



## **August 2012 Summary** **(Updated on September 28, 2012)**

With the state and national economy still struggling to recover from a severe recession, demand for Unemployment Insurance (UI) benefits remains at high levels. The California Employment Development Department (EDD) has implemented several initiatives to increase access to UI services.

This update provides information on UI claims data and an overview of EDD's ongoing efforts to improve services.

### **Federal UI Extensions**

We are fast approaching the end of the federal extensions of UI benefits here in California. According to federal law, the last payable week ending date for all federal extensions is December 29, 2012. The maximum amount of benefits available in federal extensions is now up to 73 weeks of benefits depending on when a regular UI claim and extensions are filed.

As we get closer to the end of the year, eligible unemployed workers may not qualify for all the federal extensions. The majority of unemployed workers with a regular claim that qualified for 26 weeks of regular unemployment benefits, claimed full weeks of benefits since the start of their claims, and had no breaks in collecting benefits (i.e., returned to work) could anticipate the following based on when their regular claim started:

- For regular claims that started after June 2012, the majority of unemployed workers may not qualify for any federal extension benefits when their regular claim ends.
- For regular claims that started after January 2012, the majority of unemployed workers may potentially qualify for up to 20 weeks in Tier 1 when their regular claim ends but not the maximum benefits available in Tiers 2-4.
- For regular claims that started after October 2011, the majority of unemployed workers may potentially qualify for up to 20 weeks in Tier 1 and up to 14 weeks in Tier 2 when their regular claim ends but not the maximum benefits available in Tier 3 and Tier 4.
- For regular claims that started after August 2011, the majority of unemployed workers may potentially qualify for up to 20 weeks in Tier 1, up to 14 weeks in

Tier 2, and up to 9 weeks in Tier 3 when their regular claim ends but not the maximum benefits available in Tier 4.

- For regular claims that started after May 2011, the majority of unemployed workers may potentially qualify for up to 83 weeks available in Tier 1-4 when their regular claim ends.

A breakdown of benefit filing deadlines is available on EDD's Web site at:

[http://www.edd.ca.gov/Unemployment/Federal\\_Unemployment\\_Insurance\\_Extensions.htm](http://www.edd.ca.gov/Unemployment/Federal_Unemployment_Insurance_Extensions.htm)

## **Fiscal Year (FY) 2013 Base Grant Allocation**

On July 26, 2012, the United States Department of Labor released states' UI administrative grant allocations to operate the UI program. EDD's base allocation is \$345.7 million. This represents a reduction of approximately \$128.5 million, or 27 percent, of the requested amount to properly administer the UI program. This underfunding has led to reduced overtime hours and staff redirection from the UI Branch to other Branches within the EDD in order to avoid overspending in the UI program.

Additionally, the loss of productivity as a result of the recently implemented Personal Leave Program (PLP) 2012 will further impact our service levels. Customers are likely to experience more call blockage and so we highly encourage them to access the wealth of information we have on our EDD website as well as Facebook, Twitter and YouTube accounts and submit questions they may have online. The EDD continues to work diligently to improve services and to mitigate the underfunding and PLP impacts.

**Here are some data highlights from August 2012:**

### **Unemployment Rate**

In August 2012, the unemployment rate remained high at 10.6 percent, a decrease of 0.1 percentage points from the July 2012 rate of 10.7 percent. The most recent data indicates that approximately 900,000 people are currently claiming UI benefits. (Note: The September 2012 unemployment rate will be announced October 19, 2012.)

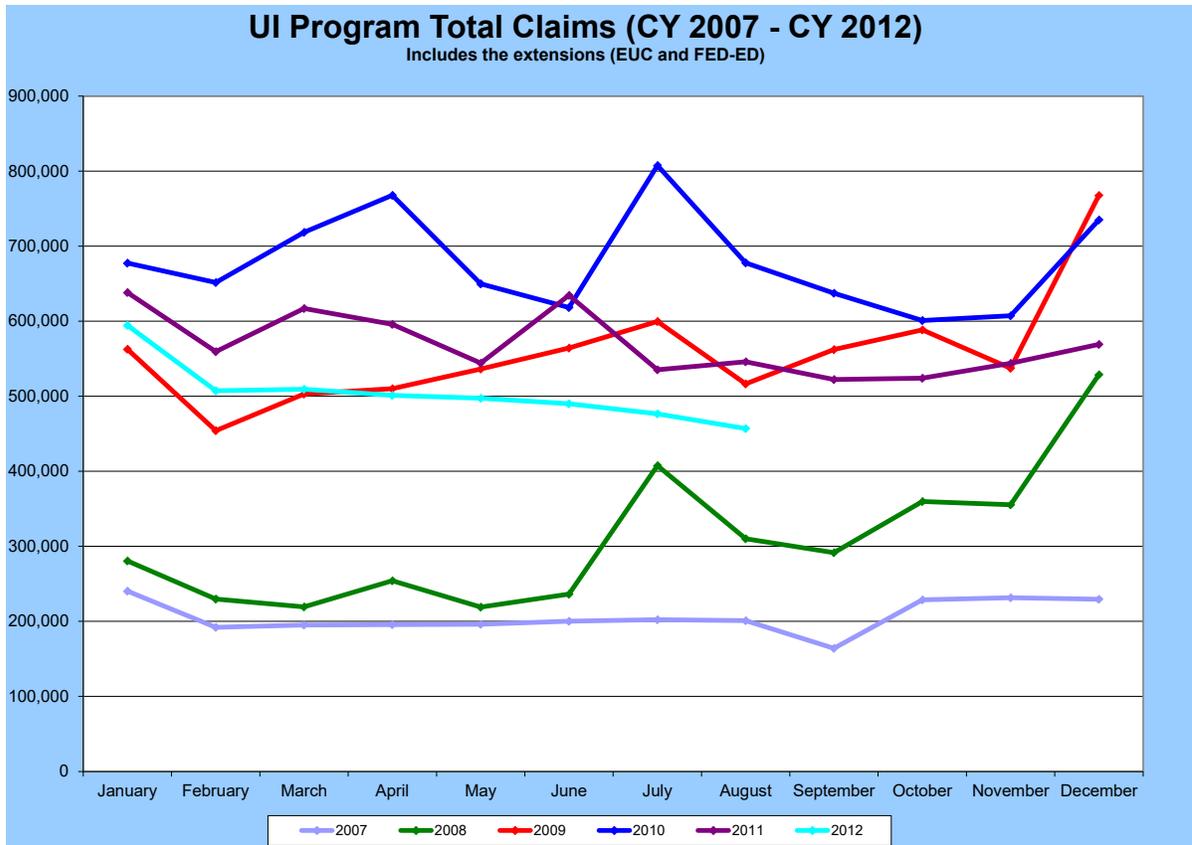
- **Rate in August 2012 was 10.6 percent**
- **Rate in August 2011 was 11.9 percent**
- **Rate in August 2010 was 12.4 percent**
- **Rate in August 2009 was 11.9 percent**
- **Rate in August 2008 was 7.6 percent**
- **Rate in August 2007 was 5.5 percent**

### **UI Workload Comparison: August 2012 vs. August 2011**

**16 percent decrease in total claims processed**

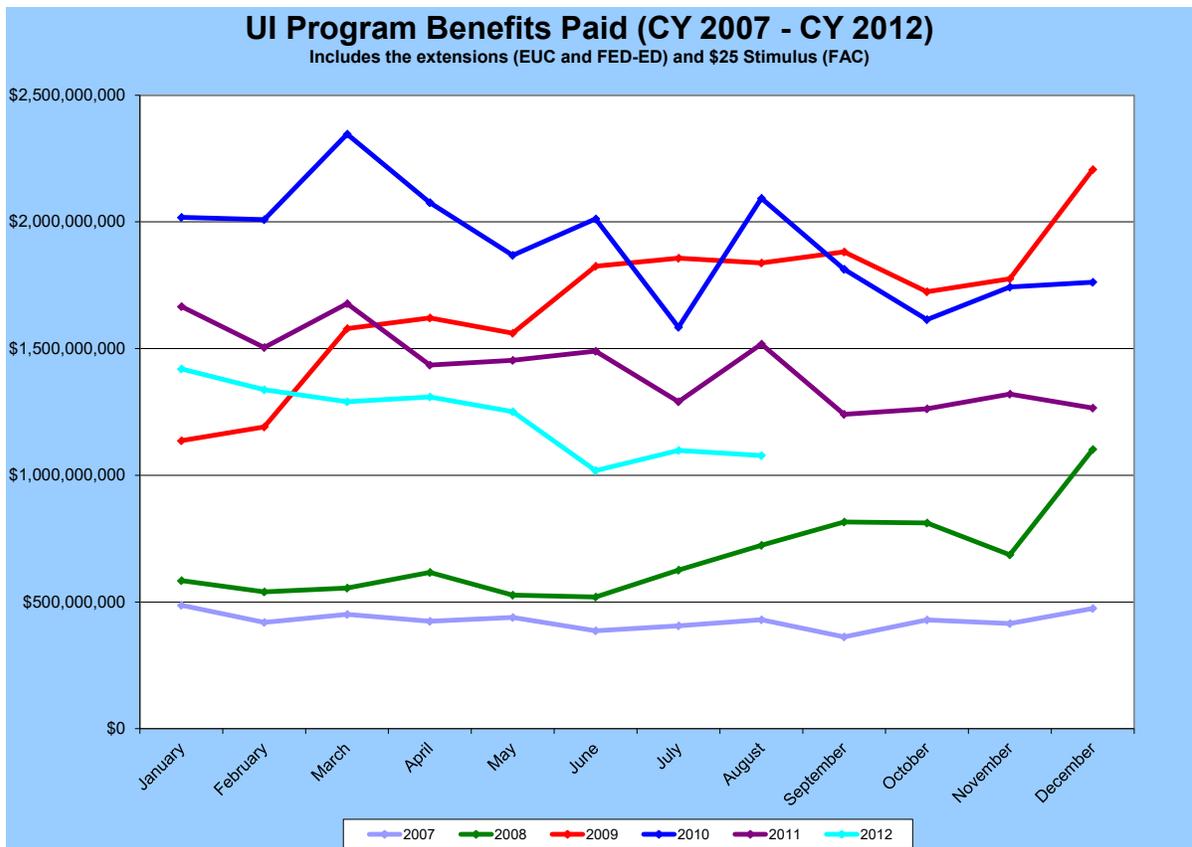
- August 2012: 456,977 total claims processed, including extensions

- August 2011: 545,879 total claims processed, including extensions
- August 2010: 677,881 total claims processed, including extensions (33 percent decrease between 2010 and 2012)
- August 2009: 516,577 total claims processed, including extensions (12 percent decrease between 2009 and 2012)
- August 2008: 310,149 total claims processed, including extensions (47 percent increase between 2008 and 2012)
- August 2007: (pre-recession level) 200,970 total claims processed (127 percent increase between 2007 and 2012)



### 27 percent decrease in total benefits paid

- August 2012: approximately \$1.1 billion, averaging about \$47 million a day.
- August 2011: approximately \$1.5 billion, averaging about \$66 million a day.
- August 2010: approximately \$2.1 billion, averaging about \$95 million a day (48 percent decrease between 2010 and 2012)
- August 2009: approximately \$1.8 billion, averaging about \$88 million a day (39 percent decrease between 2009 and 2012)
- August 2008: approximately \$724 million, averaging about \$34 million a day (52 percent increase between 2008 and 2012)
- August 2007: (pre-recession level) approximately \$430 million, averaging about \$19 million a day (156 percent increase between 2007 and 2012)



Initial Claims and Benefits Paid data is available by county on EDD's Web site at [www.edd.ca.gov/About EDD/Quick Statistics Information by County.htm](http://www.edd.ca.gov/About_EDD/Quick_Statistics_Information_by_County.htm)

## UI Trust Fund Status

In the EDD's UI Trust Fund Forecast of May 2012, the forecast summarized and projected the status of fund solvency. The UI Fund deficit was \$9.8 billion at the end of 2010 and \$9.9 billion at the end of 2011. The 2011 balance includes the addition of \$839 million in incentive funds from the American Recovery and Reinvestment Act (ARRA). California's fund is currently \$9.7 billion in the red and is forecasted to end 2012 with a deficit of \$10.2 billion and \$10.3 billion by the end of 2013 if nothing is done to legislatively revise the revenue generation model.

While regular UI benefit amounts are significantly decreasing since the peak of the recession, even if and when the disbursement levels reach pre-recessionary levels, the current financing system cannot self-correct during better economic times because of the significant deficit owed and the outdated financing structure. You can access the May 2012 UI Fund Forecast through this link:

[http://edd.ca.gov/About EDD/pdf/edd-uiforecast12.pdf](http://edd.ca.gov/About_EDD/pdf/edd-uiforecast12.pdf)

The State has been borrowing from the federal government since January 2009 to help cover the cost of regular UI benefits as the effects of this historic recession have continued. The U.S. Department of Labor (DOL) tracks outstanding loans from the

Federal Unemployment Account. As of September 26, 2012, California is one of 20 states (including the Virgin Islands) relying on a federal UI loan and has the highest loan balance. New York has the next highest loan balance at approximately \$3.1 billion. Florida is also relying on a federal loan at approximately \$598 million. The following DOL Web site is available to review all states' current UI loan balances:

<http://workforcesecurity.doleta.gov/unemploy/budget.asp#floods>

The interest-free aspect of the federal loan expired in January 2011. The EDD paid \$303.5 million in interest to the federal government at the end of September 2011. An interest payment cannot be paid from the UI Trust Fund or EDD's UI Administrative funds. This payment was covered by a loan from the State Disability Insurance Fund and must be repaid by General Fund monies within four years. The October 2011 UI Fund Forecast estimated the loan interest owed in September 2012 to be more than \$417 million. However, due to a reduction in the federal interest rate from 4.08 percent to 2.94 percent for 2012, the EDD now projects **the estimated interest due September 30, 2012, is \$308.4 million.**

There is a national dialogue occurring, including the President's Budget Proposal and several bills that would address some aspect of the Trust Fund solvency issues. The EDD will be monitoring the situation closely to keep our customers apprised of developments.

## **Federal Unemployment Tax Act (FUTA) Credit Reduction**

Due to the continuing UI Fund deficit and California's borrowing status for two consecutive years, employers are now being charged more in FUTA tax contributions, which are paid in addition to state UI contributions.

FUTA taxes apply to the first \$7,000 in wages per employee and cover the cost of administering the UI program, federal extension benefits, and federal loans to insolvent states. At a minimum, employers pay a 0.6 percent tax rate (up to \$42 per employee).

As of January 2012, California employers are paying up to 0.9 percent (\$63 per employee). Without a solvency solution that would otherwise reduce the deficit in the UI Fund, employers will continue to be subject to annual reductions incrementally in the FUTA credit that amount to higher FUTA costs per employee.

## **UI Services Updates**

The demand for UI benefits continues to remain at unusually high levels since more people are staying on unemployment longer. As reported in the August 2012 *California Labor Market Review* (released September 2012), based on the Bureau of Labor Statistics Model and Current Population Survey, 46.1 percent, or almost one million, of those unemployed have been so for 27 weeks or more and approximately 35.1 percent of all unemployed have been so for a year or more. (Note: The number of unemployed is a broader estimate than only UI claimants).

In spite of this demand, the EDD was able to provide various enhancements in the past year and going forward, including, but not limited to, the following:

**EDD Debit Card<sup>SM</sup>** – As of June 7, 2012, UI, State Disability Insurance (SDI) and Paid Family Leave (PFL) claimants now have the option to receive an email or SMS (text message) alert when money is added to their EDD Debit card, when they reach a low balance situation, and they can receive a daily text message letting them know the available balance on their card. Through August 2012, close to 379,000 accounts have subscribed to these electronic services with over 1.9 million messages sent via email or text message.

About 900,000 people are currently claiming unemployment benefits. The EDD and banking partner Bank of America have established close to 2.2 million UI debit card accounts since July 2011. That is in addition to the accounts established for SDI and PFL customers over the last year.

Payments are deposited directly into the card accounts and customers have the option to set up a Direct Deposit Transfer to their own checking or savings account. This new payment system allows customers to receive their benefits faster than the previous process of printing and mailing checks, and creates savings and efficiencies in processing.

Other benefits include the elimination of check cashing fees for customers without a bank account, and continual delivery of benefits in the event of a disaster when mail service can be disrupted.

Visit EDD's Web site at: [http://www.edd.ca.gov/About\\_EDD/The\\_EDD\\_Debit\\_Card.htm](http://www.edd.ca.gov/About_EDD/The_EDD_Debit_Card.htm) for the latest information including:

- An educational video on how to use the card and avoid fees
- Enhanced Frequently Asked Questions

Links to printable legal size posters that encourage constituents to visit the EDD Web site for information about the cards, the unemployment application, and the new online and telephone continued certification processes (EDD Web-Cert<sup>SM</sup> and EDD Tele-Cert<sup>SM</sup>) – See information on EDD Web-Cert<sup>SM</sup> and EDD Tele-Cert<sup>SM</sup> later in this publication.

**Alternate Base Period (ABP) Implementation** – The UI Branch successfully implemented the ABP program April 1, 2012. All publications, including the EDD Web site, are updated and staff training has been completed. Additionally, pre-recorded information about the ABP program is available 24 hours a day, 7 days a week by accessing UI's automated self-service toll-free number.

It is estimated that an additional 26,000 unemployed workers a year could become eligible for UI benefits under the provisions of the ABP program. Due to the new automated tools that will prompt staff to automatically offer ABP when claimants do not qualify to establish a claim using the Standard Base Period, UI claimants will never have

to request an ABP claim.

The following table provides information on ABP claims processed through September 1, 2012.

Total Valid Claims	Invalid Standard Base Period Claims	Total Valid Alternate Base Period Claims	Benefits Paid associated with Alternate Base Period Claims
790,105	138,783	17,796	\$11,923,894

“Total Valid Claims” reflect both Standard Base Period and ABP claims found valid at the claim filing point. 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” reflect the number of invalid Standard Base Period claims that are considered for potential eligibility by using the ABP. Of the “Total Valid Alternate Base Period Claims,” 10,212 claims were valid at the claim filing point and are included in “Total Valid Claims,” and 7,584 claims were found eligible after requesting proof of wages from the base period employers and claimants. This amount reflects approximately two percent of total valid claims eligible for unemployment benefits using the ABP.

A Fact Sheet titled, *How Unemployment Benefits Are Computed* is available on the EDD Web site. The fact sheet explains how claims are established in general and the difference between claims that are filed using the Standard Base Period versus an ABP. This fact sheet may be located at the following Web site:

[http://www.edd.ca.gov/pdf/pub\\_ctr/de8714ab.pdf](http://www.edd.ca.gov/pdf/pub_ctr/de8714ab.pdf)

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

**Public Education Efforts** – The EDD conducted an online campaign ending in January 2012 to promote various EDD services, encouraging customers to visit the EDD Web site to use the services and learn more about them. The suite of services includes the eApply4UI online application to file a claim, the EDD Tele-Cert<sup>SM</sup> and EDD Web-Cert<sup>SM</sup> for certifying for benefits versus the existing paper method through the mail, and the new EDD Debit Card<sup>SM</sup> for paying unemployment and disability benefits. The department was successful in surpassing its goal of attracting one million visits to the EDD Web site to access the highlighted online services – actually attracting more than 1.7 million Web site visitors.

For your use and to further promote this suite of services, the EDD has developed a poster, which is available via:

[http://www.edd.ca.gov/About\\_EDD/pdf/eddonlineposter.pdf](http://www.edd.ca.gov/About_EDD/pdf/eddonlineposter.pdf)

We encourage you to print and post this in public areas of your district offices to share this information with your constituents.

Additionally, in March and April 2012, the EDD mailed the *Unemployment Insurance Benefits Online and Telephone Certification Now Available*, DE 2345, to approximately one million UI claimants to promote EDD Web-Cert<sup>SM</sup> and EDD Tele-Cert<sup>SM</sup> as new, automated self-service options to certify for UI benefits. The intent of sending this notice to claimants is to encourage the use of these automated certification methods. This mailing also included an insert for a federally-funded foreclosure prevention program known as Keep Your Home California. While the Keep Your Home California program is **not** an EDD program, the EDD is assisting the California Housing Finance Agency in marketing their program.

The EDD also posts a new tip each week on the front page of the EDD Web site. This section is titled "Tip of the Week" and provides customers information on various EDD services.

**Expedite Determinations on CTB Eligibility** – The CTB Streamline process was developed by the EDD to assist in expediting the approval process for claimants who are attending school or training, and who are otherwise eligible for UI benefits. The streamline process enables claimants to continue to receive UI benefits without any break in benefits as they are approved within three to five days after receipt of the application. Claimants potentially eligible for CTB attend either training authorized by a designated federal or state program, or training that is self-arranged and approved by the EDD.

Between February 2010 and August 2012, the EDD processed close to 18,000 CTB Streamline Training Enrollment applications.

Additionally, on July 1, 2011, the EDD implemented the provisions of Assembly Bill 2058 (Chapter 591, Statutes of 2010), which expands the CTB eligibility criteria for claimants who are in self-arranged training.

**Customer Enhancements** – The EDD has launched several technology projects that will enhance customer services when applying for and collecting their UI benefits.

- **EDD Web-Cert<sup>SM</sup> and EDD Tele-Cert<sup>SM</sup>:** These enhancements give claimants the option to certify for UI benefits via the Internet and telephone, instead of the mail-only option. Going paperless helps customers by reducing common fill-in errors that can cause benefit delays and speeds up delivery of benefits. The online marketing campaign and the additional marketing letters sent in March 2012 and April 2012 to UI claimants brought more awareness to these new services, and has resulted in an increased number of claimants certifying through these channels.
- **Provide Further Educational Tools to Help Customers:** The EDD has helpful [Tip Sheets](#) and ["How To" videos](#) to provide greater assistance to customers in filling out their UI applications and completing the bi-weekly continued claim forms, along with

other helpful program information including details about California Training Benefits.

## Exhausted Benefits

Currently, 73 weeks is the maximum number of weeks a claimant may collect if they filed their claims within specified timeframes. As of September 24, 2012, there have been close to 876,000 unemployed workers in California who have run out of all available benefits.

## Work Sharing Program

The Work Sharing program is available as an alternative to layoffs for employers who need to reduce employee wages and hours. Usage of this program by California employers increased significantly from 2007 to 2009. While the demand is beginning to decline, the workload is still higher than pre-recessionary levels. The number of initial Work Sharing claims increased by 146 percent between 2007 and 2011, and the total number of benefit weeks claimed by employees under the program increased by 295 percent during the same time period.

	<b>Number of Initial Work Sharing Claims</b>	<b>Number of Work Sharing Weeks (of Benefits) Claimed</b>
2007	45,276	302,109
2008	80,402	505,543
2009	219,580	1,912,460
2010	136,991	1,624,096
2011	111,347	1,193,985
2012*	61,905	609,169

\* Data through August 2012.