SENATE FLOOR ALERT

Senate Bill 799 (Portantino) Unemployment Insurance: Trade Disputes: Eligibility for Benefits. [As Amended August 22, 2023] - OPPOSE

SB 799 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. Local government revenues are incredibly restrictive and funding sources are limited; 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 799** 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 799** would allow all striking workers to claim UI benefits for up to 26 weeks. 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.

SB 799 will likely further harm the already insolvent UI fund and threaten benefits to unemployed Californians in future recessions. As recently reported by the US Department of Labor, California's UI Fund was exhausted during the COVID-19 pandemic, and has an outstanding balance of $18.6 billion owed to the Federal government.[1] This is nearly 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. This UI deficit had significant fiscal effects on employers and the general fund. 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.

The State Department of Finance has stated that this measure's unsuccessful predecessor Assembly Bill 1066 (Gonzalez, Lorena, 2019), 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 variations in the economy." With a possible recession looming, and the State prioritizing budget resiliency, it would be counter-productive for the State to increase cost pressures on its UI fund while simultaneously preparing for a recession by bolstering its reserves.

It is also important to note that this measure will further erode good faith negotiations at the bargaining table for local government employers. Public employers work hard to engage in good faith bargaining. If **SB 799** were to become law, we anticipate longer lengths of impasse, higher costs associated with protracted Public Employee Relations Broad (PERB) proceedings and decline in quality of public services. These impacts could be amplified by other pending measures concerning sympathy strikes and collective bargaining for temporary employees.

VOTE NO

[1] https://lao.ca.gov/Publications/Report/4442