determining eligibility is benefiting unemployed individuals who do not have sufficient wages in their Standard Base Period to qualify for a claim thereby providing a partial wage replacement to unemployed individuals who entered the labor market recently prior to becoming unemployed. In fact, over 37,810 were eligible the first year and over 51,596 unemployed individuals were eligible the second year. From April 2012 through December 31, 2012, over $36.6 million in benefits were paid associated with an ABP claim and in Calendar Year 2013, over $89.0 million in benefits were paid associated with an ABP claim. During this two-year period, 89,406 unemployed individuals have benefited from an ABP claim with 51,983 or 58 percent able to establish an ABP claim at the claim filing point while another 37,423 or 42 percent required additional wage data from employers.

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[1] The budget figures displayed are from the SPR. These amounts displayed do not represent the total project costs from inception.

[2] Total Project Budget reflects the total budget as stated in the SPR for State Fiscal Year 08/09 through State Fiscal Year 13/14 one-time and continuing.

[3] Total Project Expenditures include State Fiscal Year 08/09 through State Fiscal Year 13/14 one-time and continuing.