CALIFORNIA STATE AUDITOR
Elaine M. Howle, State Auditor
FACT SHEET

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The California State Auditor released the following report today:

Employment Development Department

Its Unemployment Program Has Struggled to Effectively Serve California's Unemployed in the Face of Significant Workload and Fiscal Challenges

BACKGROUND

Unemployed workers (claimants) who meet certain requirements find temporary financial assistance through the unemployment insurance program (unemployment program). Administered by the Employment Development Department (department), the unemployment program is financed by employers who pay state unemployment taxes. A federal unemployment tax goes directly to the federal government to pay for administering the unemployment program. The combination of the rising unemployment rate—132 percent from June 2007 to June 2010—and the 148 percent increase in the number of claims the department processed over the same time period, were two reasons why, in January 2009, the State's Unemployment Fund became insolvent. To continue making benefit payments, the department obtained loans from the federal government. However, this outstanding loan balance could ultimately cost California employers an estimated $6 billion annually.

KEY FINDINGS

Our review of the department's administration of the unemployment program, revealed the following:

- Due to its prolonged poor performance related to core measures, the United States Department of Labor (federal labor department) designated California as an "At Risk" state. From 2002 to 2011, the department did not meet acceptable performance levels as set by the federal labor department.
  - ✓ It failed to make timely first payments to claimants—in 2007 the department was making fewer than 80 percent of its first payments within 14 days of the first allowable week and only reached this goal 62 percent of the time in 2010.
  - ✓ It did not determine whether a claimant could receive benefits within 21 days from when it detected issues—by 2010 only 43 percent of these determinations were made timely.
- Recently, the department improved its performance when it increased the number of staff and allowed overtime. However, most of its long-term corrective actions have not improved its ability to issue timely first payments or promptly determine eligibility.
  - ✓ Only one of its nine major information technology projects has been fully implemented and is available to claimants.
  - ✓ Two other projects may ultimately improve the department's performance, but have not been implemented.
  - ✓ Despite developing a new phone system to increase the public's access to unemployment services, callers may continue to experience difficulties in reaching agents.
- The State may risk forfeiting $839 million in federal stimulus funds if the department does not implement, by September 2012, certain changes to its base period that could allow additional claimants to qualify for benefits.
- The department has taken an average of four or more weeks to determine if a claimant is eligible for the California Training Benefits program (training benefits program), during which time the claimant did not receive unemployment benefits.

KEY RECOMMENDATIONS

We made numerous recommendations to the department, including the following:

- Enhance its corrective action planning process to improve the unemployment program by identifying those actions that address timeliness measures, developing specific milestones for corrective action, and establishing key performance benchmarks.
- Assess its more robust management information now available to develop strategies and measurable goals related to limiting calls that require agent intervention and to ensure callers are able to access the voice response portion of the new phone system.
- Maximize federal funding by closely monitoring its resources and project schedule to avoid delays in implementing the alternate base period by the federal deadline.
- Better track and improve timeliness and assist claimants in understanding requirements to enroll in the training benefits program.

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