



February 1, 2021

Assembly Member Tom Daly
Chair, Assembly Insurance Committee
State Capitol, Room 3120
Sacramento, CA 95814

Senator John Laird
Vice Chair, Joint Legislative Audit Committee
State Capitol, Room 4040
Sacramento, CA 95814

Assembly Member Rudy Salas
Chair, Joint Legislative Audit Committee
State Capitol, Room 4016
Sacramento, CA 95814

Dear Chairs Daly and Salas and Vice Chair Laird,

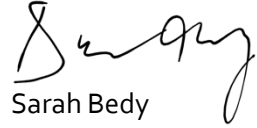
On behalf of the California Alliance of Boys & Girls Clubs, which includes over 60 organizations that support great futures for more than 640,000 young Californians, we'd like to raise a serious issue impacting nonprofits that has been overlooked in the current review of the state's unemployment system.

The state recently conducted an audit that revealed that it had lost billions of dollars due to unemployment benefit fraud in the past year. **Unfortunately, nonprofit organizations in California that self-fund unemployment benefits have had a similarly devastating financial experience.** When a nonprofit is self-insured for unemployment benefits, instead of paying into the state's unemployment system upfront, like a traditional employer, the nonprofit reimburses the state for any unemployment claims made by their former employee. This option is more feasible for many nonprofits and allows them to better utilize their limited resources to provide services to their community. However, the rise in fraudulent unemployment claims during the pandemic has resulted in nonprofits, like Clubs, repaying the state for what it thought were legitimate claims but were ultimately determined to be false. **This has impacted our organizations in a number of ways, including:**

- Insurance premiums for Boys & Girls Clubs have skyrocketed because of increased unemployment claims, in some cases tripling between 2020 and 2021
- Organizations have universally noted that currently employed individuals have been erroneously approved for unemployment benefits by the state
- In some cases, Clubs have noted that when staff were briefly furloughed and then returned to work, the state automatically reenrolled those individuals for benefits even though they no longer qualified, leading to a great upfront expense for Clubs
- Clubs have been told that it may take between three and five years for nonprofits to be reimbursed by their insurance for these fraudulent claims

Across the state Boys & Girls Clubs have stepped up to provide crucial service to their communities, many at their own fiscal peril. We urge you to act on behalf of our state's self-insured nonprofits that collectively have lost millions of dollars through unemployment benefit fraud throughout this pandemic. Legislative oversight and leadership on this issue is required to ensure that nonprofits can continue to operate and benefit millions of Californians.

All the best,

A handwritten signature in black ink, appearing to read "Sarah Bedy". The signature is fluid and cursive, with a large initial "S" and a long, sweeping tail.

Sarah Bedy

Director, California Alliance of Boys & Girls Clubs