

SENATE OFFICE OF OVERSIGHT AND OUTCOMES

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Furloughs in Federally-Funded Programs Hinder Delivery of Benefits, Frustrate U.S. Officials

SACRAMENTO—Furlough of the state workers who carry out federally-funded benefit programs has delayed delivery of monthly checks to people with disabilities and impeded an already slow system for getting cash assistance to jobless Californians, according to a new report by the Senate Office of Oversight and Outcomes.

The oversight office found great frustration among federal officials, one of whom decried the furlough policy as a “ridiculous” impediment to benefits that can keep the most vulnerable Californians from homelessness.

The report analyzes the effect of furloughs on the unemployment insurance program and two Social Security Administration programs that serve people with long-term disabilities.

All three programs are paid for with federal dollars. So cutting by 14% the pay of the state workers who administer them does nothing to help the state’s general fund or cash flow. In fact, the report concludes, the three-day-per-month furloughs will cost California an estimated \$18 million to \$31 million in lost state worker salaries by July 2010, when furloughs are scheduled to end.

The entire report, “Furloughs in Federally-Funded Benefit Programs: Backlogs Build and California Compensates with Overtime and Hiring,” can be read [here](#).

It calls into question the effectiveness of the governor’s “self-directed” furlough policy, by which workers in certain state operations – including the federal unemployment and disability benefit programs – are permitted to work on their unpaid furlough days and bank time to take off later. Such a policy, the administration argues, minimizes the impact of furloughs.

But an analysis of payroll data by the oversight office found that the average state worker administering these federal programs spent significantly less time on the job after the imposition of furloughs. In one unemployment agency, the amount of time off taken by the average worker tripled between the third quarter of 2008, before furloughs, and the same quarter in 2009.

Less time on the job means bigger backlogs in the disability programs, according to the oversight report, and more overtime and additional hiring in the unemployment program.

Among the report's other conclusions:

- Federal disability benefits of \$68 million to \$99 million a year will be delayed for thousands of qualified Californians because furloughs have slowed the processing of applications.
- The backlog of applications for Social Security disability benefits in California is growing.
- An estimated 27,000 hours of labor per month are lost to furloughs in the workforce that determines which Californians qualify for the Supplemental Security Income and Social Security Disability Insurance programs.
- In the unemployment insurance program, furloughs have saved \$27 million in salary costs -- but that federal money has been used to hire new workers and pay overtime to deal with a massive influx of recession-driven claims.
- The speed with which California pays unemployment claims has deteriorated significantly since the imposition of furloughs.
- Key workers in the unemployment insurance program describe an inefficient situation in which they may work overtime one week and take off furlough time the next. On average, they are taking more time off since the imposition of furloughs, but hiring and more costly overtime are also on the rise.
- State and federal officials have not calculated how much overtime and hiring could have been avoided in the unemployment insurance program if not for furloughs.

The report is the latest in a series by the Senate oversight office examining the real-world implications of furloughs. Gov. Arnold Schwarzenegger ordered most state workers to take two unpaid days off work starting in February as the state faced a severe cash shortage. A third unpaid day was added in July.

The office's previous reports documented the future liabilities created by furloughs in round-the-clock institutions such as prisons and the deterioration of service triggered by furloughs at the Department of Motor Vehicles. Future work will consider the effect of furloughs and budget cuts on tax-collecting agencies.

The non-partisan office was created in 2008 by Senate President pro Tem Darrell Steinberg (D-Sacramento) to bolster the Senate's ability to gauge government performance.