ALTERNATE BASE PERIOD

LEGISLATIVE REPORT

Quarterly Report to the
Joint Legislative Budget Committee
July 2011 – September 2011

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 requires 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 requires 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 necessitates a modernization of EDD's current automated system to support the collection and storage of essential ABP wage information. The project directly depends 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 an 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 is operating within the SPR budget and schedule. The planned implementation date for the SCDB Modernization project is November 2011. As a result of the ABP project's dependency on the SCDB Modernization project, the ABP's SPR implementation date is April 2012.

The EDD is committed to continuously manage the schedules of both projects. To this end, the following critical activities will continue:

- The EDD will aggressively manage the redirection of EDD staff with critical skills to the highest priority work.
- The EDD has executed additional contracts to assist EDD staff in completing the ABP and SCDB Modernization projects. The contractor staff is assisting EDD in programming, design, data conversion, testing, and project management activities.
- The SCDB Modernization project will continue to develop and utilize automated testing.

INTRODUCTION

This legislatively mandated report provides the status on the progress of the ABP project to the Joint Legislative Budget Committee for calendar quarter July 2011 through September 2011. Specifically, Section 70 of Senate Bill 856 (Chapter 719, Statues 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 has now been superseded by AB 119 (Chapter 31, Statues of 2011). This report fulfills the above statutory requirement and provides the following information:

- Background information includes 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 includes:
    - Milestones
    - July 2011 – September 2011 accomplishments and progress
    - October 2011 – December 2011 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 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 to determine eligibility will benefit unemployed persons who do not have sufficient

wages in their regular base period to qualify for a claim. The ABP would consider 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 1 percent of the total benefits paid.

An ABP cannot be implemented without the development of an automated system to process the claims against the new base period options. This will be accomplished by implementation of the ABP project. However, an ABP implementation requires major changes to EDD's automated systems supporting the UI program in order to add wages not yet recorded in EDD's wage database. The existing Benefit Claim Inventory System will need to be replaced in order to allow the timely processing of ABP claims. Current law requires that these modifications be in effect by April 3, 2012.

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 SCDB was implemented for the UI program in the 1990s and operates in outdated and marginally supported software (Integrated Database Management System [IDMS]). The EDD has initiated a very complex and challenging project to modernize the SCDB by converting it to current technology (DB2 relational database). The ABP project has a long-term dependency upon the SCDB Modernization project for the collection and storage of the needed ABP wage information. The DI systems are also currently being updated under a date specific deliverable contract that is dependent on the completion of the SCDB Modernization project. The SCDB Modernization project is 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 the legacy programs, together with the challenge of the older program code and the limited amount of skilled staff available for the work, create a complexity in the project environment that EDD has not experienced before. In the constant evaluation of priorities, EDD is continually analyzing the impact to the systems that provide services to our customers. The EDD resources will continue to be appropriately applied and managed to the highest priority work within EDD.

ABP and SCDB Modernization Scope and Schedule Revisions

The considerable project work to date has clearly demonstrated the project is significantly more complex and resource intensive than originally anticipated. The increase in project scope is 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 impacts the ABP project schedule.

Schedule Management Activities

The SCDB Modernization and ABP projects are on schedule based on the SPR schedules. The EDD is committed to aggressively manage the SCDB Modernization and ABP projects schedules.

Federal Economic Stimulus Dollars Implications

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

The economic stimulus dollars could be used to pay benefits or to offset the amount of borrowed federal funds obtained to meet UI benefit payment obligations. These funds can also be used for administrative purposes.

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.

ABP PROJECT AND SCDB MODERNIZATION PROJECT STATUS INFORMATION

The implementation of the ABP project is 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	Sep 2011	In Progress
• System (Functional) Testing	Feb 2011	Nov 2011	In Progress
• Implementation	Nov 2011	Nov 2011	Not Started
Closeout:			
• Project Closeout Activities	Feb 2011	Feb 2012	Not Started

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	In Progress[1]
Executing:			
• Programming	Apr 2010	Feb 2012	In Progress[2]
• Testing	Jun 2011	Apr 2012	In Progress[3]
• Implementation	Mar 2012	Apr 2012	Not Started
Closeout:			
• Project Closeout Activities	Apr 2012	Jun 2012	Not Started

1. Mainframe test cases complete, Wage Tool test cases in progress
2. Mainframe programming complete, Wage Tool and BCIS programming in progress
3. Mainframe testing in progress, Wage Tool test planning in progress

July 2011 – September 2011 Accomplishments and Progress

SCDB Modernization Project

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

- Completed 90 percent of second iteration of system testing.
- Completed third code and data collection.
- Received third batch of converted code from the conversion vendor.
- Completed third iteration of touch testing and Component Integration Testing.
- Briefed key external business partners on Interface Testing.
- Completed 75 percent of performance testing of online and batch systems.
- Executed the code freeze policy.
- Drafted implementation plan.
- Conducted a complete rehearsal of the implementation.
- Initiated the planning for the Customer Acceptance Testing.
- Conducted developer training by the conversion vendor.

ABP Project

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

- ABP mainframe design completed and approved.
- ABP mainframe programming, unit testing and integration testing complete.
- ABP mainframe system testing of logical day one complete.
- Wage Tool requirements completed and approved.
- Wage Tool design is approved.
- Mainframe and Wage Tool schedule re-baselined for new implementation date of March 18, 2012.
- BCIS requirements vetted with vendor, documented and approved.
- BCIS design sessions completed.
- Wage Verification (DE 1919) and Request for Proof of Wages Claim (DE 23) composing approved, PDF approved, scan test approved.
- Completed and approved iCapture detail design.

October 2011 – December 2011 Critical Project Activities

SCDB Modernization Project Upcoming Activities

The SCDB Modernization project will work on the following critical activities during the October 2011 – December 2011 quarter:

- Complete third iteration of system testing.
- Complete performance testing.
- Complete Customer Acceptance Testing.
- Complete the project implementation and maintenance plans.
- Convert the production database to DB2.
- Move the converted online and batch source code to production.
- Conduct several readiness tests to fine-tune activities for the November implementation.

ABP Project Upcoming Activities

The ABP project will work on the following critical activities during the October 2011 – December 2011 quarter:

- Complete through logical day four of ABP testing.
- Begin conversion programming of the mainframe.
- Complete conversion programming of the mainframe.
- Continue programming of the Wage Tool.
- Continue developing test cases and test scripts in HP Quality Center for the Wage Tool.
- Begin test execution for the Wage Tool.
- Develop and acquire approval for the security threat model.
- Complete and acquire approval of the BCIS design.
- Begin programming of the BCIS.
- Complete quality build, screens and unit test BCIS.
- Begin test preparation for BCIS.
- Complete Macro programming.
- Continue development to both internal and external web content.
- Build infrastructure for scanners.
- Begin iCapture and InfoImage programming.

Project Expenditure Data

SCDB Modernization Project

SCDB Modernization[1] SFY 2011/12 Expenditures July 1, 2011 - June 30, 2012				
Category	SFY 11/12 SPR Budget[2]	SFY 11/12 Expenditures	SFY 11/12 Balance	Total Project Expenditures[3]
Staffing	$1,960,283	$765,082	$1,195,201	$5,488,488
Software	$79,718	$0	$79,718	$5,428,945
Vendors				
Project Management	$1,609,760	$362,480	$1,247,280	$2,166,094
Independent Project Oversight	$86,154	$0	$86,154	$0
Independent Verification and Validation	$467,692	$12,470	$455,222	$158,849
Programming	$2,953,280	$904,732	$2,048,548	$6,469,283
Testing	$916,960	$0	$916,960	$6,123,929
Data Conversion	$713,500	$1,625	$711,875	$131,625
Database Admin	$396,982	$72,704	$324,278	$634,842
Total Vendors	**$7,144,328**	**$1,354,011**	**$5,790,317**	**$15,684,622**
OTech (Data Center Services)	$1,086,061	$347,818	$738,243	$1,290,630
Position Sensitive OE&E	$451,573	$102,913	$348,660	$1,194,505
Total	**$10,721,963**	**$2,569,824**	**$8,152,139**	**$29,087,190**

ABP Project

ABP SFY 2011/12 Expenditures July 1, 2011 - June 30, 2012				
Category	SFY 11/12 SPR Budget[2]	SFY 11/12 Expenditures	SFY 11/12 Balance	Total Project Expenditures[3]
Staffing	$2,318,311	$362,875	$1,955,436	$1,797,569
Hardware	$0	$0	$0	$0
Software	$70,179	$0	$70,179	$894,982
Vendors				
Project Management	$638,880	$0	$638,880	$38,400
Independent Project Oversight	$21,538	$0	$21,538	$0
Independent Verification and Validation	$116,923	$10,150	$106,773	$45,530
Programming	$3,830,772	$85,422	$3,745,350	$1,649,168
Testing	$1,264,428	$0	$1,264,428	$218,405
BCIS Configuration	$0	$0	$0	$0
Database Admin	$95,353	$18,176	$77,177	$159,647
Total Vendors	**$5,967,894**	**$113,748**	**$5,854,146**	**$2,111,150**
OTech (Data Center Services)	$194,440	$1,156	$193,284	$1,516
Position Sensitive OE&E	$558,618	$59,766	$498,852	$517,401
Total	**$9,109,442**	**$537,545**	**$8,571,897**	**$5,322,618**

[1]The SCDB Modernization project is split funded 66 percent UI American Recovery and Reinvestment Act (ARRA), 34 percent DI.

[2]The Budget figures displayed are from the SPR. These amounts displayed do not represent the total project costs from inception.

[3]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.