

be to set up a series of meetings between EDD, DOL, and CUIAB.

Acting Executive Director Flagg also reported that they submitted the IT Capital Plan, which Pam Boston will discuss. Dale Jablonsky, Labor Agency Chief Information Officer, has asked all of the boards, commissions, and departments under the Labor Agency to submit a 5-year Strategic Plan for IT. Dale will synthesize these all into one IT Capital Plan for the Labor Agency and it to the State Chief Information Officer. The CUIAB also has its own 5-year Strategic Plan, for the period 2003-2008, which we will update for the next five years, and hopefully incorporate it with the IT Capital Plan.

Acting Executive Director Flagg reported that the CUIAB received exemptions under the Governor's Executive Order for 22 Retired Annuitants ALJs for the month of August. A request for exemption of support staff was denied, but we were told they will revisit the request in the next few days.

c. Acting Chief ALJ Bill Roehr reported on behalf of Jorge Carrillo, Acting Presiding Judge, Appellate Operations, who is on annual leave.

Appellate Operations registered 1,639 cases in July, a 10% increase over the yearly average, and disposed of 1,558 cases, a 9% increase over the yearly average. The balance of open cases is 2,110 cases. Average case age was 32 days, well below the standard of 40 days. The appeal rate increased from 5.2% in June to 6.1% in July. Obviously AO has felt the impact of the Executive Order losing 9 support staff positions, making it difficult to process cases which have been decided by the Board.

Acting Chief ALJ Roehr also reported that a number of AO judges are voluntarily helping out in the Sacramento Field Office to do hearings for July and August.

Acting Chief ALJ Roehr added to his report for the Field that blanket exemptions, rather than time-limited exemptions, have been vital in the past for using retired ALJS, because the field offices calendar out two weeks at a time, so it is very difficult to know in advance specifically who they are going to be using. So they will work on this but it would be helpful to the Agency and field operations if we could obtain more exemptions for the retired ALJs.

Vice Chair Aguiar stated that we are getting 10 more Retired Annuitant ALJs and that Acting Executive Director Flagg is letting the Agency know that we have this problem.

- c. Deputy Director, Administrative Services Branch, Pam Boston reported that they are working on the IT Capital Plan. This is a new requirement for all State departments and the intent of the IT Capital Plan is to forge the necessary integration of business and IT functions within State government. As Jehan mentioned, our plan will be integrated into an Agency-wide plan for submission to the State CIO, which will in turn develop a Statewide IT Capital Plan. The

statewide plan will represent the State's plan for strategic IT investments and will be supported by the Governor's budget. Our IT identifies two projects we would like to see achieved within the next few years: streamlining of the process for conducting UI/DI appeals through electronic filing and routing of case documents, using paperless concepts and technology and automating the process of scheduling of hearings, integrating the process for electronic recording of the hearings either in person or by telephone, user generated reporting and automated electronic notification of the ALJ decisions. It is estimated that the start date for this project will be sometime around April, 2010; the other project that was identified is video streaming of the Board meetings, which would provide the general public with access to our monthly board meetings via the Web. The expected start date for this project is June, 2009, at a cost of approximately \$600,000.

Vice Chair Aguiar commented that \$600,000 is quite a bit of money, and asked if it includes equipment. Deputy Director Boston responded that this was just estimation, until a feasibility study is conducted.

Member Richardson stated that she has some concern about combining the UI and DI programs because of the HIPAA requirements for medical records.

Deputy Director Boston responded that at this point it is just their concept of what they would like to see in the future, and all those issues will be worked out at the time they do the feasibility study. They might find that because of our requirements under HIPAA DI might not be in the project.

Deputy Director Boston also reported that reconsideration is being given to resurrecting the IT Steering Committee. The Steering Committee consists of representatives from all of the branches, to evaluate and provide input on IT project ideas or proposals.

Member Richardson commented on IT interfacing with other State Agencies. Deputy Director Boston stated that Rafael interfaces a lot with Dale Jablonsky and other CIOs within the Labor Agency. There is a real likelihood of consolidating a number of IT functions with the Agency.

Lastly, Personnel and Business Services have been extremely busy implementing the Governor's Executive Order. A total of 75 Student Assistant, Youth Aids, and Retired Annuitants have been terminated, and 36 Permanent Intermittent employees have been furloughed. Business Services terminated 14 personnel services contracts, including contracts for the confidential destruct for all our field offices, janitorial services in two of our outstation facilities, and Lexus Nexus, our online legal research resource.

d. Acting Deputy Director, Planning and Program Management Branch Renee Erwin reported on two items: the Governor's Office approver without revision the CUIAB 2008-2009 out-of-state travel budget, consisting of consisted of 13 trips,

budgeted at \$22,950. During the Budget Advisory Committee (BAC) negotiations Rick Rice directed that notwithstanding this approval, the amount allocated to this item be reduced by 50%, leaving us with enough to fund six trips.

The other item is DOL Unemployment Insurance Program Letter 24-08, relating to the emergency unemployment compensation program. CUIAB submitted an SBR for \$35,500 to cover programming and other implementation costs associated with this program.

6. Chief Counsel's Report:

Chief Counsel Hilton reported that we currently have 175 court cases, with six new cases in July, and three cases closed, all of which affirmed the Board decisions. There is a development in one significant ongoing case, a rate manipulation case involving a tax assessment of \$49 million: the real party in interest in this case has appealed the Superior Court decision to the Court of Appeals. The Superior Court decision was in favor of EDD, overruling the Board decision, which had allowed the real party in interest to challenge an EDD determination separate and apart from the associated assessment.

Member Egan asked if there is ever any feedback to Members who participated in a case that has gone to court. Chief Counsel Hilton stated that there is no individual feedback, just the litigation report provided at the monthly Board meetings. Member Egan stated he would like to know when any of his cases go to court. Acting Chair Aguiar agreed with the idea.

Chief Counsel Hilton replied that he would establish a process for notifying a participating Board member as soon as one of his/her cases is taken to court, and of all significant developments.

7. Unfinished & New Business:

Vice Chair Aguiar stated that they would continue with the unfinished business of 2008-2009 Budget, with the Acting Deputy Director, P& PM, presenting the report.

Renee Erwin, Acting Deputy Director, P&PM, then gave a power point presentation on the CUIAB budget for 2008-2009. (Attachment A)

Disability Insurance Program: The DI Program was adjusted due to a workload decrease of 884 cases. The workload for the entire fiscal year 2008-2009 is now projected at 19,208 cases. Because of this reduction the authority for \$243,474 was adjusted out of CUIAB's budget.

Personal Income Tax Program: CUIAB receives approximately \$500,000 in funding for this program. As part of the General Fund 10% deficit reduction mandated by the administration, CUIAB cut \$74,310 for the 2008-2009 fiscal years. This is the only General Fund program that CUIAB administers.

Unemployment Insurance Program: For the extended Unemployment Compensation Program we projected an estimated increase of approximately 11,250 cases. The workload estimate was based upon the last extension that happened and became effective in March 2002. Due to the projected increased workload BAC is also proposing to hire 8 ALJs and 8 support staff at the Field Operations level and 1 ALJ and 1 support staff at the AO level. The salary and benefit expense for those positions would amount to about \$1.3 million, but the net revenue generated is expected to be \$1.2 million. The question has come up as to why we would hire staff for a program that is only temporary. There are couple of ways this could be handled. We could look at hiring just temporary permanent intermittent judges and support staff. Another way to look at it is that this program is effective for 13 months, during which time we expect to lose a number of employees through attrition, who could be replaced with the employees hired for the extended benefit program.

Proposed Ongoing Revenues \$2,709,679: The BAC looked at revenues that were not captured in the May revise and some of those items include the production of 14 ALJs recently hired. The problem was we never captured the revenues those 14 new judges will be generating in 2008-2009, which is calculated to be \$1.6, million based on 25,519 decisions (602 cases per week).

Proposed Savings and Personnel Reductions: The BAC initially had a hard 12-month freeze with no fill behind. Since we had the restoration of UI monies we modified that and we are proposing that the operational branches be held to a 2-month soft freeze. In other words if they know that an employee is separating they leave the position vacant for 2 months to generate 2 months worth of salary savings. The service branches are held to a 4-month soft freeze. Our experience have found it really takes anywhere from 3-4 months to fill a position anyway. It has not been a huge hardship on the branches in the last 2 years

That recommendation includes provision for exceptions that could be granted by the Chair, and we are also proposing that vacant positions remain frozen until the leave time or the lump sum cash out is exhausted. We factored in board member vacancy of one board member for an entire 12 months and another board member position for 6 months, at the direction of the past Chair, and we also have the Executive Director vacancy that currently has not been filled.

Proposed Promotions and Salary Increases: The BAC removed promotions that had not been approved as of the last BAC meeting. There were 6 promotions that were taken off the table and once we receive back the additional monies it was justified to go ahead and fund these promotions, 3 in Admin Services and 3 positions in P&PM. The concern raised with not funding these promotions was that those employees would be working out-of-class. We have also proposed 27 ALJII promotions. The salary expenses for the entire year for all 27 would be approximately \$212,000; the additional revenue that they would generate by pairing the 2 additional appellant per week would be about \$377,000. We have net

revenue of \$164,699, \$24,317 per ALJII, by granting promotions to this classification.

Proposed Operating Expenses & Equipment Adjustments: The BAC is proposing that we no longer support and provide annual maintenance and licensing of the Polycom system. We also are looking at reducing training for all divisions. Supplies were reduced by 20% for a savings of about \$65,000. Taken into consideration was that we did give direction to all cost centers to buy their first quarter of supplies before the fiscal year ended, as we knew we wouldn't have a budget at the beginning of the new year. We reduced interpreters by 5% and travel by 12%. There are Increases in uncontrollable costs, such as data processing equipment rentals and maintenance, up 55% for an increased cost of \$365,000, and postage which has gone up by \$229,000. We had unplanned audit expense of \$200,000, and there is an increase in memberships for State Bar dues.

Proposed Facility Consolidations: The BAC put on the table potential closure of 5 outstations: West Covina, Fountain Valley, Wilshire-Hollywood, Gilroy, and Sherman Oaks. Another significant cost factor is the San Jose Regional Office, where the lessor has increased the rent significantly. We also looked at concerns that we try and maintain some hearing facilities for in-person hearings so that the public does not have to drive more than 50 miles. We also need to be concerned that we don't reduce the number of hearing rooms below the number of ALJ calendars that need to be set each day. A concern with any increase in phone hearings is it does add work for our support staff and it also increase our operating expenses for postage and copying, etc.

2008-2009 Budget Recap: On July 24 we met with EDD based upon DOL's indication that they will restore funding in the 2009 allocation, in addition to the House Rules No. 2642 supplemental funding for increased workload of \$17.5 million. We are taking a precautionary measure and only funding three quarters of next year's overbase at 32%. EDD is making the assumption that 2642 will allow 100% funding for overbase. We should have a firm and definitive answer from DOL in January 2009, and with the California Governor's budget in January 10. We also factored in the extension program and planned increase revenues which were covered in earlier slides. We have the Paid Family Leave Program anticipated budget that is allocated to CUIAB just on paper. However, we do not spend what we don't earn. We are going from an \$80.3 million budget from last year and to a \$78.2 million budget for 2008-2009.

Contingency Reserves: We have built in contingency reserves of approximately \$1.1 million. The BAC is having each branch identify 10% of their OE&E Call Letter to be put in reserve. We must prepare for the potential of a 4% cost of living adjustment for the ALJs.

The Chair stated that they would now entertain questions, starting from the beginning of the presentation, and would proceed page by page.

Page 3:

Member Richardson asked if the required decrease is 10%, and the PIT program is funded at \$500,000, how did we get a \$74,310 reduction?

Acting Deputy Director Erwin stated that she would recheck her figures and get back to them.

Page 4:

Member Richardson asked if we would be hiring permanent intermittent or permanent ALJs for the temporary federal extension program.

Acting Deputy Director Erwin replied that her personal recommendation would be to hire permanent judges because of the difficulty we have had in the past in recruiting for temporary positions.

Member Richardson followed up by saying that this program is already in place and we have not yet hired the 8 ALJs, who would then have to be trained before they became functional.

Acting Deputy Director Erwin agreed with Member Richardson's concern. Member Richardson added that she would like to have little more detail as to hiring 8 ALJs for this program.

Vice Chair Aguiar inquired if it would be better to hire retired annuitants instead of hiring new ALJs.

Acting Deputy Director Erwin replied that it definitely would, however, given the Governor's Executive Order we are already working our annuitants the maximum number of hours available.

Member Montanez questioned whether the \$2.5 million is not an ongoing income, for which we should plan for its expiration. Acting Deputy Director Erwin replied that it is, but that it would continue over the course of a few years, based on our experience with the last extension.

Member Montanez further asked if there is a way to hire judges based on specific revenue where hires are tied to funding.

Deputy Director Boston stated that we have tried to recruit ALJs as either permanent intermittent or limited term and were very unsuccessful, as they just do not want to give up their career to come on to the State for a short period.

Member Egan inquired about open exams, and Vice Chair Aguiar asked how many candidates remain on the ALJ I list.

Deputy Director Boston responded that they conducted an open ALJI exam in 2006, but she would have to get back to them about the number still on the list.

Page 5:

Vice Chair Aguiar inquired about the fact that there were 14 ALJI hires authorized, but just 13 actually hired.

Acting Deputy Director Erwin stated that they were unable to get an official job offer made before the Executive Order.

Acting Executive Director Flagg clarified that there was job offer made before the Governor's Executive Order but that person declined.

Member Montanez asked about reducing the number of open cases.

Acting Chief ALJ Roehr responded that they are hopeful, but a lot depends on the number of incoming cases, which is difficult to predict. For instance, they projected a 5% increase in the number of new cases, but it turned out to be a 16% increase. In addition, the Executive Order has hampered our efforts to reduce the inventory.

The members questioned the calculations relating to the number of cases attributed to ALJ production, and there was much discussion between them and Acting Deputy Director Erwin, with it becoming apparent that the calculations needed to be checked and set forth in a clearer manner.

Page 6:

Member Montanez questioned about the Board Member Vacancy for 18 months.

Acting Deputy Director Erwin responded that it was under advice of the past Chair.

Page 7:

Member Egan questioned the calculations on the net gain of \$24,317 per ALJ for promotion to ALJ II. Acting Deputy Director Erwin replied that she needs to go over how she did these new calculations, and would need to get back to them on this point.

Member Richardson asked how many ALJs took the promotional exam, and how many are they budgeting for actual promotion.

Acting Deputy Director Erwin replied that the BAC did not want to make any assumptions, so they budgeted for all of them.

Member Richardson stated that the only reason why she asked is because the earlier version proposed 14 and wondered how it was adjusted to 27.

Acting Chief ALJ Roehr suggested that maybe she was confusing the 27 with the 14 ALJ hires.

Acting Chair Aguiar asked Acting Chief ALJ Roehr if he had the opportunity to look at each individual ALJ on the list. Acting Chief ALJ Roehr replied he has not, but would like the opportunity. Acting Chief ALJ Roehr replied he has not. He would like the opportunity to do so.

Acting Chair Aguiar noted that there were 6 promotions set forth in the budget and asked for clarification on the out-of-class.

Deputy Director Boston explained that SSA is the entry-level for the analyst series, with Associate Government Program Analyst the journey level. As they progress through the SSA classification the idea is that they become more experienced and work more independently.

Acting Chair Aguiar requested more information on the process.

Page 8:

Acting Chair about the Polycom item?

Acting Deputy Director Erwin replied we don't provide the funding to support this equipment. It was purchased approximately 5 years ago and the useful life is expiring, in other words, we can longer get repairs made to the equipment. Newer technology has replaced it. We are now looking at more advanced technology rather than supporting us on outdated equipment.

Member Figueroa asked how the 5% reduction on Interpreters was accomplished. Acting Deputy Director Erwin replied that we entered into a contract with a new vendor at a lower rate of reimbursement.

Page 9:

Member Figueroa asked what is happening on the San Jose Regional Office. Pat Houston, Manager, Business Services reported that they looked at 9 buildings and submitted proposals and all but 2 have declined. They are developing a plan next week. Member Figueroa asked if there is any danger of losing San Jose and if there is any contingency plan to move into temporary quarters. Manager Houston stated that there is such a possibility, but they have contingency plans.

Acting Chair Aguiar asked why the process takes so long.

Manager Houston commented that Real Estate Services is a division of Department of General Services. The planners there have a great deal of

workload and so they are constantly juggling their time on the various projects. For a typical office relocation it takes between 24-36 months. This is not a typical relocation because we have a great deal of tenant improvements. But this project is now on a fast track and we are seeking cooperation with building owners. DOF is also part of the approval process in relation to the budget for a lease, and it can take many months to obtain their approval. Once we have a final floor plan and a lease, construction will take approximately 6 months.

Acting Chair Aguiar questioned if a 5-year lease must be approved by the Legislature. Manager Houston stated that it does.

Manager Houston stated that a typical lease is actually 8 years with a 4-year firm with a 4-year stop. Historically, CUIAB has amortized tenant improvements over a firm term period. But it is possible that we could also run that out over an 8-year period. It is just that if for some reason if we have to vacate before the 8-year period then we would have to pay lump sum for the tenant's improvement.

Acting Chair Aguiar expressed dismay at the time and resources consumed in the leasing process, and then asked where we are in the Hemet project.

Manager Houston replied that we still have our space in Hemet, but things are up in the air with the County on their lease, so we're waiting to see how things play out.

Page 10:

Acting Chair Aguiar questioned for an explanation of over base.

Acting Deputy Director Erwin explained that due to a shortfall of federal dollars the states were to receive just 32% funding for workload over and above what is projected in our base budget allocation.

Member Egan asked why EDD interprets the funding provisions differently than CUIAB.

Acting Deputy Director Erwin replied that EDD is making assumptions based on communications they have had with DOL, but there is nothing in writing. We felt it would be in our best interest to be conservative until we have a definitive answer in January.

Page 11:

Acting Chair Aguiar asked for clarification on the OE&E Call Letter Reserve.

Acting Deputy Director Erwin explained that we have approximately 52 different categories of expenditures under Operating Expenses and Equipment, such as supplies, telephone services, and postage. What the BAC has done in years past

was to identify 10% of each branches Call Letters item that they would hold off on and not spend until the 3rd or 4th quarter just as a safeguard. This year because the budget is too tight the branches and BAC pretty much cut the OE&E Call Letters to bare bones. They are having a tough time identifying 10% to put in reserve, which is pretty minimal which is only \$131,000.

Acting Chair Aguiar asked if there is a way to mitigate that.

Acting Deputy Director Erwin responded that at one point she proposed to BAC that we utilize the general \$1.1 million reserve for this purpose, and forgo the individual branch reserve of \$131,000. Acting Chair Aguiar stated that we need to watch it closely.

It was noted that the Governor's Executive Order has already been addressed, so the would move on to the next agenda item.

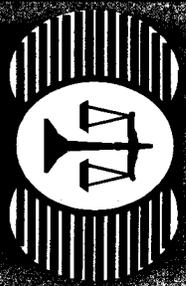
8. Public Comment:

None

9. Closed Session:

The Board went into closed session. No votes were reported.

Adjournment



CUIAB

**State Fiscal Year
2008-09**

Proposed Draft Budget

California Unemployment Insurance Appeals Board

August 12, 2008 Board Meeting

ATTACHMENT A

2008-09 May Revise

continued

Disability Insurance Program

- ✦ The DI program projects a workload decrease of 884 cases to 19,208 cases and a reduction of \$243,474 (per FDD)

2008-09 May Revise
continued

Personal Income Tax Program

- ✦ Because of a General Fund deficit the Administration mandated a 10% reduction to all state entities.
- ✦ For CUIAB that amount is \$74,310

Unemployment Insurance Program

13 Week Extended Unemployment Compensation Benefits

↘ CUIAB projects an estimated increase of:

• **11,250 cases = revenue \$2.5 million**

↘ The following new hires are proposed, to process the increased workload:

- Field: 8 ALJ Is and 8 Staff
- Appellate: 1 ALJ I and 1 Staff
- **Salary & benefit annual expense**

(\$1.3 million)

Net revenue

\$1.2 million⁴

Budget Advisory Committee

Proposed Ongoing Revenues

\$2,709,679

- ↘ 14 ALJ I hires from July 2008 through June 2009
 - **25,519 cases = revenue \$1,605,903**
 - (14 ALJs x 602 cases/week = 25,519 cases/year x \$50.56 earnings x 40.34% benefits = \$1,810,725 – 3 Decision Days = \$1,605,903)
- ↘ Continue current ALJ caseload with 2 additional appellants per week January 2009 through June 2009
 - **11,193 cases = revenue \$794,199**
 - (170.35 ALJs = 11,193 cases x \$50.56 earning x 40.34% benefits = \$794,199)
- ↘ Continue current PALJs give number of cases per week July 2008 through June 2009
 - **4,363 cases = revenue \$309,627**
 - (13 PALJs x 7.92 cases/week x 42.382 weeks = 4,363 x /year x \$50.56 earnings x 40.34% benefits = \$309,627)

Budget Advisory Committee

**Proposed Savings and
Personnel Reductions**

1. Soft freeze \$366,186

- a. Operational Branches - 2 months
- b. Service Branches – 4 months
- c. Exception may be granted by the Board Chair
- d. Vacated positions are to remain frozen until the leave time or lump-sum cash out is exhausted

2. Board Member Vacancy – 18 months \$271,251

3. Executive Director vacancy

Budget Advisory Committee

**Proposed Promotions and
Salary Increases**

• 6 Promotions \$ 22,784

• 27 ALJ II promotions

- Salary expenses \$ 212,937
- 5,322 cases = revenue \$ 377,635

• **Net revenue \$164,699**

Budget Advisory Committee

Proposed Operating Expenses & Equipment Adjustments

Reductions:

- Polycom annual maintenance and licensing discontinued (\$ 29,817)
- Training (all divisions except IT) 6% (\$ 6,185)
- Supplies 20% (\$ 65,820)
- Interpreters 5% (\$ 102,000)
- Travel 12% (\$ 121,077)

TOTAL

(\$324,899)

Savings

Increases:

Increased Cost

- DP Equipment Rent/Maint. 55% \$ 365,620
- Postage increase \$ 229,020
- Bureau of State Audit 100% \$ 200,000
- Memberships/State Bar/Misc. 93% \$ 79,800
- Training IT \$ 55,030

TOTAL

\$ 929,470

Budget Advisory Committee

Proposed Facility Consolidations

1. Outstation Closures

a. West Covina	12 mo.	\$ 72,000
b. Fountain Valley	9 mo.	\$ 51,673
c. Wilshire-Hollywood	9 mo.	\$ 78,480
d. Gilroy	9 mo.	\$ 7,417
e. Sherman Oaks	9 mo.	\$114,481
TOTAL		\$324,051

2. Relocation of Headquarters

a. San Jose Regional Office temporary relocation		\$ 80,000
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3. Potential Savings for Office Closures

TOTAL **\$227,136**

2008-09 Budget Recap		
	Position	TOTAL
07-08 BASE BUDGET 4-08	855.9	80,307,319
May 08 Revise		
UI Federal Reduction Overbase	-44.8	-4,756,562
274,600 UI cases reduced by 1,400 cases	-56.1	-5,956,416
1 Decision Day per Quarter		-571,267
Disability Insurance 19,208 DI cases	-2.3	-243,474
General Fund 10% Cut	-1.0	-74,310
2008-09 UI Restoration	158.0	17,589,000
3 Qtrs. Overbase @ 32% Reserve	-134.4	-11,887,971
UI Extension Program (13 weeks)		2,494,544
Planned Increased Revenues		2,857,900
Hemet Outstation TIs-Federal \$ Restored		121,731
Paid Family Leave unearned	-14.9	-1,711,499
2008-09 BASE BUDGET	626.0	78,178,535

Budget Advisory Committee

Contingency Reserves

- Unallocated 2008-09 available budget
\$ 1,155,736
- 10% Branch OE&E Call Letter Reserve
\$ 131,346
- 4% ALJ Cost of Living Adjustment
pending contract agreements \$ 1,421,280
- 3 Quarters of overbase
funded @ 32% \$11,887,971
(pending January, 2009 USDOL notice)

Budget Advisory Committee

Proposed Branch Allocations

2008-09	Positions	Salaries	Benefits	OE&E	TOTAL
Branch Requests					
Administrative Services	33.00	1,910,719	770,784	3,331,771	6,013,274
Information Technology	28.00	1,877,878	757,536	921,351	3,556,765
Appellate Operations	57.00	3,487,147	1,406,715	118,682	5,012,544
Executive Office	19.25	1,868,123	753,601	840,862	3,462,586
Planning & Program Management	26.00	1,410,616	569,042	131,620	2,111,278
Field Operations	468.00	33,888,121	13,670,468	9,307,763	56,866,352
TOTAL	631.25	44,442,604	17,928,146	14,652,049	77,022,799

2008-09 Budget Status

- ✦ Established Budget \$78,178,535
- ✦ Branch Requests \$77,022,799
- ✦ Reserve \$ 1,155,736