

February 3, 2010

Unemployment Insurance Automation Projects

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Assembly Committee on Insurance
Hon. Jose Solorio, Chair



Unemployment Insurance Modernization—A History

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2003-04 Budget Act

- The Legislature set aside appropriations of federal Reed Act funds (\$66 million) for two Employment Development Department (EDD) projects that would help to modernize unemployment insurance (UI) services.
- Call Center Network Platform and Application Upgrade (CCNPAU) was to build a single network infrastructure for EDD's 15 call centers that would interact with an intelligent call routing system, reducing call blockage, and improving access to services at EDD's call center.
- Continued Claims Redesign (CCR) would develop a self-service application that automates the continued claims process for customers.



Feasibility Study Report—Submitted October 2003

- The EDD proposed CCNPAU and CCR as two individual projects. Together, they would cost an estimated \$96 million.
- The CCNPAU—\$38 million, to be completed by November 2006.
- The CCR—\$58 million, to be completed by June 2008.



Special Project Report (SPR) #1—Submitted May 2006

- The EDD proposed merging the two projects due to multiple interdependencies. This required refining the scope, schedule, and costs of the combined projects. The EDD planned to conduct a single procurement. These changes brought costs to \$113 million and delayed completion of the project by three years.
- The CCNPAU—\$48 million, now to be completed by April 2010.
- The CCR—\$65 million, now to be completed by September 2011.

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SPR #2—Submitted August 2007

- The EDD proposed changes to the procurement strategy. Rather than conduct a single procurement for the two subprojects, EDD would now utilize the Calnet II contracting vehicle for CCNPAU. (Calnet II is a service contract the state has with AT&T and Verizon to provide telecommunication services to state entities at competitive prices. It was not available at the time of SPR #1.) A request for proposal approach would be used for CCR. These changes increased costs to \$126 million and further delayed the project by nine months.
- The CCNPAU—\$56 million, now to be completed by September 2009.
- The CCR—\$71 million, now to be completed by June 2012.



SPR #3—Submitted September 2009

- After conducting both procurements, EDD updated the project document to reflect actual vendor costs and timelines. The updated project costs are \$159 million with a project completion date of May 2012.
- The CCNPAU—\$71 million, now to be completed by January 2011 (16 months later).
- The CCR—\$87 million, now to be completed by May 2012 (one month earlier).
- Total project funding—\$66 million in Reed Act funds, \$79 million from the state's base grant for UI, and \$14 million American Recovery and Reinvestment Act (ARRA) funds



Summary

- Total costs went from an original \$96 million to \$159 million.
- Project schedule went from a completion date of November 2006 to January 2011 (over four years in delays) for CCNPAU, and June 2008 to May 2012 (about four years in delays) for CCR.

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Employment Development Department's Unemployment Modernization Project

(In Millions)

Subproject	FSR (Submitted 10/03)		SPR #1 (Submitted 5/06)		SPR #2 (Submitted 8/07)		SPR #3 (Submitted 9/09)	
	Estimated Completion Date	Estimated Costs	Estimated Completion Date	Estimated Costs	Estimated Complete Date	Estimated Costs	Estimated Complete Date	Estimated Costs
The CCNPAU will build a single networked infrastructure for EDD's call centers which will interact with an intelligent call routing system. This will increase the number of available agents by 1,000 and provide the infrastructure necessary to route calls to specialized agents. The goal is to reduce blockage to call center services and increase EDD's service level to meet DOL performance guidelines.	11/06	\$38	04/10	\$48	09/09	\$56	01/11	\$71
The CCR will develop an interactive Internet Web site and telephone application that allows customers to file UI claims and recertify on a bi-weekly basis on the Web or by phone. Customers will be able to confirm certification, reopen claims, submit address changes, and receive communications via this application. This solution reduces the amount of workload that must be processed.	06/08	58	09/11	65	06/12	71	05/12	87
Total Costs		\$96		\$113		\$126		\$159^a

^a Funded by a combination of federal funds (currently \$66 million Reed Act funds, \$79 million UI base grant funds, and \$14 million ARRA funds, totaling \$159 million).

FSR = Feasibility Study Report; SPR = Special Project Review; CCNPAU = Call Center Network Platform and Application Upgrade; EDD = Employment Development Department; DOL = Department of Labor; CCR = Continued Claims Redesign; UI = unemployment insurance; ARRA = American Recovery and Reinvestment Act.

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The Projects:

- The ARRA provided states additional UI administration dollars that states may use toward information technology modernization. California's share was \$60 million.
- The EDD planned to take advantage of ARRA dollars to begin modernization projects, the majority of which were included in the department's 2008 Capital Plan.
- The ARRA projects are estimated to take about two years to complete and cost a total of \$80 million (using ARRA dollars and disability insurance [DI] funds).
- Single Client Database (SCDB) Modernization—would replace EDD's out-dated UI/DI database with one that would be easier to maintain and change to meet service needs. Total cost—\$40 million.
- Alternate Base Period (ABP)—would implement programming changes to provide an ABP for individuals who do not qualify for a UI claim under the current base period. Chapter 23, Statutes of 2009 (ABX3 29, Coto) requires ABP implementation by April 2011. Implementation of ABP is contingent on completion of SCDB and is expected to bring an additional \$840 million in federal funds to the state. Total cost—\$10 million.
- The EDD has four e-Government Projects funded by ARRA:
 - Electronic Benefit Payments—would allow electronic payment of UI, DI, and paid family leave benefits. Total cost—\$1.9 million.
 - Identity Management—would implement a secure identification and authentication system to provide secure access to UI services online. Total cost—\$9.3 million.
 - Continued Claims Certification Web—would provide a temporary mechanism that will allow UI beneficiaries to use a Web-based system to recertify their eligibility until the CCR project is complete. Total cost—\$5.1 million.
 - The eApply4UI Modernization—would expand the types of UI claims EDD can process through its existing eApply4UI Internet application. Total cost—\$9.3 million.

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- The UI Forms—would expand the number and volume of UI forms being imaged and create efficiencies by having documents available electronically statewide rather than on paper. Total cost—\$4.8 million.



Summary

- Together, the ARRA projects are intended to streamline and improve UI service levels by minimizing manual processing of payments and claims and providing customers with more service options.
- The EDD has made the SCDB project a high priority, as it creates a flexible database that can be more easily changed to meet future service needs and allow for ABP implementation.

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Employment Development Department's (EDD) American Recovery and Reinvestment Act Stimulus Projects

(In Millions)

Project	Description	Costs				Total Project Costs
		2008-09	2009-10	2010-11	2011-12	
Single Client Database (SCDB) Modernization	The SCDB project would replace EDD's outdated database with a modern, relational one that will be easier to maintain, change, and optimize to meet the service needs of the business and to respond to legislative mandates, including allowing new business processes, such as ABP, to be implemented efficiently.	\$1.1	\$12.9	\$10.9	\$14.9	\$39.8
Alternate Base Period (ABP)	The ABP project will implement programming changes to provide an ABP year for individuals who do not monetarily qualify for a unemployment insurance (UI) claim using the standard/current base period year by allowing workers to qualify for a UI claim by using an ABP that is based on the most recent four completed calendar quarters at the time of filing a claim.	0.03	3.2	6.5	0.4	10.1
Electronic Benefit Payments (EBP)	The EBP project will allow for the delivery of UI, Disability Insurance, and paid family leave benefit payments electronically, via direct deposit or electronic payment card, instead of through a paper check.	—	1.6	0.3	0.04	1.9
Identity Management (IdM)	The IdM project will implement a secure identification and authentication system to provide secure access to UI services. This solution is a necessary precursor to several of EDD's projects involving Web applications.	0.6	5.7	2.0	\$1.0	9.3
Continued Claim Certification Web (CCCW)	The CCCW project will allow clients to use a Web-based system to certify for benefits. Providing this Internet continued claim form will reduce processing of the UI hard-copy continued claim forms that represent the highest volume processing in the UI program.	—	3.2	1.3	0.6	5.1

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Project	Description	Costs				Total Project Costs
		2008-09	2009-10	2010-11	2011-12	
eApply Modernization	The eApply Modernization project expands the types of UI claims EDD can process through the eApply4UI Internet application and allows clients to auto-file when staff intervention is not required.	—	\$3.8	\$5.1	\$0.4	\$9.3
UI Forms	The UI Forms project will expand the number and volume of UI forms being imaged at the Document and Information Management Center, and is expected to create efficiencies by having documents and associated correspondence available electronically statewide rather than in hardcopy form in individual offices.	—	2.1	2.5	0.2	4.8
Total Costs		\$1.7	\$32.5	\$28.6	\$17.5	\$80.3