ALTERNATE BASE PERIOD

LEGISLATIVE REPORT

Quarterly Report to the
Joint Legislative Budget Committee
January 2011 – March 2011

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, which requires 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 legislation requires the ABP project implementation to be completed by April 2011. Trailer Bill Language adopted as part of the 2010 Budget Act extended this date to September 3, 2011.

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 ten percent from the Technology Agency approved 2009 Project Summary Package (PSP). The ABP SPR was approved on March 11, 2011 by the Technology Agency and the project is operating within the SPR schedule and budget. Trailer Bill Language for State Fiscal Year (SFY) 2011-12 is necessary to extend the ABP project implementation date to April 2012. The revised implementation date does not jeopardize California's ability to qualify for the $839 million in federal UI Modernization funds. The federal deadline to implement ABP in order to qualify for the funds is September 2012.

The ABP project necessitates a modernization of the EDD's current automated system to support the collection and storage of essential ABP wage information. The project directly depends on the completion of another major information technology (IT) project, the Single Client Database (SCDB) Modernization project, a significantly complex database conversion effort. The EDD submitted a SPR to the Technology Agency for the SCDB Modernization revising the project schedule and costs. The SPR was approved on March 11, 2011 by the Technology Agency and the project is operating within the SPR budget and schedule. The planned implementation date for the SCDB Modernization project is November 2011. As a result of the ABP project's dependency on the SCDB Modernization project the ABP's SPR implementation date is April 2012.

The EDD is committed to continuously manage the schedules of both projects and to ensure that California's ability to qualify for federal economic stimulus funds is not jeopardized. To this end, the following critical activities will continue:

- The EDD will aggressively manage the redirection of EDD staff with critical skills to the highest priority work.
- The EDD has executed additional contracts to assist EDD staff in completing the ABP and SCDB Modernization projects. The contractor staff is assisting EDD in programming, design, data conversion, testing, and project management activities.
- The SCDB Modernization project will continue to develop and utilize automated testing.

INTRODUCTION

This legislatively mandated report provides the status on the progress of the ABP project to the Joint Legislative Budget Committee for calendar quarter January 2011 through March 2011. Specifically, Section 70 of SB 856, a 2010 Budget Act Trailer Bill, states:

> *"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."*

Previously, this reporting requirement was included in AB X3 29 (Chapter 23, Statues of 2009), the date component of which has now been superseded by Section 70 of SB 856 (Chapter 719, Statues of 2010). This report fulfills the above statutory requirement and provides the following information:

- Background information includes a brief discussion on:
  - UI program implications of the legislation
  - IT implications of the legislation
    - Dependency on the SCDB Modernization project
    - IT resource management
    - ABP and SCDB modernization schedule and scope revisions
  - Schedule of management activities
    - Redirect staff
    - Hire contract staff
  - Federal economic stimulus dollars implications

- ABP project and SCDB Modernization project status information includes:
  - Milestones
  - Accomplishments and progress
  - April 2011 – June 2011 critical project activities
  - Expenditure data

BACKGROUND INFORMATION

UI Program Implications of the Legislation

The AB X3 29 requires the EDD to expand existing UI eligibility rules and processes to consider wages earned in the most recently completed calendar quarter 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 to determine eligibility will benefit unemployed persons that do not have sufficient wages in their regular base period to qualify for a claim. The ABP would consider 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. These claimants represent approximately one percent of all projected new claimants for calendar year 2009. 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 in 2009.

An ABP cannot be implemented without the development of an automated system to process the claims against the new base period options. This will be accomplished by implementation of the ABP project. However, an ABP implementation requires major changes to the EDD's automated systems supporting the UI program in order to add wages not yet recorded in the EDD's wage database. The existing Benefit Claim Inventory System will need to be replaced in order to allow the timely processing of ABP claims. The AB X3 29 also requires that these modifications be in effect by April 2011. The 2010 Budget Act extended the ABP implementation date to September 3, 2011. Additional Trailer Bill Language is necessary to extend the date to April 2012.

IT Implications of the Legislation

Dependencies on SCDB Modernization

The automated support of both the UI and State Disability Insurance (DI) programs center around the SCDB. The SCDB was implemented for the UI program in the 1990s and operates in dated and marginally supported software (Integrated Database Management System [IDMS]). The EDD has initiated a very complex and challenging project to modernize the SCDB by converting it to current technology (DB2 relational database). The ABP project has a long-term dependency upon the SCDB Modernization project for the collection and storage of the needed ABP wage information. The DI systems are also currently being updated under a date specific deliverable contract that is dependent on the completion of the SCDB Modernization project. The SCDB Modernization project is needed to provide a standardized foundation necessary for the ABP implementation and to more efficiently meet the challenges of future changes in both the UI and DI programs.

IT Resource Management

The number of high priority active projects that require modifications to the legacy programs, together with the challenge of the older program code and the limited amount of skilled staff available for the work, create a complexity in the project environment that the EDD has not experienced before. In the constant evaluation of priorities, the EDD is continually analyzing the impact to the systems that provide services to our customers. The EDD resources will continually be appropriately applied and managed to the highest priority work within EDD.

ABP and SCDB Modernization Scope and Schedule Revisions

The considerable project work to date has clearly demonstrated the project is significantly more complex and resource intensive than originally anticipated. The increase in project scope is a primary reason for the revised schedule for the SCDB Modernization project. These scope changes were detailed in the approved SPRs. Because of the project dependencies, the revision to the SCDB Modernization project schedule directly impacts the ABP project schedule.

Schedule Management Activities

The SCDB Modernization and ABP projects are on schedule based on the SPR schedules. The EDD is committed to aggressively managing the SCDB Modernization and ABP projects' schedule.

Federal Economic Stimulus Dollars Implications

The implementation of ABP, along with the enactment of two additional unemployment provisions into State law, will qualify California to receive $839 million in federal economic stimulus dollars from the American Recovery and Reinvestment Act (ARRA), Public Law 111-5. The $839 million in federal economic stimulus dollars could be used to pay benefits or to offset the amount of borrowed federal funds obtained to meet UI benefit payment obligations. To qualify for the additional federal economic stimulus dollars, the EDD must submit an application to the U.S. Department of Labor no later than August 22, 2011. Within 30 days of receipt of the application, California will be notified whether the State qualifies for the additional stimulus dollars. California would then have until September 21, 2012 to implement the ABP project. It should be recognized that the ABP SPR schedule does not jeopardize California's ability to qualify for the federal economic stimulus funds since California will still implement the ABP before the September 2012 deadline.

ABP PROJECT AND SCDB MODERNIZATION PROJECT STATUS INFORMATION

The implementation of the ABP project is dependent on the completion of the SCDB Modernization project. Because of this dependency, the status of the SCDB Modernization project is also discussed in this report and is presented first in each of the following sections.

Milestones

SCDB Modernization Project

Milestones	Projected Start Date	Projected End Date	Status
Initiation:			
• Develop Concept Statement	May 2009	May 2009	Complete
• Project Approval	Jun 2009	Jun 2009	Complete
• Identify Stakeholders and Confirm	May 2009	May 2010	Complete
• Finalize Project Charter	Jul 2009	Dec 2010	Complete
• Finalize Preliminary Scope Statement	Aug 2009	Apr 2010	Complete
• Project Kick-Off	Jul 2009	Jul 2009	Complete
Planning:			
• Sizing and scoping analysis tasks	Jul 2009	Aug 2010	Complete
• Finalize Project Scope Statement	Nov 2009	Mar 2011	Complete
• Assemble Project Team	Jun 2009	Jun 2009	Complete
• Baseline Project Schedule	Mar 2011	Mar 2011	Complete
Executing:			
• Procurement – software	May 2009	Jan 2010	Complete
• Execute contracts for contractor subject matter experts	Jun 2009	Sep 2009	Complete
• Application and conversion scope finalized	Oct 2009	Oct 2009	Complete
• DB2 database design finalized and first IDMS SCDB conversion complete	Nov 2010	Nov 2010	Complete
• Programming Modifications	Mar 2011	Aug 2011	In Progress
• System (Functional) Testing	Feb 2011	Sep 2011	In Progress
• Implementation	Nov 2011	Nov 2011	Not Started
Closeout:			
• Project Closeout Activities	Feb 2011	Feb 2012	Not Started

ABP Project

Milestones	Revised Projected Start	Revised End	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	In Progress
• 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	Apr 2011	In Progress
• Develop Test Cases	Jun 2010	Apr 2011	In Progress
Executing:			
• Programming	Apr 2010	Feb 2012	In Progress
• Testing	Jun 2011	Apr 2012	Not Started
• Implementation	Mar 2012	Apr 2012	Not Started
Closeout:			
• Project Closeout Activities	Apr 2012	Jun 2012	Not Started

January 2011 – March 2011 Accomplishments and Progress

SCDB Modernization Project

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

- Completed first iteration of the following tests
    - SQL/IO (the data layer) testing
    - Vendor touch testing
    - Component Integration Testing
- Successfully converted IDMS production-sized test files to DB2
- Planned for dry runs of the data conversion processing for the July 4th and Labor Day weekends
- Developed an Interface Test Plan
- Developing a Performance test plan for the project
- Continuing to review and improve the database design and structure
- Completed the design sessions with program staff to identify and develop test assets for the baseline set of converted code
- Developed an additional 220 functional test scripts
- Completed the second set of DB2 training sessions for the EDD developers
- Presented proposals for a 4-month EDD code freeze to management
- Completed procurements for the conversion vendor and the testing vendor
- Completed contract amendment for IBM services
- Developing procurement documents for IV&V and IPOC independent oversight contracts
- Started analysis of post-implementation risks, issues and opportunities
- Completed the SPR and acquired approval.

Alternate Base Period Project

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

- Completed procurement for the testing vendor
- Acquired approval of the modifications to the Wage verification form (DE1919)
- Submitted the Notice of Wages Used for Unemployment Insurance Claim form (DE 1545) and the Request for Proof of Wages Claimed form (DE 23) for approval
- Updated the project plans and submitted for approval
- Acquired approval of ABP requirements
- Continued the development of the wage tool requirements
- Continued the detailed analysis of the reporting and forms requirements
- Continued the development of the test scripts
- Continued the analysis of the pre-claim computation, claim filing, wages, and recomputation requests based on the updated requirements
- Continued the development of the traceability matrix
- Began the analysis of the Wage Tool and Benefit Claims Inventory System.
- Began the Non-Competitive Bid contract process for the Benefit Claims Inventory System (BCIS). Developed Statement of Work for BCIS
- Completed the SPR and acquired approval.

April 2011 – June 2011 Critical Project Activities

SCDB Modernization Project Upcoming Activities

The SCDB Modernization project will work on the following critical activities during the April 2011 – June 2011 quarter:

- Complete system online and batch system testing for the baseline iteration (full set of UI and DI code in production in May 2010)
- Collect the production code and related components which have been created or modified since May 2010 and send these to the conversion vendor
- Initiate performance testing
- Initiate development of the project implementation and maintenance plans.

ABP Project Upcoming Activities

The ABP project will work on the following critical activities during the April 2011 – June 2011 quarter:

- Acquire approval for the CA-PMM project plans
- Continue the programming of the claim filing, initial claim filing, wages, pre-claim computations and recomputation requests
- Continue developing test cases and test scripts in HP Quality Center.

Project Expenditure Data

SCDB Modernization Project

SCDB Modernization[1] SFY 2010/11 Expenditures July 1, 2010 - March 31, 2011				
Category	SFY 10/11 SPR Budget[2]	SFY 10/11 Expenditures	SFY 10/11 Balance	Total Project Expenditures[3]
Staffing	$3,011,321	$2,047,556	$963,765	$4,247,956
Software	$136,660	$29,061	$107,599	$5,012,454
Vendors		$0		
Project Management	$2,169,005	$855,185	$1,313,820	$1,418,941
Independent Project Oversight	$53,846	$0	$53,846	$0
Independent Verification and Validation	$292,308	$0	$292,308	$0
Programming	$3,710,036	$1,377,635	$2,332,401	$2,623,315
Testing	$4,761,646	$2,655,736	$2,105,910	$4,568,422
Data Conversion	$430,000	$217,961	$212,039	$217,961
Database Admin	$492,980	$142,686	$350,294	$431,730
Total Vendors	**$11,909,821**	**$5,249,203**	**$6,660,618**	**$9,260,369**
OTech (Data Center Services)	$1,837,677	$432,932	$1,404,745	$561,464
Position Sensitive OE&E	$757,229	$328,198	$429,031	$889,816
Total	**$17,652,708**	**$8,086,950**	**$9,565,758**	**$19,972,059**

ABP Project

ABP SFY 2010/11 Expenditures July 1, 2010 - March 31, 2011				
Category	SFY 10/11 SPR Budget[2]	SFY 10/11 Expenditures	SFY 10/11 Balance	Total Project Expenditures[3]
Staffing	$1,575,929	$702,892	$873,037	$1,146,196
Hardware	$287,461	$0	$287,461	$0
Software	$142,867	$7,265	$135,602	$848,359
Vendors				
Project Management	$381,920	$9,600	$372,320	$38,400
Independent Project Oversight	$13,462	$0	$13,462	$0
Independent Verification and Validation	$73,077	$0	$73,077	$0
Programming	$1,777,564	$453,537	$1,324,027	$551,027
Testing	$779,680	$156,688	$622,992	$218,405
BCIS Configuration	$500,000	$0	$500,000	$0
Database Admin	$127,138	$35,672	$91,466	$107,933
Total Vendors	**$3,652,841**	**$655,496**	**$2,997,345**	**$915,764**
OTech (Data Center Services)	$95,153	$52	$95,101	$353
Position Sensitive OE&E	$391,994	$151,223	$240,771	$259,844
Total	**$6,146,245**	**$1,516,928**	**$4,629,317**	**$3,170,516**

[1]The SCDB Modernization project is split funded 66% UI ARRA, 34% DI.
[2]The Budget figures displayed are from the SPR. These amounts displayed do not represent the total project costs from inception.
[3]Total project expenditures column includes SFY 08/09, SFY 09/10, and SFY 10/11 expenditures.