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June 18, 2024

The Honorable Lisa Calderon
Chair, Assembly Committee on Insurance
1020 N Street, Room 369
Sacramento, CA 95814

RE: SB 1116 (Portantino & Durazo), Unemployment Insurance Eligibility for Employees on Strike – OPPOSE

Dear Assembly Member Calderon,

I am writing on behalf of the Kern County Board of Supervisors to express our strong opposition to SB 1116 (Portantino & Durazo), which would provide employees who remain on strike for more than two weeks with Unemployment Insurance (UI) benefits, thus requiring employers (via UI) to fund ongoing labor disputes. As cost pressures continue to increase for local governments and public agencies, it is critical that we have a fiscally solvent UI system in order for local agencies to continue to provide services to the public and provide competitive benefits to our active and retired employees.

Under existing law, UI payments are intended to assist employees who, through no fault of their own, are forced to leave their employment. Participating local agencies fund these payments via an Unemployment Insurance Reserve Account (UI Account) with the Employment Development Department (EDD). SB 1116 makes a significant change to this approach by providing unemployment to workers who are currently employed, and not seeking other employment, but have chosen as a labor negotiating tactic to go on strike. In the event of a strike that lasts over two weeks, SB 1116 would allow all striking workers to claim UI benefits. In this situation, a local government agency would experience simultaneous claims that would significantly increase UI costs. These costs would impact public employers, such as cities, counties, special districts, and joint powers authorities. It would also impact K-12 schools, as school districts directly pay a portion of employee wages to the State fund through the School Employee Fund, coordinated through their County Office of Education.

In addition to its considerable costs to employers, SB 1116 will likely further harm the already insolvent UI fund and threaten benefits to unemployed Californians. California's UI Fund was exhausted during the COVID-19 pandemic and currently has an outstanding balance of roughly \$21 billion. This massive liability has only been exacerbated by the state's historic budget deficit. The current outstanding balance is now more than double the amount of funds that California borrowed the last time California's UI funds were exhausted during the 2008 recession. Beginning in 2008, California accumulated more than \$10 billion in debt which was not repaid until 2018 – a

decade later. California's UI insolvency resulted in significant federal tax increases ranging from the hundreds of millions to over \$2 billion per year between 2012-2018. With California's UI Fund becoming insolvent less than two years after repaying federal UI from the Great Recession, California cannot afford to further leverage and strain an already burdened system.

This measure's unsuccessful predecessors, AB 1066 (Gonzalez, Lorena, 2019) and SB 799 (Portantino, et al. 2023) would have resulted in increased cost pressures on the UI Fund, exacerbating the condition of the Fund and hindering the ability to build a reserve to respond to future downturns in the economy. Given the State's current budget deficit and joblessness in California on the upswing again, it would be counter-productive for the State to increase cost pressures on its UI fund while simultaneously relying on reserves and cost-cutting tactics to balance the budget.

Finally, this measure will further erode good faith negotiations at the bargaining table for local government employers. If SB 1116 were to become law, we anticipate longer lengths of impasse, higher costs associated with protracted Public Employee Relations Board (PERB) proceedings and a decline in the quality of public services.

For these reasons, the Kern County Board of Supervisors opposes this legislation and respectfully requests that you vote **NO on SB 1116**.

Sincerely,

A handwritten signature in blue ink, appearing to read 'David Couch', with a stylized, cursive script.

David Couch, Chairman
Kern County Board of Supervisors

CC: Honorable Members, Assembly Committee on Insurance
Honorable Members, Kern Legislative Delegation
California State Association of Counties
Kern County Human Resources Division
Shaw Yoder Antwih Schmelzer & Lange