September 18, 2020

Governor Gavin Newsom
1303 10th Street, Suite 1173
Sacramento, CA 95814

Dear Governor Newsom,

Thank you for the opportunity to review and comment on the report provided by the Employment Development Department (EDD) Strike Team.

Before commenting on the Strike Team report, I want to assure the Legislature, the public, and our customers of EDD's commitment to serving Californians in their time of need. In addition to the public health concerns the pandemic has wrought, many Californians are also struggling with the financial insecurity this situation has created and those of us at the EDD remain committed to providing the necessary financial assistance workers need during this time.

As Director of the EDD, I'll continue to work closely with all facets of the department to ensure our customers are provided their benefits they deserve in a timely manner. I know the Labor and Workforce Development Agency (Labor Agency) shares this commitment and we will work closely to see that Californians are served expeditiously.

I want also to acknowledge the work that EDD has done to meet the historic demand of unemployment insurance applications since March. The department implemented the new programs contained in the federal CARES Act in order to provide additional benefit streams for California workers. EDD increased our communications with customers by adding a chat bot to the EDD website and Facebook channel, implemented a text message campaign to update claimants on the status of their claim, and created a COVID-19 resources page and an unemployment benefit guide to provide information specific to customers' current needs.

Despite these efforts, the department's productivity has been hampered by an increasing amount of manual workload created by gaps in our current information technology infrastructure. The EDD was also challenged by our low staffing at the start of the year. On the heels of an historic economic expansion

that carried into February 2020, EDD had staffing levels that accompany a 3.9 unemployment rate and was not prepared for the dramatic increase in unemployment we saw in March. I appreciate the Strike Team's independent review of EDD processes in order to help fill these aforementioned gaps as well as bring forward new ideas, tools, and technologies.

Actions to address the Strike Team report's recommendations will involve working with the California Department of Technology, the Office of Digital Innovation, and the Labor Agency to decrease the amount of manual work required by EDD staff in order to improve the timeliness of our service. I concur with the assessment that the department must continually analyze internal data to identify low-throughput bottlenecks in order to increase overall output. EDD agrees with all of the report's recommendations and has either implemented or is in the process of implementing all recommendations provided by the Strike Team. Below I wanted to specifically address the top four recommendations outlined in the report:

- **Recommendation One: Measure every material step of the claims process on a daily basis.**

  The EDD agrees with this recommendation. The department is currently underway with the development of a daily dashboard that will measure the different steps within the UI claim process to closely monitor work items. The UI program is highly complex with different stages where a customer may experience barriers to receiving timely service. The dashboard highlights the key areas where staff intervention is necessary for processing incoming initial applications to establish a monetarily valid claim (such as adding wages, verifying identity, and determining initial eligibility) and processing bi-weekly certifications. By closely monitoring these key areas, the Department will continue to enhance throughput to improve processes.

- **Recommendation Two: Quickly procure and deploy a NIST IAL2-compliant Identity Verification**

  The EDD agrees with this recommendation. The EDD is currently underway to implement a NIST IAL2 Complaint Identity Verification Solution. The EDD has partnered with ID.ME to simplify how Unemployment Insurance (UI) claimants can securely prove their identity when applying for UI benefits early in the on boarding process. The claimants applying for UI through the online channel will be required to create an account and be verified through ID.ME which

will speed up the ID verification process and to prevent fraud. ID.ME is a proven next-generation identity platform that meets the highest federal standards for online identity proofing and authentication. Their technology is used by millions of individuals and hundreds of partners, including federal and state agencies, healthcare organizations, financial institutions, retailers, and non-profit. The project is currently in the development phase and is on track to be implemented by Oct 1, 2020.

- **Recommendation Three: Adopt the "burndown" plan as proposed by EDD based on the model provided by the Strike Team to "reset" and pause the acceptance of new claims filed and redirect the highest skilled staff to focus on processing claims.**

  The EDD agrees with this recommendation. Starting September 19, the EDD will begin a two-week reset directing any new individuals looking to apply for unemployment benefits online to a temporary webpage so EDD can collect their contact information. On October 5, the department will contact these individuals and invite them back to file a claim. This two-week reset will allow EDD to finalize the implementation of the aforementioned ID.me fraud prevention technology in order to expand the number of claims that can be automatically processed without staff intervention. The reset also allows the department to reduce its backlog, following the "burndown" plan developed in conjunction with the Strike Team. The EDD is currently using the "burndown" plan in tandem with the daily dashboard to track the overall productivity of dedicated staff in liquidating the backlog in order to immediately address older claims.

  New claimants should not see a delay in benefit payments, and in fact many of them will actually get their payments faster as they avoid the older time-intensive ID Verification process. These new claims will be backdated to cover the implementation period based on the individual's last day of work, enabling claimants to quickly certify for their first benefit payment once their claim is filed in the newly enhanced system. The planned reset along with these productivity tools, the proper allocation and redirection of well-trained staff, and the continued training of new staff will assist the EDD in reaching our service level goals.

- **Recommendation Four: Complete the deployment of the current document upload, as a long-term solution for all types of documents, and make it accessible to more claimants by making it mobile-friendly.**

  The EDD agrees with this recommendation. We have made significant progress towards enabling document upload for our claimants. Our initial version of document upload went live as of September 1, 2020 in a limited capacity and we expect to expand its use over the following weeks. We are also focusing on making the document upload work for mobile users and addressing the accessibility issues that were identified as priorities and will also be expanding as quickly as possible to all documents, as this would enable wage verification, military claims, and federal employee claims to file online. As with our other initiatives, we will be leveraging analytics to objectively measure usability and user drop-off rates to continually improve our service delivery to our claimants.

Based on the tools provided by the Strike Team, EDD has been able to define and identify the backlog into two distinct categories:
  - The "Initial Claims Backlog" is an inclusive look at claims submitted more than 21 days ago that need to be processed by EDD staff regardless of if the claimant or EDD need to take some type of action to determine eligibility. As of September 16, 2020, there are 591,016 claims in this category.
  - The "Continued Claims Backlog", which represents claimants who received a first payment or payments, but due to subsequent eligibility certification issues, such as reported earnings, have stopped receiving payments. As of September 16, EDD estimates over a million claimants are in this category. EDD is reviewing this data to ensure accuracy and will publish an update on Thursday, September 24, 2020.

By taking the actions EDD is making significant progress toward improving the customer experience and addressing the backlog. Instead of waiting for documents to be mailed in, EDD has begun proactive outreach to claimants. Many claimants have waited weeks, and in extreme cases, months, to hear from the department, by dedicating the most experienced staff to resolve the most difficult work items, claims will be more quickly processed.
Additionally, with these actions EDD will be able to keep the backlog from growing at an unmanageable rate, increase fraud prevention measures, and ultimately address the current backlog. At this time, EDD anticipates eliminating the current backlog by January 27, 2020 and is proactively looking at ways to

reduce that timeline. Alternatively, if no changes were made, the EDD would still be working through the current backlog well into July 2021.

In closing, I want to thank you for the actions you took in creating and deploying the Strike Team to provide additional resources to the department. The team members' fresh perspectives and varied expertise allowed for a unique review of EDD's data, processes, and procedures that lead to the effective recommendations outlined in the report. The EDD is committed to improving the customer experience through the ongoing modernization of both operations and technology. I also want to thank the leaders of the EDD Strike Team, Government Operations Agency Secretary Yolanda Richardson and Jennifer Pahlka, for their partnership throughout this effort and acknowledge the professionalism and collaboration shown by all members of the Strike Team when conducting their field work at the department.

The Strike Team worked very well with all the EDD representatives involved in this review, and they were very considerate of the amount of staff resources and time when requesting meetings, interviews, or follow-up documentation. I'd also like to recognize the team at the California Department of Technology and the Office of Digital Innovation for their continued work with EDD and the expertise they have shared to help guide the improvement of our technology infrastructure. I am confident the implementation of these recommendations will lead to an improved experience and timelier support for California's workers.

Sincerely,

SHARON HILLIARD
Director
Employment Development Department