

In the Supreme Court of the State of California

TAMARA SKIDGEL,

Plaintiff and Appellant,

v.

**CALIFORNIA UNEMPLOYMENT
INSURANCE APPEALS BOARD,**

Defendant and Respondent.

SUPREME COURT
FILED
Case No. S250149

MAY 17 2019

Jorge Navarrete Clerk

Deputy

First Appellate District, Division Five, Case No. A151224
Alameda County Superior Court, Case No. RG16810609
Hon. Robert B. Freedman, Judge

**RESPONDENT'S ANSWER TO BRIEF OF
AMICI BET TZEDEK, ET AL.**

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INTRODUCTION AND SUMMARY

Unemployment Insurance Code section 631 provides that covered

“Employment” does not include service performed ... by an individual in the employ of his son, daughter, or spouse, except to the extent that the employer and the employee have, pursuant to Section 702.5, elected to make contributions to the Unemployment Compensation Disability Fund.¹

After a formal public process, the California Unemployment Insurance Appeals Board issued a precedent benefit decision interpreting section 631’s close-family exclusion from unemployment benefits in the context of the In-Home Supportive Services program. (*In re Mercedes W. Caldera*, P-B-507 (Oct. 13, 2015) [CT 009-0017].)² The Board determined that the exclusion applies where a child or spouse IHSS recipient is *an* employer of the provider, and thus in a position to end employment. (CT 0017.)

Both Amici Bet Tzedek, et al. and Appellant acknowledge that the IHSS care recipient is an employer of the provider, by statutory definition and in light of the recipient’s power to hire, direct, and fire the provider. (Amicus Curiae Brief (ACB) 16, 19, 25; Opening Brief on the Merits 33; Reply Brief on the Merits (RBM) 8; see § 683, subd. (a) [defining employer of provider to include “[t]he recipient of such [IHSS] services”]; ABM 39-40.) Because the close-family service exclusion does not require that the

¹ All further statutory references are to the Unemployment Insurance Code unless otherwise noted. The ellipses in this excerpt reflect section 631’s exclusion for service by a minor child. This additional exclusion, and section 631’s voluntary, opt-in coverage for disability insurance coverage, are not at issue in this case. (See Answer Brief on the Merits (ABM) 16 fn. 4, 17-18 & 18 fn. 8.)

² The *Caldera* decision is available at <<https://www.cuiab.ca.gov/Board/precedentDecisions/docs/pb507.pdf>> [as of May 17, 2019].

child or spouse be the *sole* employer, whether the State, a county, or a public authority might also be deemed an employer of an IHSS provider in some sense or for other purposes (such as determining eligibility for workers' compensation) is thus irrelevant to the availability of unemployment benefits. (ABM 44-51; CT 0017.)

In advocating for a different result, Amici for the most part repeat the arguments made by Appellant, which the Board fully addressed in its answer brief. Below, the Board briefly responds to certain additional points raised and authorities cited by Amici, none of which establish that the Board clearly erred in its interpretation of the close-family exclusion.

ARGUMENT

I. ANY "JOINT EMPLOYMENT" IS IRRELEVANT TO THE APPLICATION OF THE CLOSE-FAMILY SERVICE EXCLUSION FROM UNEMPLOYMENT BENEFITS COVERAGE

As does Appellant, Amici contend that the relevant public entities (the State, a county, and/or a public authority) should be considered the joint employers of an IHSS care provider. (ACB 17-26, 28-29; see also RBM 15-16 [arguing that "IHSS workers provide a valuable service to the public entity" by providing care to child or spouse recipient].) Amici's arguments, like those of Appellant, presume that joint employment of IHSS providers is relevant to application of the exclusion in section 631, simply because it can be relevant under other statutory employment benefit schemes (e.g., workers' compensation and wage and hour laws) for certain purposes. (See ACB 17-22, citing, e.g., §§ 606.5, subd. (a) ["employer" generally determined under common law] and 621, subd. (b) ["employee" determined under the common law]; *In-Home Supportive Services v. Workers' Compensation Appeals Board* (1984) 152 Cal.App.3d 720 [workers' compensation]; *Martinez v. Combs* (2010) 49 Cal.4th 35 [wages and hours];

Guerrero v. Superior Court (2013) 213 Cal.App.4th 912 [wages and hours].) That presumption is in error.

Amici discuss primarily *IHSS*, a workers' compensation case, and *Guerrero*, a wages and hours case.³ (Neither case involves close-family service.) In briefest summary, *IHSS* involved a provider sent by a county to serve three different recipients, who was injured while assisting one of those recipients (a "Ms. M.") out of a car. (152 Cal.App.3d at p. 726.) If her work for Ms. M. were considered alone, the provider would not be eligible for workers' compensation, because she did not meet the minimum compensation and hours requirements for coverage in domestic service. (*Id.* at pp. 725-726; see Lab. Code, §§ 3351, subd. (d) & 3352, subd. (a)(8).)⁴ The provider met these "minimum requirements," however, considering wages earned and hours worked for all three IHSS recipients. (*Id.* at p. 726.) The court rejected the argument that "the failure of [the provider] to meet the minimum wage and hour requirement in the *sole* employ of Ms. ... disqualifies her" from coverage. (*Ibid.*, italics in original.) It held that because "the state is also the employer of an IHSS worker" the provider was "entitled thereby to workers' compensation coverage for her injury." (*Id.* at p. 725; see discussion at pp. 727-738 [analyzing the relevant statutory history and text].)

Guerrero involved an IHSS provider who alleged she was not paid for hundreds of hours of regular and overtime hours. (213 Cal.App.4th at pp. 918-919.) The relevant public entities (the county and the public authority) demurred, arguing among other things that they could not be held to wage

³ The Board analyzed these cases and distinguished their underlying statutory schemes at length in the answer brief. (ABM 45-51.)

⁴ Labor Code section 3352, subd. (a)(8) was contained in section 3352, subd. (h) at the time of the *IHSS* decision.

and hour laws because they were not joint employers with the recipient. (*Id.* at pp. 919, 933-934.) The court rejected this argument. (*Id.* at pp. 926-938.) As the court observed, the Fair Labor Standards Act’s wage and hour protections run to all employers, and its implementing regulations expressly recognize the possibility of joint employers. (*Id.* at p. 928; see also 29 C.F.R. § 791.2(a) [“all joint employers are responsible, both individually and jointly, for compliance with all of the applicable provisions of [the FLSA]”].)

The results of *IHSS* and *Guerrero* make sense in light of the questions presented and the particular statutory schemes and particular provisions at issue. But they do not help answer the question presented here: whether any joint employment by the public entities is relevant to the operation of section 631’s service-based exclusion from unemployment benefits coverage. It is not. Read reasonably, section 631’s close-family service exclusion is a categorical one, applying whenever a son, daughter, or spouse is *an* employer of the individual and thus in a position to take unilateral action that would trigger unemployment benefits for that individual if they were available. As the Board discussed at length in its answer, this reading of section 631 is consistent with its text and statutory context, its anti-collusion and cost-control purposes, the legislative history, the larger statutory and regulatory context, and the guidance the Department of Social Services provides to new IHSS providers. (ABM 34-44; see also CT 0012; *id.* at 0017 [Board’s conclusion in *Caldera* that joint employment is “immaterial” to application of § 631].)

Amici are incorrect that “[t]he Board itself” used a joint-employer analysis to award unemployment benefits, notwithstanding the categorical nature of section 631, in the precedent benefit decision *In the Matter of*

Lembo, P-B-111 (July 20, 1971).⁵ (ACB 23; see also RBM 20.) The *Lembo* decision makes no reference to joint employment. Rather, in *Lembo*, the Board held that (1) the “employing unit is a *partnership* between the claimant’s father and a corporation owned by his uncle” (italics added); (2) under the Employment Development Department’s interpretive regulation (Cal. Code Regs., tit. 22, § 631-1), section 631 excludes services performed for a partnership only where such services would be excluded if performed for every partner individually; and (3) because service for the uncle’s corporation, if performed individually, would *not* be excluded, section 631 did *not* bar coverage. (*Lembo, supra*, P-B-111 at pp. 1-2; see also CT 0015-0016 [Board in *Caldera* distinguishing *Lembo*]; ABM 37-38 [discussing partnership regulation].) As the court of appeal noted, the close-family partnership regulation “*extends* the [close-family service] exclusion to employment by a partnership consisting solely of close-family-member partners to avoid a subterfuge of the exclusion.” (*Skidgel v. Cal. Unemp. Ins. Appeals Bd.* (2018) 24 Cal.App.5th 574, 589, fn. 15, italics in original; see ABM 37.) Neither *Lembo* nor the close-family partnership regulation recognizes a joint-employment exception to section 631.⁶

⁵ Available at <<https://www.cuiab.ca.gov/Board/precedentDecisions/docs/pb111.pdf>> [as of May 17, 2019].

⁶ Amici also cite cases addressing the threshold question of whether a worker is in an employment relationship at all or is instead operating as an independent contractor. (ACB 17-18, citing, e.g., *Dynamex Operations West, Inc. v. Superior Court* (2018) 4 Cal.5th 903 [wage and hour case]; *S.G. Borello & Sons, Inc. v. Dept. of Industrial Relations* (1989) 48 Cal.3d 341 [workers’ compensation case]; *Empire Star Mines Co, Ltd. v. Cal. Emp. Com.* (1946) 28 Cal.2d 33 [unemployment case], overruled on other grounds in *People v. Sims* (1982) 32 Cal.3d 468, 479, fn. 8.) Here, there is no dispute that IHSS workers are employees and not independent contractors.

II. AMICI’S ADDITIONAL ARGUMENTS ARE WITHOUT MERIT

A. The Rule Favoring Liberal Construction of Benefit Statutes Does Not Sanction Judicial Revision of the Close-Family Service Exclusion

Amici contend that section 683—which provides among other things that an “employer” of an IHSS provider “also means” the service recipient—is ambiguous as to whether the provider is employed only by the recipient, or rather by the recipient and the relevant government entities. (ACB 27, citing *Skidgel, supra*, 24 Cal.App.5th at p. 592, fn. 22.) Based on that asserted ambiguity, Amici invoke the statutory construction rule that “the ‘provisions of the Unemployment Insurance Code must be liberally construed to further the legislative objective of reducing the hardship of unemployment.’” (ACB 26, quoting *Gibson v. Unemp. Ins. Appeals Bd.* (1973) 9 Cal.3d 494, 499; see also ACB 28 [asserting that “any ambiguity in the statutory scheme must result in a finding of coverage”].)

The Board disagrees that section 683 is ambiguous. The phrasing “also means” appears in a fair number of the provisions in division 1, chapter 3, article 3 of the Unemployment Insurance Code (§ 675, et seq.) defining “employer.” (See, e.g., §§ 676, 677, 682, subd. (a), 683, 686.) The phrasing simply indicates that the definition of “employer” is not limited to that set out the general definition in section 675.⁷

In any event, any ambiguity in the definition of employer in section 683 does not affect the operation of the categorical service exclusion in section 631. By its terms, the close-family service exclusion from

⁷ Section 675 provides: “‘Employer’ means any employing unit, which for some portion of a day, has within the current calendar year or had within the preceding calendar year in employment one or more employees and pays wages for employment in excess of one hundred dollars (\$100) during any calendar quarter.”

unemployment benefits applies where an individual is “in the employ of his son, daughter, or spouse” (§ 631) regardless of whether additional persons or entities may also be employers. (ABM 34-37.)⁸ And there is no dispute that an IHSS provider caring for a spouse or child recipient is in that recipient’s employ. Amici, like Appellants, would have the courts rewrite section 631 to exclude service for purposes of unemployment benefits only where the worker is in the *sole* employ of his son, daughter, or spouse, but that is not the statute the Legislature enacted. Such revision would not be a proper exercise of statutory construction. (See, e.g., *Cal. Emp. Com. v. Kovacevich* (1946) 27 Cal.2d 546, 549-552 [noting limits of liberal construction rule; applying then-operative statutory provision excluding agricultural labor from unemployment insurance coverage].)

B. The History and Development of the Law Support the Board’s Interpretation of the Close-Family Service Exclusion

Amici dismiss the Board’s analysis of sections 631 and 683 as presenting mere “piecemeal scraps of legislative history” (ACB 30; see generally ACB 30-33.) In fact, the answer brief discusses in detail the history and development of the close-family service exclusion, which has been in place from the very beginning of the State’s unemployment insurance program in 1935. (ABM 15-16, 41.) The close-family exclusion from unemployment coverage persisted even as the Legislature tempered section 631’s effect by allowing for opt-in *disability*-related coverage in

⁸ Amici do not discuss the effect of sections 605 and 634.5, which provide that service for a public entity is generally covered by unemployment law, except where the service is excluded by section 631. (ABM 36-37.) These provisions confirm the reasonableness of the Board’s reading of section 631 as a categorical service exclusion.

1971 (ABM 17-18, 41, 42).⁹ The exclusion was in place in 1973 when the IHSS program was created (ABM 18), and remained in place when, in 1978, the Legislature extended unemployment and other work-related benefits to domestic service (with certain conditions), including such service performed by IHSS providers (ABM 17, 21, 41). And section 631 was left unchanged when, later in 1978, the Legislature amended section 683 to clarify that the IHSS recipient would be considered the providers' employer. (ABM 22-23, 42-43.) It is reasonable to presume that the Legislature understood that its definition of "employer" would work in conjunction with the longstanding close-family service exclusion such that some IHSS providers would be "in the employ of" their children or spouses and thus excluded from benefits. (See *Estate of McDill* (1975) 14 Cal.3d 831, 837 ["It is assumed that the Legislature has in mind existing laws when it passes a statute."]; *City of Morgan Hill v. Bushey* (2018) 5 Cal.5th 1068, 1087 [in interpreting statutory phrase "reasonable time" for zoning ordinance to remain out of compliance with general plan, Court "reasonably presume[d]" that statutory language contemplated delays associated with referendums].) And in a memorandum from the Employment Development Department contained in the legislative history for the amendment of section 683 (specifically, the files of the Assembly Committee on Finance and Insurance), the Department advised that "family relationships will bar UI [unemployment insurance] payment to 10 percent of providers otherwise eligible" (Respondent's MJN, Ex. 12; ABM 42-43.)

⁹ The original version of Assembly Bill 1420 (1971 Reg. Sess.) would have allowed elective coverage for close family members without restriction. (Respondent's Motion for Judicial Notice (MJN), Ex. 9.) The Department of Human Resources Development opposed the bill "due to the collusion hazard." (MJN, Ex. 10; see ABM 42.) "This opposition was removed when the bill was restricted to disability-insurance only." (Respondent's MJN, Ex. 10; see also MJN, Ex. 11.)

More recently, the Legislature enrolled a bill (Assem. Bill 1930 (2015-2016 Reg. Sess.)) that would have created a new advisory committee “for the purpose of studying and providing a report on employment-based supports and protections for IHSS providers.” (Respondent’s MJN, Ex. 13 at p. 1; see ABM 43-44.) As the Senate Human Services Committee Report stated, “[a]ccess to some employment-based benefits and protections are limited for certain IHSS providers, particularly if a provider is related to the IHSS consumer.” (Respondent’s MJN, Ex. 13 at p. 4.) The report observed that the Department of Social Services “cites existing state and federal laws as the reason why spouses and parents are generally not subject to Social Security, Medicaid and unemployment benefits.” (*Ibid.*) Granted, as Amici note, the report does not list section 631 in the report’s description of existing law (see ACB 31-32), but the report does cite and quote section 631 in the background section, under the subheading “IHSS Exclusion from certain employment benefits,” concluding that, “these family employees are excluded from Unemployment Insurance (UI)” (*Id.* at p. 5.)¹⁰

This history and the Legislature’s actions confirm that the Board’s interpretation of section 631 as barring unemployment benefits for close-family IHSS service is not clearly erroneous. (ABM 28-29, 31-32 [analyzing standard of review].)

¹⁰ The Governor vetoed the enrolled bill not because he found fault in the Committee’s legal analysis of close-family IHSS benefits coverage, but because the existing “In-Home Supportive Services Stakeholder Advisory Committee ... has the ability and expertise to examine these issues and produce information necessary to advise the departments involved as well as the Legislature on this topic.” (Respondents’ MJN, Ex. 14, p. 3.)

C. Upholding the Board's Precedent Benefit Decision Will Confirm Longstanding Practice

Amici's brief might be read to suggest that a substantial number of IHSS care providers in close-family service have been led to believe they are eligible to receive unemployment benefits, and will be surprised by their lack of coverage should this Court uphold the Board's precedent benefit decision. (See ACB 15-16.) That is not the case.

IHSS providers historically have been, and currently are, informed that service for children or spouses is not eligible for unemployment insurance benefits. (Publication 104, CT 0077-0078.) As the standard pamphlet for new IHSS providers states, "Unemployment Insurance (UI) benefits may be available to you *if you are not the parent or spouse of your employer / recipient* and become unemployed, able and available to work and you meet certain eligibility requirements." (*Ibid.*;¹¹ see ABM 43.) Similarly, a plain-language IHSS provider handbook available on the Department of Social Service's website explains that unemployment benefits "are not available to IHSS caregivers who are the parent or spouse of an IHSS recipient." (Provider Handbook (2006) at p. 60.)¹² Appellants and Amici seek to change the status quo in a way that likely will have fiscal

¹¹ The pamphlet, dated December 2006, is available at <<http://www.cdss.ca.gov/cdssweb/entres/forms/English/PUB104.pdf>> [as of May 17, 2019]. The Internet Archive captured this page as early as 2008. See <<https://web.archive.org/web/20081027041034/http://www.cdss.ca.gov/cdssweb/entres/forms/English/PUB104.pdf>> [as of May 17, 2019].

¹² Available at <<https://www.cdss.ca.gov/agedblinddisabled/res/pdf/ProviderHandbook.pdf>> [as of May 17, 2019]; see also Consumer Handbook (2006) at p. 84, available at <<http://www.cdss.ca.gov/agedblinddisabled/res/pdf/ConsumerHandbook.pdf>> [as of May 17, 2019].

impacts to the IHSS program, further underscoring that any such change should be made by the Legislature.

D. Amici's Remaining Policy Arguments Are for the Legislature

Amici complain that the legislative history for the 1935 precursor to section 631, part of the State's first unemployment program, is "scant" and that the reasons for the close-family exclusion from unemployment coverage are "ambiguous." (ACB 33-34; see Stats. 1935, ch. 352, art. 2, § 7, p. 1228.) It is true that the legislative history for the provision's initial adoption does not spell out the reasons for the close-family exclusion, for example, in a committee report or declaration of intent. The absence of detailed legislative history for a state statute is not unusual. Courts must often discern a statute's underlying purpose based on its text, exercising common sense. (See, e.g., *DiCampli-Mintz v. County of Santa Clara* (2012) 55 Cal.4th 983, 992 [statute "must be given a reasonable and common sense interpretation consistent with the apparent purpose and intention of the lawmakers"; internal quotation, citations omitted].) Here, the close-family exclusion from unemployment benefits—a common and longstanding feature of state and federal unemployment programs—is grounded in legitimate concerns about the potential for collusion in conferring benefits, lack of control over eligibility, and the need to preserve and allocate limited funds. (*Miller v. Dept. of Human Resources Dev.* (1974) 39 Cal.App.3d 168, 172-173 [holding that § 631 does not violate equal protection; discussing purposes]; see also *Prince v. Unemp. Comp. Bd. of Review* (Penn. Commonwealth Ct. 2003) 832 A.2d 583, 586-587 [intermediate appellate court opinion holding Pennsylvania's close-family

exclusion from unemployment benefits constitutional; discussing similar purposes].)¹³

Amici also question the need for and wisdom of the close-family exclusion from unemployment benefits as applied in the IHSS context. They contend that the IHSS program should create incentives for parents and spouses to serve as providers, in order to improve recipients' health outcomes, and to reduce turnover in caregivers, which in turn, they argue, would save public funds. (ACB 37-39.)¹⁴ They argue, for example, that the risk of certain types of collusion in close-family IHSS service (for example, claiming wages for hours that are not worked) is adequately addressed by oversight and accountability measures built into the IHSS program. (ACB 34-35.) But Amici do not explain how government-entity oversight can prevent collusive voluntary termination by the recipient, who has a right to fire a caregiver at any time for any reason. (See ACB 35-36.)

In any event, “the role of the judiciary is not to rewrite legislation to satisfy the court’s, rather than the Legislature’s, sense of balance and order.” (*People v. Rubalcava* (2000) 23 Cal.4th 322, 333, quoting *People*

¹³ See also 26 U.S.C. § 3306(c)(5) [Federal Unemployment Tax Act close-family exclusion from definition of “employment”]; Sen. Rep. on the Social Security Act Amendments of 1939, Sen. Rep. No. 76-734, 76th Cong., 1st Sess., p. 56 (July 6, 1939) [discussing amendment to Social Security Act to add close-family exclusion, noting close-family exclusion already existed in FUTA, and stating exclusion was “advisable” to address “collusion”], available at <https://heinonline.org/HOL/Page?collection=uscset&handle=hein.uscset/usconset23190&id=1290&men_tab=srchr> [as of May 17, 2019].)

¹⁴ The Board agrees with Amici that family-member caregivers are an important part of the IHSS program, helping to keep their aged and disabled family members safely at home and out of institutions. (See ACB 12-14; ABM 20.)

v. *Carter* (1997) 58 Cal.App.4th 128, 134.) Only the Legislature can, if it chooses, “reconsider the wisdom of its statutory enactments.” (*Ibid.*)

CONCLUSION

Because the Appeals Board did not clearly err in construing section 631 as a categorical bar to unemployment benefits coverage in the close-family context, the court of appeal’s decision denying Appellant’s request to declare the *Caldera* precedent benefit decision invalid should be affirmed.

Dated: May 17, 2019

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CERTIFICATE OF COMPLIANCE

I certify that the attached RESPONDENT'S ANSWER TO BRIEF OF AMICI BET TZEDEK, ET AL. uses a 13-point Times New Roman font and contains 3,536 words.

Dated: May 17, 2019

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5814DECLARATION OF SERVICE BY U.S. MAIL

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Case No.: **S250149**

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter. I am familiar with the business practice at the Office of the Attorney General for collection and processing of correspondence for mailing with the United States Postal Service. In accordance with that practice, correspondence placed in the internal mail collection system at the Office of the Attorney General is deposited with the United States Postal Service with postage thereon fully prepaid that same day in the ordinary course of business.

On May 17, 2019, I served the attached **RESPONDENT'S ANSWER TO BRIEF OF AMICI BET TZEDEK, ET AL** by placing a true copy thereof enclosed in a sealed envelope in the internal mail collection system at the Office of the Attorney General at 455 Golden Gate Avenue, Suite 11000, San Francisco, CA 94102-7004, addressed as follows:

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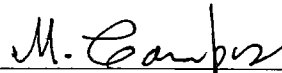
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Clerk of the Court
California Court of Appeal
First Appellate District, Division Five
350 McAllister Street
San Francisco, CA 94102
Case No. A151224
First.District@jud.ca.gov
(Via TrueFiling Submission)

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on May 17, 2019, at San Francisco, California.

M. Campos
Declarant


Signature