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CITY OF LOMITA

May 14, 2024

The Honorable Ben Allen
Member, California State Senate
1021 O Street, Room 6610
Sacramento, CA 95814

RE: SB 1116 (Portantino) Unemployment Insurance: Trade Disputes: Eligibility for Benefits.
Notice of OPPOSE (*As Introduced February 13, 2024*)

Dear Senator Allen,

The City of Lomita must respectfully oppose **SB 1116 (Portantino)**, 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. 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 local agencies have a fiscally solvent UI system in order to continue to deliver public services 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 for up to 26 weeks. In this situation, a local government agency would experience simultaneous claims that would significantly increase UI costs.

The passage of SB 1116 would impact Lomita's already small workforce. If workers were to go on strike and receive unemployment benefits while out, it would potentially put a stoppage to the public services we provide. By allowing workers to qualify for unemployment benefits after two weeks of not reporting to work, they may prolong their strike (work stoppage) causing city services to suffer even more. Given that unemployment payments are non-taxable would create more of an incentive to prolong the strike. SB 1116 would also increase Lomita's unemployment payments to the State and increase our UI percentage rate. The more UI claims

an employer has, the higher the UI percentage rate, which means local employers will pay more towards unemployment benefits.

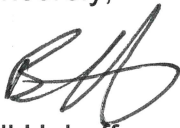
In addition to its considerable costs to employers, SB 1116 will likely further harm the already insolvent UI fund and threaten benefits to unemployed Californians in future recessions. California's UI Fund was exhausted during the COVID-19 pandemic and is projected to owe \$20.8 billion to the federal government by the end of 2024.

This is nearly double the amount of funds that California borrowed the last time its UI funds were exhausted during the 2008 recession. Beginning in 2008, California accumulated more than \$10 billion in debt which was not repaid until 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.

This measure will also 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 1116 were to become law, we anticipate longer lengths of impasse, higher costs associated with protracted Public Employee Relations Board proceedings and decline in quality of public services.

For these reasons, the City of Lomita **must oppose** SB 1116 (Portantino).

Sincerely,



Bill Uphoff
Mayor

- c. Lomita City Council
The Honorable Anthony Portantino, California State Senate
Jeff Kiernan, Cal Cities Regional Public Affairs Manager via email jkiernan@calcities.org
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