12-0823

ALTERNATE BASE PERIOD

LEGISLATIVE REPORT

Quarterly Report to the
Joint Legislative Budget Committee
April 2012 – June 2012

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), 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 EDD to implement ABP by April 2, 2012.

The EDD submitted a Special Project Report (SPR) to the California Technology Agency (Technology Agency), 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 Technology Agency 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 status on the progress of the ABP project to the Joint Legislative Budget Committee for calendar quarter April 2012 through June 2012. Specifically, Section 70 of Senate Bill 856 (Chapter 719, Statutes of 2010):

> *"The Employment Development Department, until September 3, 2013, shall report to the Joint Legislative Budget Committee, no less than quarterly, on the progress and effectiveness of implementation of the alternative base period program prescribed in Sections 1275, 1277.1, 1277.5, and 1329.5 of the Unemployment Insurance Code."*

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
  - Statistical reporting on ABP claims

- ABP project status information, including:
  - Milestones
  - April 2012 – June 2012 accomplishments and progress
  - July 2012 – September 2012 critical project activities
  - Expenditure data

BACKGROUND INFORMATION

UI Program Implications of the Legislation

AB X3 29 (Chapter 23, Statutes of 2009) required 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, 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. The EDD estimates approximately 26,000 unemployed individuals would be potentially eligible for UI benefits under an ABP. It is estimated that these claimants represent approximately one percent of all projected new claimants. About $69 million in additional UI benefits would be paid to individuals qualifying under an ABP, which is less than one percent of the total benefits paid.

Federal Economic Stimulus Dollars Implications

On June 15, 2011, the Department of Labor certified the application submitted by EDD, for Unemployment Compensation Modernization incentive funds, making the full $839 million available to California.

AB 112 (Chapter 30, Statutes of 2011) was enacted in June 2011 to allow EDD to utilize $48 million of the incentive funds for processing the claims workload associated with the ABP. The bill states that the funds are available for three years, from July 1, 2012 to June 30, 2015. The remaining $791 million of incentive funds was used to offset borrowed federal funds used to support the UI benefit costs since the UI Trust Fund is insolvent.

Statistical Reporting of UI Claims

The following table provides information on ABP claims processed between April 17, 2012 and June 30, 2012.

Total Valid Claims	Invalid Standard Base Period Claims	Total Valid ABP Claims	Benefits Paid associated w/ ABP Claims
480,295	85,071	10,031	$3,394,187

"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 10,031 claimants were able to meet the statutory monetary requirements to qualify for a claim using the ABP, representing approximately two percent of the total valid claims. Of the total valid ABP claims, 6,068 claims had sufficient wages in the ABP to meet the monetary requirements without additional wage data from employers or claimants. The remaining 3,963 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.

The EDD will continue to provide more information and data about the number of Alternate Base Period claims in future reports.

ABP PROJECT STATUS INFORMATION

Milestones

Milestones	Projected Start Date	Projected End Date	Status
Initiation:			
• Develop Concept Statement	May 2009	May 2009	Complete
• Acquire Project Approval	Jun 2009	Jun 2009	Complete
• Assemble Project Team	Jul 2009	Jul 2009	Complete
Planning:			
• Coordination with program areas to engage business subject matter experts	Jul 2009	Aug 2009	Complete
• Develop Project Schedule	May 2009	Jun 2010	Complete
• Develop Project Plans	Nov 2009	May 2011	Complete
• Requirements Gathering	Jul 2009	Feb 2011	Complete
• Develop Test Plan	Sep 2009	Mar 2010	Complete
• Test Plan Updates	May 2010	Jun 2010	Complete
• Analysis and Design	Feb 2010	Jul 2011	Complete
• Develop Test Cases	Jun 2010	Jul 2011	Complete
Executing:			
• Programming	Apr 2010	Feb 2012	Complete
• Testing	Jun 2011	Mar 2012	Complete
• Implementation	Mar 2012	Mar 2012	Complete
Closeout:			
• Project Closeout Activities	Apr 2012	Jul 2013	In Progress

April 2012 – June 2012 Accomplishments and Progress

The high-level accomplishments of EDD staff working in conjunction with vendor staff include:

- The project is operating successfully in production.
- Lessons learned sessions conducted.
- Documented lessons learned feedback.

July 2012 – September 2012 Critical Project Activities

- The ABP system is fully implemented and operational with no problems; the system is being fine-tuned to ensure the long-term sustainability of the new system as is typically done following implementation of new systems.
- Gather data and documents for the Post Implementation Evaluation Report.

Project Expenditure Data

ABP SFY 2011/12 Expenditures July 1, 2011 - June 30, 2012				
Category	**SFY 11/12 SPR Budget[1]**	**SFY 11/12 Expenditures[2]**	**SFY 11/12 Balance**	**Total Project Expenditures[3]**
Staffing	$2,318,311	$2,274,353	$43,958	$3,713,071
Hardware	$0	$19,563	-$19,563	$19,563
Software	$70,179	$0	$70,179	$150,983
Vendors				
Project Management	$638,880	$503,792	$135,088	$542,192
Independent Project Oversight	$21,538	$76,560	-$55,022	$89,320
Independent Verification and Validation	$116,923	$223,977	-$107,054	$246,597
Programming	$3,830,772	$3,700,788	$129,984	$5,175,017
Testing	$1,264,428	$1,300,220	-$35,792	$1,518,625
BCIS Configuration	$0	$0	$0	$0
Database Admin	$95,353	$101,899	-$6,546	$258,658
Total Vendors	**$5,967,894**	**$5,907,236**	**$60,658**	**$7,830,409**
OTech (Data Center Services)	$194,440	$3,319	$191,121	$3,679
Position Sensitive OE&E	$558,618	$88,006	$470,612	$315,844
Misc and Travel	$0	$202,108	-$202,108	$428,074
Total	**$9,109,442**	**$8,494,584**	**$614,858**	**$12,461,622**

[1]The Budget figures displayed are from the SPR. These amounts displayed do not represent the total project costs from inception.
[2]Expenditures include pending invoices for services rendered in SFY 2011-12.
[3]Total project expenditures column includes State Fiscal Year (SFY) 08/09, SFY 09/10, SFY 10/11, and SFY 11/12 one-time and continuing expenditures.