



February 11, 2021

The Honorable Phil Ting, Chair
Assembly Committee on Budget
State Capitol, Rm. 60260
Sacramento, CA 95814

The Honorable Nancy Skinner
Senate Committee on Budget and Fiscal Review
State Capitol, Room 5019
Sacramento, CA 95814

RE: Employment Development Department's Benefit Fraud

Dear Chairs Ting and Skinner:

Please consider this a request to appropriate funds for a taskforce to coordinate the investigation and prosecution of unemployment benefits fraud.

On January 25, the Employment Development Department reported a staggering level of fraud, confirming that 9.7% of the \$114 billion in benefits paid between March 2020 and mid-January 2021 were paid on fraudulent claims. Further, this \$11 billion, while shocking, is likely just a fraction of the actual fraud present. EDD is currently investigating 17% of its additional payments for potential fraud.

While local district attorneys and, in some instances, the State Attorney General are investigating and prosecuting these cases, resources are extremely limited and they can only focus on the most egregious examples. We understand that many DA offices have not been able to devote more than one investigator and one prosecutor for EDD cases; we also understand from a recent Assembly Budget Committee hearing that there are only 17 full-time fraud investigators at EDD. While a fraud task force led by California's Office of Emergency Services exists, our understanding is that its work involves information sharing and it is not coordinating investigations and prosecutions.

Due to the lack of resources and the unprecedented scope of the fraud cases, the State should take a coordinated effort by forming and adequately funding a benefits fraud task force led by the Attorney General with partners including EDD investigators, prosecutors, and law enforcement. In addition to bringing guilty parties to justice, recouping as much fraudulent payments as possible should be pursued.

Investing in a coordinated taskforce model will potentially represent a significant return on investment. For example, if just 5% of the known fraud is recovered, that would yield more than \$550 million. Any investment in resources in this area will more than pay for itself.

Therefore, we are requesting \$55 million to initially fund the task force. This amount represents half of one percent of the value of the identified fraud. This funding would allow for the hiring, training and coordination of specialized staff within local and state law enforcement agencies to address unemployment fraud, potentially modeled after current specialized grants programs for auto insurance fraud, disability and healthcare fraud, and workers' compensation insurance fraud.

Thank you for your consideration of this request. If you have any questions, please don't hesitate to contact Claire Conlon, Chief of Staff to Assemblymember Petrie-Norris, at 916-319-2074 or Riana King, Legislative Director to Assemblymember David Chiu, at 916-319-2017.

Sincerely,



Cottie Petrie-Norris
California State Assemblywoman
74th Assembly District



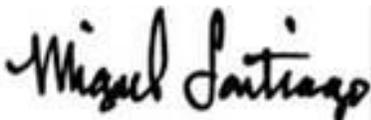
David Chiu
California State Assemblymember
17th Assembly District



Chad Mayes
California State Assemblymember
42nd Assembly District



Rudy Salas
California State Assemblymember
32nd Assembly District



Miguel Santiago
California State Assemblymember
53rd Assembly District



Buffy Wicks
California State Assemblywoman
15th Assembly District



Adrin Nazarian
California State Assemblymember
46th Assembly District

cc: The Honorable Gavin Newsom, Governor of California
The Honorable Xavier Becerra, California Attorney General
The Honorable Toni Atkins, Senate President pro Tempore
The Honorable Anthony Rendon, Assembly Speaker
Keely Bosler, Department of Finance Director