

ALTERNATE BASE PERIOD  
LEGISLATIVE REPORT

Quarterly Report to the  
Joint Legislative Budget Committee  
January 2012 – March 2012

Employment Development Department

## **EXECUTIVE SUMMARY**

In response to the economic downturn and record high unemployment in California, the Legislature passed Assembly Bill (AB) X3 29 (Chapter 23, Statutes of 2009), which required the Employment Development Department (EDD) to implement the Alternate Base Period (ABP) project to expand existing Unemployment Insurance (UI) eligibility rules and processes for those claimants who cannot qualify for benefits within the traditional base period. The Legislature passed AB 119 (Chapter 31, Statutes of 2011) as part of the 2011 Budget Act which required EDD to implement ABP by April 2, 2012.

The EDD submitted a Special Project Report (SPR) to the California Technology Agency (Technology Agency), as a result of changes in the project schedule and costs exceeding 10 percent from the approved 2009 Project Summary Package. The ABP SPR was approved on March 11, 2011, by the Technology Agency and the project is operating within the SPR schedule and budget.

The ABP project necessitated a modernization of EDD's existing automated system to support the collection and storage of essential ABP wage information. The ABP project depended on the completion of another major information technology (IT) project, the Single Client Database (SCDB) Modernization project, a significantly complex database conversion effort. The EDD submitted a SPR to the Technology Agency for the SCDB Modernization Project revising the project schedule and costs. The SPR was approved on March 11, 2011, by the Technology Agency and the project was implemented on November 27, 2011, as planned. The timely implementation of the SCDB Modernization project allowed the ABP project to be implemented on schedule.

## **INTRODUCTION**

This legislatively mandated report provides the status on the progress of the ABP project to the Joint Legislative Budget Committee for calendar quarter January 2012 through March 2012. Specifically, Section 70 of Senate Bill 856 (Chapter 719, Statutes of 2010):

*“The Employment Development Department, until September 3, 2013, shall report to the Joint Legislative Budget Committee, no less than quarterly, on the progress and effectiveness of implementation of the alternative base period program prescribed in Sections 1275, 1277.1, 1277.5, and 1329.5 of the Unemployment Insurance Code.”*

Previously, this reporting requirement was included in AB X3 29 (Chapter 23, Statutes of 2009). The implementation date was superseded by AB 119 (Chapter 31, Statutes of 2011). This report fulfills the above statutory requirement and provides the following information:

- Background information, including a brief discussion on:
  - UI program implications of the legislation
  - IT implications of the legislation
    - Dependency on the SCDB Modernization project
    - IT resource management
    - ABP and SCDB modernization scope and schedule revisions
  - Schedule of management activities
  - Federal economic stimulus dollars implications
- ABP project and SCDB Modernization project status information, including:
  - Milestones
  - January 2012 – March 2012 accomplishments and progress
  - April 2012 – June 2012 critical project activities
  - Expenditure data

## **BACKGROUND INFORMATION**

### **UI Program Implications of the Legislation**

AB X3 29 (Chapter 23, Statutes of 2009) requires EDD to expand existing UI eligibility rules and processes to consider wages earned in the most recently completed calendar quarter, at the time the claim is filed, to determine monetary eligibility for UI benefits.

Historically, only wages earned in the first four of the five most recently completed calendar quarters are considered to determine monetary UI eligibility. The ABP method allows unemployed persons who do not have sufficient wages in their regular base period to qualify for a claim, by considering wages earned in the four most recent completed calendar quarters. The EDD estimates approximately 26,000 unemployed individuals would be potentially eligible for UI benefits under an ABP. It is estimated that these claimants represent approximately one percent of all projected new claimants. About \$69 million in additional UI benefits would be paid to individuals qualifying under an ABP, which is less than one percent of the total benefits paid.

### **IT Implications of the Legislation**

#### **Dependencies on SCDB Modernization**

The automated support of both the UI and State Disability Insurance (DI) programs center around the SCDB. The EDD recently completed a very complex and challenging project to modernize the SCDB by converting it to current technology (DB2 relational database). The ABP project had a long-term dependency upon the SCDB Modernization project for the collection and storage of the needed ABP wage information. The DI systems were also being updated under a date specific deliverable contract that was dependent on the completion of the SCDB Modernization project. The SCDB Modernization project was needed to provide a standardized foundation

necessary for the ABP implementation and to more efficiently meet the challenges of future changes in both the UI and DI programs.

### **IT Resource Management**

The number of high priority active projects that require modifications to EDD's legacy programs, together with the challenge of the older program code and the limited amount of skilled staff available for the work, created a complexity in the project environment that EDD had not experienced before. In the constant evaluation of priorities, EDD is continually analyzing the impact to the systems that provide services to its customers.

## **ABP AND SCDB MODERNIZATION SCOPE AND SCHEDULE REVISIONS**

The considerable project work has clearly demonstrated the project was significantly more complex and resource intensive than originally anticipated. The increase in project scope was a primary reason for the revised schedule for the SCDB Modernization project. These scope changes were detailed in the approved SPRs. Because of the project dependencies, the revision to the SCDB Modernization project schedule directly impacted the ABP project schedule.

### **Schedule Management Activities**

The SCDB Modernization project and ABP project were implemented within the schedule as documented in the SPR.

### **Federal Economic Stimulus Dollars Implications**

On June 15, 2011, the Department of Labor certified the application submitted by EDD, for Unemployment Compensation Modernization incentive funds, making the full \$839 million available to California.

AB 112 (Chapter 30, Statutes of 2011) was enacted in June 2011 to allow EDD to utilize \$48 million of the incentive funds for processing the claims workload associated with the ABP. The bill states that the funds are available for three years, from July 1, 2012 to June 30, 2015. The remaining \$791 million of incentive funds was used to offset borrowed federal funds used to support the UI benefit costs since the UI Trust Fund is insolvent.

## **ABP AND SCDB MODERNIZATION PROJECT STATUS INFORMATION**

The implementation of the ABP project was dependent on the completion of the SCDB Modernization project. Because of this dependency, the status of the SCDB Modernization project is also discussed in this report and is presented first in each of the following sections.

## Milestones

### SCDB Modernization Project

Milestones	Projected Start Date	Projected End Date	Status
Initiation:			
• Develop Concept Statement	May 2009	May 2009	Complete
• Project Approval	Jun 2009	Jun 2009	Complete
• Identify Stakeholders and Confirm	May 2009	May 2010	Complete
• Finalize Project Charter	Jul 2009	Dec 2010	Complete
• Finalize Preliminary Scope Statement	Aug 2009	Apr 2010	Complete
• Project Kick-Off	Jul 2009	Jul 2009	Complete
Planning:			
• Sizing and scoping analysis tasks	Jul 2009	Aug 2010	Complete
• Finalize Project Scope Statement	Nov 2009	Mar 2011	Complete
• Assemble Project Team	Jun 2009	Jun 2009	Complete
• Baseline Project Schedule	Mar 2011	Mar 2011	Complete
Executing:			
• Procurement – software	May 2009	Jan 2010	Complete
• Execute contracts for contractor subject matter experts	Jun 2009	Sep 2009	Complete
• Application and conversion scope finalized	Oct 2009	Oct 2009	Complete
• DB2 database design finalized and first IDMS SCDB conversion complete	Nov 2010	Nov 2010	Complete
• Programming Modifications	Mar 2011	Oct 2011	Complete
• System (Functional) Testing	Feb 2011	Nov 2011	Complete
• Implementation	Nov 2011	Nov 2011	Complete
Closeout:			
• Project Closeout Activities	Dec 2011	Feb 2012	Complete

## ABP Project

Milestones	Projected Start Date	Projected End Date	Status
Initiation:			
• Develop Concept Statement	May 2009	May 2009	Complete
• Acquire Project Approval	Jun 2009	Jun 2009	Complete
• Assemble Project Team	Jul 2009	Jul 2009	Complete
Planning:			
• Coordination with program areas to engage business subject matter experts	Jul 2009	Aug 2009	Complete
• Develop Project Schedule	May 2009	Jun 2010	Complete
• Develop Project Plans	Nov 2009	May 2011	Complete
• Requirements Gathering	Jul 2009	Feb 2011	Complete
• Develop Test Plan	Sep 2009	Mar 2010	Complete
• Test Plan Updates	May 2010	Jun 2010	Complete
• Analysis and Design	Feb 2010	Jul 2011	Complete
• Develop Test Cases	Jun 2010	Jul 2011	Complete
Executing:			
• Programming	Apr 2010	Feb 2012	Complete
• Testing	Jun 2011	Mar 2012	Complete
• Implementation	Mar 2012	Mar 2012	Complete
Closeout:			
• Project Closeout Activities	Apr 2012	Jun 2012	In Progress

## **January 2012 – March 2012 Accomplishments and Progress**

### **SCDB Modernization Project**

The high-level accomplishments of EDD staff working in conjunction with vendor staff include:

- Implemented the project.
- Completed the second and third iteration of system testing.
- Completed performance testing of online and batch systems.
- Executed the code freeze policy.
- Executed the implementation plan.
- Completed Customer Acceptance Testing.

### **ABP Project**

The high-level accomplishments of EDD staff working in conjunction with vendor staff include:

- Completed mainframe testing.
- Implemented the mainframe.
- Completed Wage Tool testing.
- Implemented the Wage Tool.
- Completed Benefits Claim Inventory System (BCIS) training.
- Completed BCIS testing.
- Completed document imaging (iCapture, scanner and Infolmage) testing.
- Implemented document imaging.

## **April 2012 – June 2012 Critical Project Activities**

### **SCDB Modernization Project Upcoming Activities**

The SCDB Modernization project will work on the following critical activities during the April 2012 – June 2012 quarter:

- Support the conversion.
- Complete knowledge transfer to EDD staff.
- Complete collecting Lessons Learned and planning for Post Implementation Evaluation Review.
- Close out vendor contracts.
- Complete review of the Independent Validation and Verification vendor reports.
- Close out the project budget.
- Complete documentation of the project.

### **ABP Project Upcoming Activities**

April 2012 – June 2012 quarter:

- Support Mainframe and Wage Tool in production.
- Implement the project (including BCIS).
- Support BCIS in production.



## Project Expenditure Data

### SCDB Modernization Project

SCDB Modernization <sup>1</sup> SFY 2011/12 Expenditures July 1, 2011 - June 30, 2012				
Category	SFY 11/12 SPR Budget <sup>2</sup>	SFY 11/12 Expenditures	SFY 11/12 Balance	Total Project Expenditures <sup>3</sup>
Staffing	\$5,684,810	\$2,147,369	\$3,537,441	\$6,870,775
Software	\$136,660	\$165,722	-\$29,062	\$5,594,667
Vendors				
Project Management	\$1,609,760	\$1,465,920	\$143,840	\$3,269,534
Independent Project Oversight	\$86,154	\$44,660	\$41,494	\$44,660
Independent Verification and Validation	\$467,692	\$250,857	\$216,835	\$397,236
Programming	\$2,953,280	\$1,339,401	\$1,613,879	\$6,903,952
Testing	\$916,960	\$1,778,162	-\$861,202	\$7,902,091
Data Conversion	\$713,500	\$856,355	-\$142,855	\$986,355
Database Admin	\$396,982	\$236,174	\$160,808	\$798,312
<b>Total Vendors</b>	<b>\$7,144,328</b>	<b>\$5,971,529</b>	<b>\$1,172,799</b>	<b>\$20,302,140</b>
OTech (Data Center Services)	\$3,105,109	\$1,205,186	\$1,899,923	\$2,147,998
Position Sensitive OE&E	\$451,573	\$338,071	\$113,502	\$1,429,663
<b>Total</b>	<b>\$16,522,480</b>	<b>\$9,827,877</b>	<b>\$6,694,603</b>	<b>\$36,345,243</b>

### ABP Project

ABP SFY 2011/12 Expenditures July 1, 2011 - June 30, 2012				
Category	SFY 11/12 SPR Budget <sup>2</sup>	SFY 11/12 Expenditures	SFY 11/12 Balance	Total Project Expenditures <sup>3</sup>
Staffing	\$2,318,311	\$1,870,983	\$447,328	\$3,305,677
Hardware	\$0	\$19,563	-\$19,563	\$19,563
Software	\$70,179	\$0	\$70,179	\$894,982
Vendors				
Project Management	\$638,880	\$28,423	\$610,457	\$66,823
Independent Project Oversight	\$21,538	\$44,660	-\$23,122	\$44,660
Independent Verification and Validation	\$116,923	\$94,637	\$22,286	\$130,017
Programming	\$3,830,772	\$2,015,283	\$1,815,489	\$3,579,029
Testing	\$1,264,428	\$231,064	\$1,033,364	\$449,469
BCIS Configuration	\$0	\$0	\$0	\$0
Database Admin	\$95,353	\$59,044	\$36,309	\$200,515
<b>Total Vendors</b>	<b>\$5,967,894</b>	<b>\$2,473,111</b>	<b>\$3,494,783</b>	<b>\$4,470,513</b>
OTech (Data Center Services)	\$194,440	\$2,126	\$192,314	\$2,486
Position Sensitive OE&E	\$558,618	\$287,022	\$271,596	\$744,657
<b>Total</b>	<b>\$9,109,442</b>	<b>\$4,652,805</b>	<b>\$4,456,637</b>	<b>\$9,437,878</b>

<sup>1</sup>The SCDB Modernization project is split funded 66% UI American Recovery and Reinvestment Act (ARRA), 34% DI.

<sup>2</sup>The Budget figures displayed are from the SPR. These amounts displayed do not represent the total project costs from inception.

<sup>3</sup>Total project expenditures column includes State Fiscal Year (SFY) 08/09, SFY 09/10, SFY 10/11, and SFY 11/12 one-time and continuing expenditures.