ANNUAL REPORT TO THE LEGISLATURE

ON THE SCHOOL EMPLOYEES FUND

FOR STATE FISCAL YEAR 2010-11

Prepared by

California Employment Development Department

School Employees Fund Unit

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ANNUAL REPORT TO THE LEGISLATURE ON THE

SCHOOL EMPLOYEES FUND

(State Fiscal Year Ending June 30, 2011)

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EXECUTIVE SUMMARY

This is the Annual Report to the Legislature providing comments and recommendations on the administration of the School Employees Fund (SEF) as of June 30, 2011. This report includes the operations and financial condition of the SEF for the State Fiscal Year (SFY) July 1, 2010, through June 30, 2011, as mandated by the California Unemployment Insurance Code (CUIC), Division 1, Part 1, Chapter 3, Article 6, Section 832.

The highlights of this report are:

- The SEF balance resumed a positive position in the second quarter of 2011. As of June 30, 2011, the SEF ended with a fund balance of $6.7 million. This represents an increase in the fund balance of $8.8 million when compared to SFY 2009-10, which ended with a deficit of $2.1 million. The increase in the fund balance in SFY 2010-11 is attributed to the rise in the contribution rate from .30 percent to .72 percent and a decrease in former employees collecting Unemployment Insurance (UI) benefits. For a definition of UI contribution rate, refer to the Glossary, Appendix C.

- The SEF's revenue collected during SFY 2010-11 totaled $322.0 million, which represents an increase of $186.5 million (138 percent) when compared to the $135.5 million in total revenue collected during SFY 2009-10. This increase in revenue is due to the contribution rate being the highest rate in the history of the SEF which resulted in more total UI contributions paid into the SEF. The majority of revenue comes from two primary sources, UI contributions applied to all wages earned by school employees and the Local Experience Charges (LEC) a school employer pays on the UI benefits paid to former school employees. For the LEC definition, please refer to the Glossary, Appendix C. Additional revenue is generated from penalties and interest paid by school employers, and Surplus Money Investment Fund interest earned on deposits made into the SEF.

- The SEF's total disbursements were $313.2 million in SFY 2010-11 compared to $318.7 million in total disbursements made in SFY 2009-10. This represents a decrease of $5.5 million (2 percent) in total disbursements from the prior fiscal year. The SEF's major disbursement is to reimburse California's UI Trust Fund for benefits paid to former school employees. Additional disbursements are made to cover administrative and operational costs.

- During SFY 2010-11, a total of $310.8 million in UI benefits were paid to former school employees compared to the total of $314.1 million in UI benefits paid during the SFY 2009-10. This represents a decrease of $3.3 million (1 percent) in UI benefit payments to former school employees in SFY 2010-11. The decrease in benefits paid is attributed to an increased number of former school employees exhausting their benefits. The high unemployment rate triggered the Federal Extended Duration Benefits Program (FED-ED) Assembly Bill 23, 3rd Extraordinary Session in February 2009. As long as the FED-ED extension is in effect, it will continue to have an impact on the SEF since school employers must pay 100 percent of the FED-ED benefits paid to former school employees. The FED-ED extensions filed with an effective date after

January 8, 2012, will be filed for up to 13 weeks instead of up to 20 weeks. Therefore, UI benefit charges will continue to decline.

- The SEF UI contribution rate for SFY 2011-12 was calculated at 1.61 percent pursuant to the CUIC, Section 823. The UI contribution rate will provide sufficient revenue for the SEF to meet its estimated benefit payment obligations for SFY 2011-12.

INTRODUCTION

The Annual Report to the Legislature provides comments and recommendations on the administration of the SEF as of June 30, 2011, and includes the SEF operations and financial condition for the SFY 2010-11 as mandated by the CUIC, Division 1, Part 1, Chapter 3, Article 6, Section 832.

In 1978, the UI coverage was extended to all public entities. Public school employers, kindergarten through 12th grades and community colleges were given the option to finance their UI costs by participating in the SEF, as authorized in the CUIC, Section 832. The method to finance the UI costs under the SEF program is traditionally less costly for school employers than electing to finance the UI costs under the tax-rated method, which is required for private-sector employers, or the direct reimbursable method that other public entities may select to pay their UI costs. The direct reimbursable method that public entities may opt to use requires repayment of all UI benefits paid to former employees on a dollar-for-dollar basis.

The SEF is a pooled risk fund administered by the State of California's Employment Development Department (EDD). The EDD collects quarterly contributions from all school employers participating in the SEF. The quarterly contributions are based upon the total wages paid to school employees by each school employer multiplied by the statutorily set UI contribution rate. For a definition of UI contribution rate, refer to the Glossary, Appendix C.

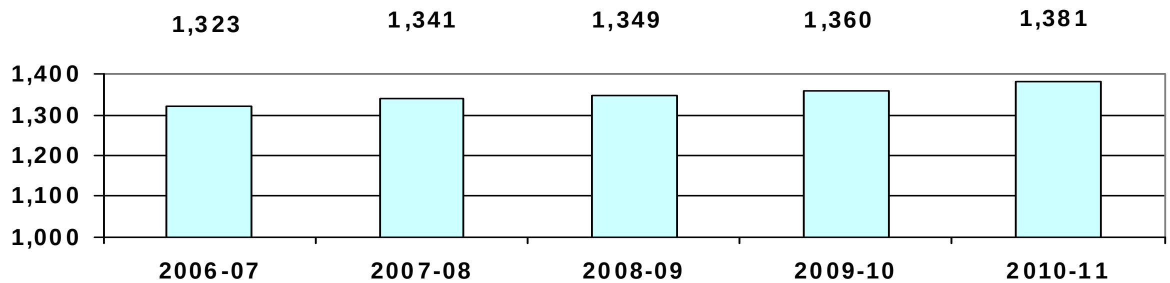
The school employer may also have to pay a quarterly LEC on the UI benefits paid to former school employees. For the LEC definition, please refer to the Glossary, Appendix C. All monies collected are deposited into the SEF and are used to reimburse California's UI Trust Fund for the cost of UI benefits paid to former school employees, provided the school employer uses the SEF method to finance their UI costs. Additional revenues to the SEF are generated from penalties and interest collected from employers and interest earned on the SEF deposits.

All 72 community college districts and 1,309 public schools, which includes the County Offices of Education and charter schools, participate in the SEF. In SFY 2010-11, participating school employers paid wages in excess of $37.9 billion. This represents a decrease of $1.7 billion from the $39.6 billion in total wages paid during SFY 2009-10.

During SFY 2010-11, the participating school employers had a total of 888,500 school employees compared to 947,629 school employees in the prior fiscal year. This represents a decrease of 59,129 employees (6.2 percent).

Participating School Employers

During the SFY 2010-11, 31 new charter schools registered with the SEF, five schools went inactive and five schools merged. The following chart displays the SEF participants growth over the past five SFYs.



SCHOOL EMPLOYER ADVISORY COMMITTEE

The School Employer Advisory Committee (SEAC) was created pursuant to the CUIC, Section 831. The SEAC consists of five members who meet at least semi-annually with the EDD administrator to consider and recommend improvements in the administration of the SEF. The State Superintendent of Public Instruction, the Chancellor of the California Community Colleges, the Association of California School Administrators, the California Association of School Business Officials, and the California School Boards Association each appoint one member to the SEAC. For a listing of the names and addresses of current SEAC representatives, see Appendix B.

Serving under the direction of the SEAC is the UI Technical Subcommittee. Its membership consists of representatives from the school employer community throughout the State and representatives from EDD. The UI Technical Subcommittee works in conjunction with the SEAC to discuss the condition of the SEF and provides outreach and assists school employers in managing UI costs.

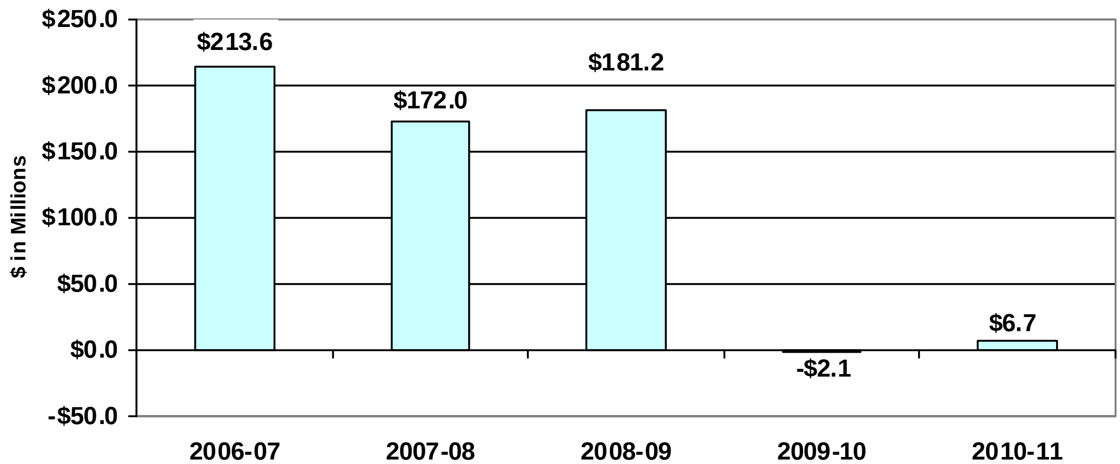
UNEMPLOYMENT INSURANCE SEMINAR FOR SCHOOL EMPLOYERS

During SFY 2010-11, the SEAC recommended to postpone the annual UI Seminar for School Employers because schools have limited financial resources and cannot afford to send staff to a two-day seminar. However, there are different venues and alternatives being explored such as having half-day presentations throughout the year to continue educating personnel at the County Offices of Education districts (including neighboring county districts) on UI management practices that help to control UI costs.

FINANCIAL CONDITION OF THE SCHOOL EMPLOYEES FUND

School Employees Fund Balance

On June 30, 2011, the SEF ended the SFY 2010-11 with a fund balance of $6.7 million. The SEF fund balance resumed a positive position in the second quarter of 2011. This represents an increase in the fund balance of $8.8 million when compared to SFY 2009-10, which ended with a deficit of $2.1 million. The increase in the fund balance in SFY 2010-11 is attributed to the rise in the contribution rate and a decrease in former employees collecting Unemployment Insurance (UI) benefits. Instead of layoffs, schools may be implementing alternative methods to balance their budgets due to a shrinking employee pool. The following chart reflects the SEF's ending fund balances as of June 30th for the past five SFYs.



Total Fund Revenue

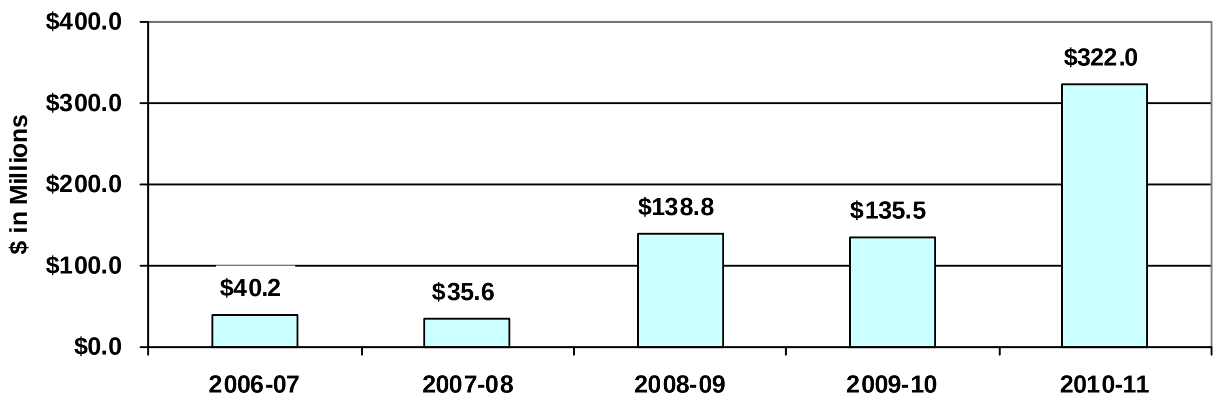
The revenue is generated from the quarterly UI contributions and the LEC paid by school employers participating in the SEF, penalties and interest assessed on school employers, interest income received from the Surplus Money Investment Fund, and prior year adjustments. For a definition of prior year adjustment, refer to the Glossary, Appendix C.

The revenue collected from school employer UI contributions totaled $277.9 million in SFY 2010-11. This represents an increase of $156.8 million (130 percent), compared to $121.1 million in revenue collected during SFY 2009-10. The LEC revenue collected from school employers totaled $19.0 million in SFY 2010-11, compared to $13.5 million in LEC revenue collected during SFY 2009-10 (See Appendix A3). This represents an increase of $5.5 million (41 percent) in LEC revenue collected in SFY 2010-11. The LEC revenue is based on UI benefits paid. Due to the increase in UI benefits paid over the last several years, many participants' LEC ranks have changed to a higher LEC rate. Therefore, while UI benefits paid are beginning to decline, the increased number of higher LEC rates will continue to be applied.

The revenue received from penalty and interest charges assessed to the school employers totaled $0.5 million, (See Appendix A1), during SFY 2010-11, an increase of $0.3 million

(150 percent) compared to $0.2 million in penalty and interest earned in SFY 2009-10. The interest revenue from Surplus Money Investment Fund totaled $0.1 million in SFY 2010-11, compared to $0.9 million in interest in SFY 2009-10. This represents a decrease of $0.8 million (89 percent) in interest earnings during SFY 2010-11. The average Surplus Money Investment Fund apportionment yield during the SFY 2010-11 was 0.487 percent compared to 0.648 percent in the SFY 2009-10.

The SEF's total revenue was $322.0 million for SFY 2010-11. This is an increase of $186.5 million (138 percent) compared to the total revenue of $135.5 million for the SFY 2009-10 (See Appendix A3). The increase in revenue is primarily due to the contribution rate being the highest rate in the history of the Fund resulting in more total UI contributions made into the SEF. The following chart displays the total SEF revenue collected during the past SFYs.

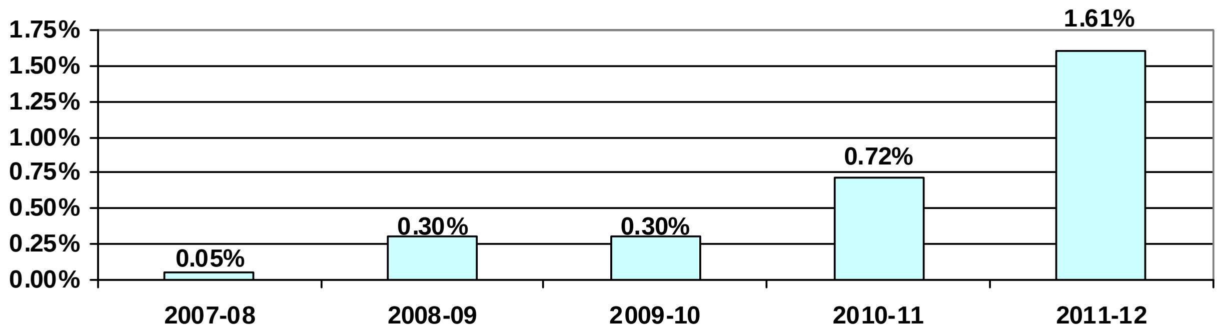


Unemployment Insurance Contribution Rates

Per CUIC, Section 823(b)(2) The contribution rate for the fiscal year beginning July 1, 1988, and for each subsequent fiscal year shall be two times the amount disbursed for claims management fees, unemployment insurance benefit charges, and School Employees Fund administrative expenditures from the School Employees Fund during the 12-month period ending December 31 and immediately preceding the fiscal year for which the rate is to be effective, less the amount in the School Employees Fund on that December 31, with the resulting figure divided by total wages as described in paragraph (1) for the 12-month period ending June 30 and immediately preceding that December 31, and then rounded to the nearest one-hundredth of 1 percent. In no event shall the contribution rate be less than five one-hundredths of 1 percent. The SEF UI contribution rate for school employers was calculated at 1.61 percent for SFY 2011-12. The SEAC recommended setting the rate as calculated pursuant to the statutory formula. The EDD Director agreed with this recommendation. The UI contribution rate will provide sufficient revenue for the SEF to meet its estimated benefit payment obligations for SFY 2011-12.

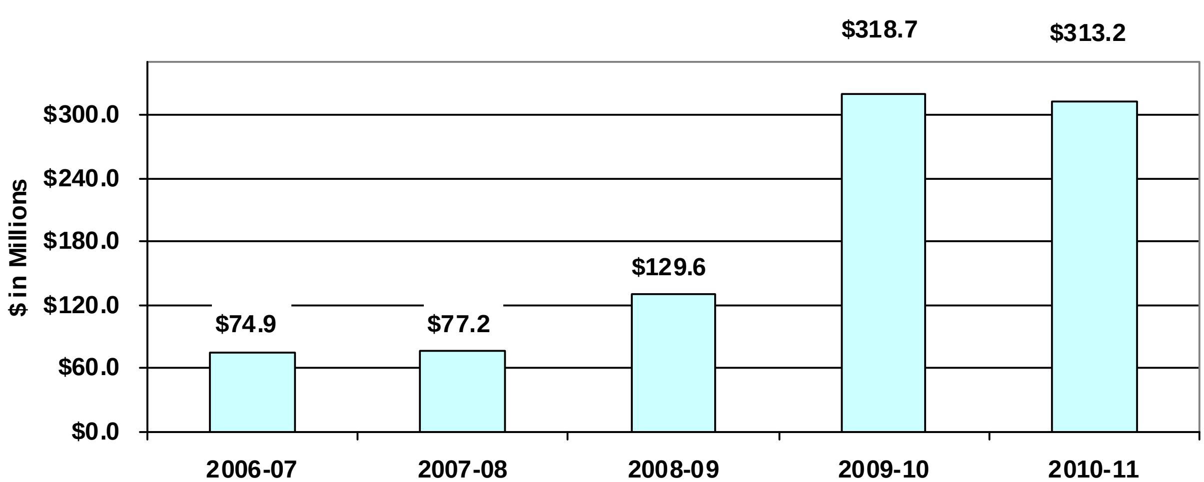
The SEF UI contribution rate is set annually for the subsequent SFY. Each SEF participant is notified of the rate by March 31.

The following chart displays the contribution rates for the last five SFYs, 2007-08 through 2011-12.



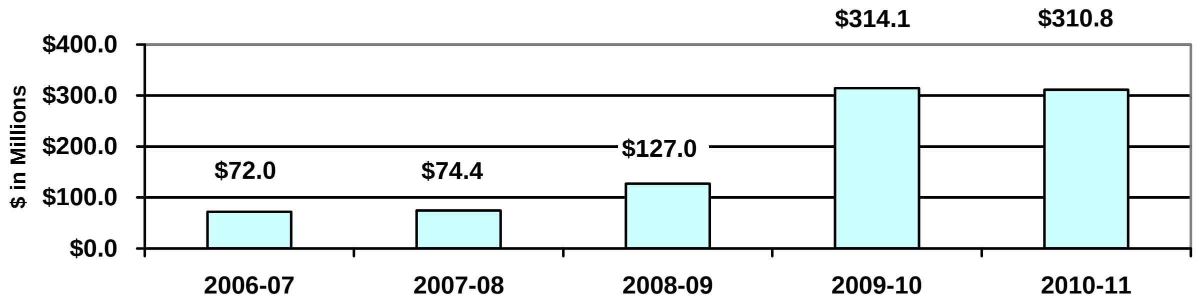
Total Fund Disbursements

The SEF's total disbursements were $313.2 million during SFY 2010-11. This is a decrease of $5.5 million (2 percent) compared to the total disbursements of $318.7 million made in SFY 2009-10 (See Appendix A1). The disbursements include the repayment to California's UI Trust Fund for UI benefits paid to former school employees, administrative costs, claims management fees, and prior year adjustments. The decrease is primarily a result of fewer former school employees collecting UI and extended Federal Extended Duration Benefits Program (FED-ED) benefits as many have exhausted their UI benefits or have found work. During the SFY 2010-11, the legislation enacted maintains the maximum total benefits at 99 weeks. Unemployed workers who have collected all 99 weeks of available benefits are unlikely to qualify for a new UI claim since they have not worked. As a result, UI benefit charges should begin to decline, even with legislation enacted to further extend FED-ED benefits since many former school employees have exhausted all UI benefits. The following chart displays the total disbursements for the prior five SFYs.



Total Benefits Paid

The total UI benefits paid to former school employees was $310.8 million during SFY 2010-11. This represents a decrease of $3.3 million (1 percent) when compared to $314.1 million in SFY 2009-10 (See Appendix A3). The decrease in benefits paid is attributed to an increased number of school employees exhausting their UI benefits. In addition, in an effort to reduce layoffs, there were furloughs, pay-cuts, program eliminations, increased class sizes, shifts into lower job classifications and shortening of the school year. As long as the FED-ED extension is in effect, benefits paid will continue to impact the SEF since school employers must pay 100 percent of the FED-ED benefits paid to former school employees. The following chart displays the total UI benefits paid to former school employees during the past five SFYs.



Total Claimants Collecting Unemployment Insurance Benefits

The following table compares SEF claimants collecting UI benefits by quarter for the SFYs 2009-10 and 2010-11. The table also displays the percentage increase or decrease in the number of claimants collecting UI benefits by quarters.

CALENDAR QUARTERS (in fiscal year order)	**SFY 2009-10**	**SFY 2010-11**	**Percent (%) Increase or Decrease**
Third Quarter July – September	78,063	85,622	9.7%
Fourth Quarter October – December	57,238	56,505	(1.3%)
First Quarter January – March	53,364	54,072	1.3%
Second Quarter April – June	46,508	*49,000**	5.4%*

* Estimated Data

LEGISLATION

The school employer community closely monitors legislative bills which may impact the UI program with the possible enactment of new laws, provisions, and policies. During SFY 2010-11, the school employers focused on several key bills.

- On July 22, 2010, President Obama signed the "*Unemployment Compensation Extension Act of 2010"* (House of Representatives Bill 4213, 111 Congress). This bill extended the effective date the four federal Emergency Unemployment Compensation (EUC) extensions could be filed. It also extended the last effective date the 20 week Federal-State Extended Duration Benefits (FED-ED) could be filed to December 5, 2010.

- On December 17, 2010, President Obama signed the "*Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010*" (House of Representatives Bill 4853, 111th Congress). This legislation did not add current weeks to the four Tiers of the federal EUC extensions or to the separate 20-week FED-ED extension. However, the legislation did extend the final filing date for the EUC extensions to late December and January 2012 for eligible unemployed workers to be able to collect benefits while trying to secure a new job. It also extended the last effective date a FED-ED claim could be filed for up to 20 weeks to January 8, 2012. The FED-ED extensions filed with an effective date after January 8, 2012, will be filed for up to 13 weeks instead of up to 20 weeks.

To summarize, the FED-ED program is separate from the EUC program and they are governed by a different set of laws. The FED-ED program has a direct impact to school employers as, by law, school employers must bear 100 percent of the costs for benefits paid under this program. Benefits paid under the EUC program are funded entirely by the federal government for all employers. Claimants cannot qualify for the FED-ED benefits until they have exhausted their regular UI benefits and exhausted benefits under the EUC program.

RECOMMENDATION

For SFY 2011-12, the SEF UI contribution rate was calculated at 1.61 percent. After consultation with the SEAC, the EDD Director approved the recommendation and set the SEF UI contribution rate at the calculated amount of 1.61 percent. The new rate which is an increase from the SFY 2010-11 rate of 0.72 percent will generate sufficient revenue to meet the estimated financial obligations for SFY 2011-12.

QUESTIONS AND COMMENTS

Any questions, comments, or suggestions concerning the administration of the SEF should be directed to the SEF staff at (916) 653-5380.

APPENDIX A

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Statement 1

STATEMENT OF ACTIVITY
STATE FISCAL YEAR 2010-11

ACCRUAL BASIS

Revenue		
Contributions	$277,926,211.80	
Local Experience Charge	$19,030,853.48	
Penalty And Interest	$479,119.21	
Other Revenue	$331.19	
Interest Income	$127,088.19	
Prior Year Adjustment*	$24,438,646.82	
Total Revenue		$322,002,250.69
Disbursements		
Benefit Charges Repaid To Unemployment Insurance Fund	$310,835,848.16	
SEF Administrative Cost	$590,434.03	
Claims Management Fees Paid	$1,777,023.00	
Prior Year Adjustment*	$0.00	
Prior Year Benefit Appropriation Adjustment	$0.00	
Total Disbursements		$313,203,305.19
Net Increase In Fund		$8,798,945.50

*Entry required at the end of the fiscal year for accrual of revenue and disbursement items.

Amounts Repaid to the Unemployment Insurance Fund

Quarters	Number of Claimants	Cost of Benefits
3rd Quarter 2010	85,622	$126,429,146
4th Quarter 2010	56,505	$74,378,878
1st Quarter 2011	54,072	$56,027,824
*2nd Quarter 2011**	*49,000*	*$54,000,000*
		$310,835,848

** Estimated Data*

Statement 2

STATEMENT OF RECEIPTS AND DISBURSEMENTS SEPTEMBER 1972 THROUGH JUNE 2011

<u>Revenue</u>		
Contributions	$1,852,358,633.11	
Local Experience Charge	$117,386,229.17	
Penalty And Interest	$1,973,088.89	
Interest Income	$117,437,402.02	
Total Revenue		$2,089,155,353.19
<u>Disbursements</u>		
Benefit Charges Repaid To UI Fund	$1,909,212,050.25	
Local Assistance Special Pro-Rata	$343,794.00	
Accrued Penalty And Interest	$2,007,962.97	
Court Ordered Interest Payments	$1,764.27	
SEF Administrative Costs	$19,557,422.39	
Fund Transfer*	$98,800,000.00	
Claims Management Fees	$52,500,191.00	
Total Disbursements		$2,082,423,184.88
<u>Net Fund Balance</u>		$6,732,168.31

*Transferred to General Fund through Budget Acts of 1986 and 1988.

The Statement of Receipts and Disbursements is prepared on the accrual basis. As of June 30, 2011, outstanding liabilities for local assistance (benefits) totaled $54 million.

	Accrued Disbursements
First Quarter of 2011 Estimated Benefit Charges	$8,600,000.00
Second Quarter of 2011 Estimated Benefit Charges for year-end closing.	$54,000,000.00
	$62,600,000.00

Statement 3

COMPARATIVE STATEMENT OF FUND CONDITION
FOR THREE FISCAL YEARS ENDING JUNE 30, 2011
ACCRUAL BASIS ($ in thousands)

	2008-09		2009-10		2010-11	
Beginning Fund Balance		$171,962		$181,150		**($2,067)**
Revenue						
Contribution	$128,739		$120,960		$277,926	
Local Experience Charge	$6,206		$13,478		$19,031	
Penalty And Interest	$52		$165		$479	
Interest	$3,799		$876		$127	
Prior Year Adjustment	$27		$0		$24,439	
Total Revenue		$138,823		$135,479		**$322,002**
Disbursements						
Benefit Charges Repaid	$127,033		$314,053		$310,836	
Pro-Rata	$0		$0		$0	
SEF Administrative Cost	$562		$614		$590	
Claims Management Fees	$1,938		$1,895		$1,777	
Prior Year Adjustments	$102		$83		$0	
Prior Year Benefit Appropriation Adjustment	$0		$2,051		$0	
Total Disbursements		$129,635		$318,696		**$313,203**
Ending Fund Balance *		$181,150		($2,067)		**$6,732**

* Components may not add up to totals, due to rounding.

APPENDIX B

SCHOOL EMPLOYER ADVISORY COMMITTEE

SCHOOL EMPLOYER ADVISORY COMMITTEE

Members	Representing
DR. HAROLD L. BORING, Chair 5280 Avondale Way Riverside, CA 92506 1-800-608-2272 ACSA Ontario Office (951) 784-4496 FAX: (951) 784-4058 E-Mail: dr5323@sbcglobal.net	Association of California School Administrators (ACSA) ACSA Ontario Office 3602 Inland Blvd. Suite. A-230 Ontario, CA 91784
MR. FRANK OGAZ, Vice-Chair 12616 Maryvine Street El Monte, CA 91732 FAX: (626) 443-0524 E-Mail: fogaz@sbcglobal.net	California School Board Association (CSBA)
MS. ZANDRA BLACK Department of Education Fiscal Consultant 1430 N Street, Suite 3800 Sacramento, CA 95814 (916) 324-4547 FAX: (916) 327-6157qw E-Mail: zblack@cde.ca.gov	State Superintendent of Public Instruction (SSPI)
MR. WILLIAM (BILL) DALRYMPLE 505 Greenwich Lane Modesto, CA 95350 (209) 529-3931 FAX: (209) 529-3931 E-Mail: thedalrymples@hotmail.com	Chancellor of the California Community Colleges (CCCC)
MS. SONDRA DOUGHERTY, Representative Orange County Department of Education P.O. Box 9050 Costa Mesa, CA 92628-9050 (714) 966-4253 FAX: (714) 662-3570 E-Mail: sdougherty@ocde.us	California Association of School Business Officials (CASBO)

APPENDIX C

GLOSSARY

GLOSSARY

Benefits: The UI compensation payable to a former school employee, with respect to his or her unemployment, under the unemployment compensation law of any state or federal government.

Benefit Charges: The UI benefit charges reflected in the financial statements are the UI benefits paid during the period of July 1 through June 30 that is repaid to the UI Trust Fund. All benefit charges paid from the SEF are considered a disbursement (expense).

Contribution: Each fund participant files documents and pays quarterly contributions which are deposited into the SEF as required by the CUIC, Section 821. The quarterly amount owed is calculated by multiplying the total wages times the contribution rate which is set for the SFY (see Contribution Rate definition below). The contributions paid by the fund participants are considered revenue and are deposited in the SEF to reimburse the UI Trust Fund for UI benefits paid to former school employees.

Contribution Rate: The contribution rate is calculated annually for the SFY July 1 through June 30. The contribution rate is the same for all fund participants. As required by the CUIC, Section 823(b)(1), all fund participants are notified by March 31 of the set contribution rate for the succeeding fiscal year.

Experience: A SEF participant must be in the fund for more than three full SFYs to increase his or her reserve account in the SEF, so that in the fourth SFY, the LEC rate is calculated based on the experience of the school employer's relative usage of the UI fund (UI benefit charges). All fund participants are notified by March 31 of their contribution rate and LEC rate as required by the CUIC, Section 832.

Fund Participants: This term is used to refer to the school employers who have elected to participate in the SEF to finance their UI taxes.

Interest Income: Interest is deposited into the SEF quarterly, based on the SEF balance with the State Controller's Office times the rate set by the Surplus Money Investment Fund.

Local Assistance Pro Rata: The Local Assistance Pro Rata is charged by the Department of Finance. Pro Rata is the recovery of central service administrative costs from special and non-governmental cost funds. The State of California provides certain services (central administrative agencies), such as accounting, computing, payroll services, banking, etc., to operating agencies (departments) on a centralized basis. Pro Rata is a process that identifies these central service administrative costs and assigns them to benefited activities (functions) on a reasonable and consistent basis.

Local Experience Charge (LEC): As mandated in the CUIC, Section 828, each school employer in the SEF shall be responsible for a quarterly LEC based on their LEC rate. The LEC is *in addition* to the quarterly contributions paid by the fund participants. The participant's individual LEC amount due is calculated by multiplying the employer's quarterly UI benefit charges times the fund participant's LEC rate. The LEC payment is due to the EDD 30 days after the mail date of the form, Notice of Amount Due (DE 6601).

Local Experience Charge (LEC) Rate: The LEC rate is calculated annually for a SFY July 1 through June 30. The LEC percentage is varied for each fund participant as listed below:

- 15 percent (ratio = negative < 1.00)
- 10 percent (ratio = 1.00 < 2.00)
- 5 percent (ratio = 2.00 < 3.00)
- 0 percent (ratio = 3.00 or more)

The LEC ratio is calculated by the fund participant's ending cumulative balance divided by the UI benefit charges. All fund participants are notified by March 31 of their individual LEC rates for the succeeding fiscal year as required by the CUIC, Section 828. The CUIC, Section 828 mandates that new SEF participants are subject to a 10 percent LEC rate for the first three complete fiscal years.

Penalty and Interest: Penalty and interest are assessed to fund participants by the administrator of the SEF for delinquent payments and/or forms and errors. Interest is calculated daily until paid. The funds collected for penalty and interest are deposited in the SEF and are considered revenue.

Prior Year Adjustment: The Prior Year Adjustment is an entry to the account at the end of the fiscal year for financial statement preparation purposes required for accrual of revenue and expense items. The Prior Year Adjustment is any revenue collected or disbursement made in the current SFY and tied to a prior period other than the current SFY.

School Employees Fund (SEF) Administrative Costs: The SEF Administrative Costs are the cost of resources and tools necessary to effectively operate the SEF program.

Surplus Money Investment Fund: Interest on investments of the Surplus Money Investment Fund is apportioned to other funds quarterly by the State Controller's Office per the Government Code Section 16475. The administering agency for the funds receiving interest will receive the State Controller's Office Notice of Transfer posting the interest in the month following the end of the quarter. Agencies will account for the interest as revenue or operating revenue in the applicable funds.