

**ANNUAL REPORT TO THE LEGISLATURE  
ON THE SCHOOL EMPLOYEES FUND  
FOR STATE FISCAL YEAR 2017-18**

**Prepared by**

**California Employment Development Department**

**School Employees Fund Unit**

**March 2019**

**ANNUAL REPORT TO THE LEGISLATURE ON THE  
SCHOOL EMPLOYEES FUND**

**(State Fiscal Year Ending June 30, 2018)**

**TABLE OF CONTENTS**

	<b>Page</b>
Director's Letter.....	
Executive Summary.....	<i>i</i>
Introduction.....	1
Participating School Employers.....	2
School Employer Advisory Committee.....	2
• Unemployment Insurance Seminar For School Employers.....	2
Financial Condition of the School Employees Fund.....	3
• School Employees Fund Balance.....	3
• Total Fund Revenue.....	3
• Unemployment Insurance Contribution Rates.....	4
• Total Fund Disbursements.....	5
• Total Benefits Paid.....	6
Legislation.....	7
Recommendation.....	8
Questions and Comments.....	8
<b>Appendices</b>	
Financial Statements.....	A
School Employer Advisory Committee.....	B
Glossary.....	C

March 31, 2019

The Honorable Members of the California State Legislature  
California State Senate and Assembly  
State Capitol  
Sacramento, CA 95814

Dear Members of the California State Legislature:

In accordance with Section 832 of the California Unemployment Insurance Code, the Employment Development Department (EDD) is pleased to provide the Annual Report to the Legislature regarding the School Employees Fund (SEF) for the State Fiscal Year (SFY) that ended June 30, 2018. This report provides a financial summary of economic activities that affected the SEF during the SFY.

- As of June 30, 2018, the SEF had a fund balance of \$359.9 million. This represents a decrease of \$53.9 million compared to the prior year.
- The SEF revenue during SFY 2017-18 totaled \$37.5 million, which represents an increase of \$3.4 million (10 percent) when compared to the prior year.
- The SEF's total disbursements were \$91.3 million in SFY 2017-18 compared to \$86.9 million in SFY 2016-17, an increase of \$4.4 million (5 percent).
- The SEF UI contribution rate for SFY 2018-19 was calculated at 0.05 percent. This rate will provide sufficient revenue for the SEF to meet its estimated financial obligations.

Printed copies of this report are available to any legislative member upon request. The report can also be viewed online at [www.edd.ca.gov/About\\_EDD/EDD\\_Legislative\\_Reports.htm](http://www.edd.ca.gov/About_EDD/EDD_Legislative_Reports.htm).

Sincerely,

/s/ PATRICK W. HENNING  
Director

## EXECUTIVE SUMMARY

In accordance with Section 832 of the California Unemployment Insurance Code, the Employment Development Department (EDD) is pleased to provide the Annual Report to the Legislature regarding the School Employees Fund (SEF) for the State Fiscal Year (SFY) that ended June 30, 2018. This report provides a financial summary for SFY July 1, 2017, through June 30, 2018, of economic activities that affected the SEF during the SFY and recommendations to ensure the adequacy of funds.

The SEF is a special reimbursable financing method available to school employers to pay their Unemployment Insurance (UI) costs. It is a joint, pooled-risk fund administered by the EDD, which collects contributions from school employers participating in the SEF. Money deposited in the SEF is used to reimburse the California UI Trust Fund for the cost of UI benefits paid to former employees of those school employers.

The highlights of this report are:

- As of June 30, 2018, the SEF ended with a fund balance of \$359.9 million. This represents a decrease of \$53.9 million (13 percent) compared to the SFY 2016-17 ending balance of \$413.8 million. The decrease in the SFY 2017-18 fund balance is attributed to an increase in benefit charges paid and administrative costs.
- The SEF revenue during SFY 2017-18 totaled \$37.5 million, which represents an increase of \$3.4 million (10 percent) compared to the \$34.1 million in total revenue collected during SFY 2016-17. The revenue growth is a result of an increase in contributions, Local Experience Charges (LEC) and the Surplus Money Investment Fund interest. For a definition of LEC, refer to the Glossary, Appendix C.
- The LEC generated \$6.1 million in revenue during SFY 2017-18, which represents an increase of \$0.1 million (2 percent) compared to \$6.0 million in SFY 2016-17. The LEC revenue increase is attributed to a rise in benefit payments. More employers experienced an increase to their LEC rates that is applied to the benefits paid to their former employees.

- Additional revenue is generated from penalty and interest paid by school employers, and interest earned on deposits in the Surplus Money Investment Fund. The Surplus Money Investment Fund yield rate has continued to rise over the past year. The chart below shows these changes. For a definition of penalty and interest and the Surplus Money Investment Fund, refer to the Glossary, Appendix C.

<b>Other Revenue</b>				
	<b>SFY 2016-17</b>	<b>SFY 2017-18</b>	<b>Difference in Dollars</b>	<b>Percentage Change</b>
<b>Penalty and Interest</b>	\$0.22 Million	\$0.11 Million	\$0.11 Million	(50%)
<b>Surplus Money Investment Fund Interest</b>	\$3.3 Million	\$5.1 Million	\$1.8 Million	55%
<b>Surplus Money Investment Fund Yield Rate</b>	0.741%	1.254%	0.513%	69%

- The SEF's total disbursements were \$91.3 million in SFY 2017-18 compared to \$86.9 million in SFY 2016-17, an increase of \$4.4 million (5 percent) from the prior fiscal year. The SEF's major disbursement is to reimburse the California UI Trust Fund for benefits paid to former school employees.
- During SFY 2017-18, a total of \$88.4 million in UI benefits were paid to former school employees compared to \$84.2 million during SFY 2016-17, an increase of \$4.2 million (5 percent). The increase in benefits could have been attributed to the elimination of administrative positions and fiscal budget challenges. Another factor could be the demographic shift of the population migrating to more affordable geographical areas, leaving some schools facing a decline in student enrollment, as other areas in California are seeing growth.
- Other expenses include the SEF's administrative and operational costs and claims management fees. Administrative costs to operate the SEF totaled \$1.0 million during SFY 2017-18, an increase of \$0.2 million (25 percent) compared to \$0.8 million in SFY 2016-17. The claims management fees paid totaled \$1.9 million during SFY 2016-17 and SFY 2017-18. For a definition of the claims management fees, refer to the Glossary, Appendix C.
- The SEF UI contribution rate for SFY 2018-19 was calculated at 0.05 percent. This UI contribution rate will provide sufficient revenue for the SEF to meet its estimated financial obligations for SFY 2018-19.

## INTRODUCTION

The Annual Report to the Legislature provides comments and recommendations on the administration of the School Employees Fund (SEF) as of June 30, 2018. This report includes the SEF operations and financial condition for SFY 2017-18 as mandated by Section 832 of the California Unemployment Insurance Code (CUIC).

In 1978, Unemployment Insurance (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 Section 821 of the CUIC. Financing 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 and nonprofit entities may select to pay their UI costs. The direct reimbursable method that public entities may use requires repayment of all UI benefits paid to former employees on a dollar-for-dollar basis.

The SEF is a joint, pooled-risk fund administered by the State of California. The Employment Development Department 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.

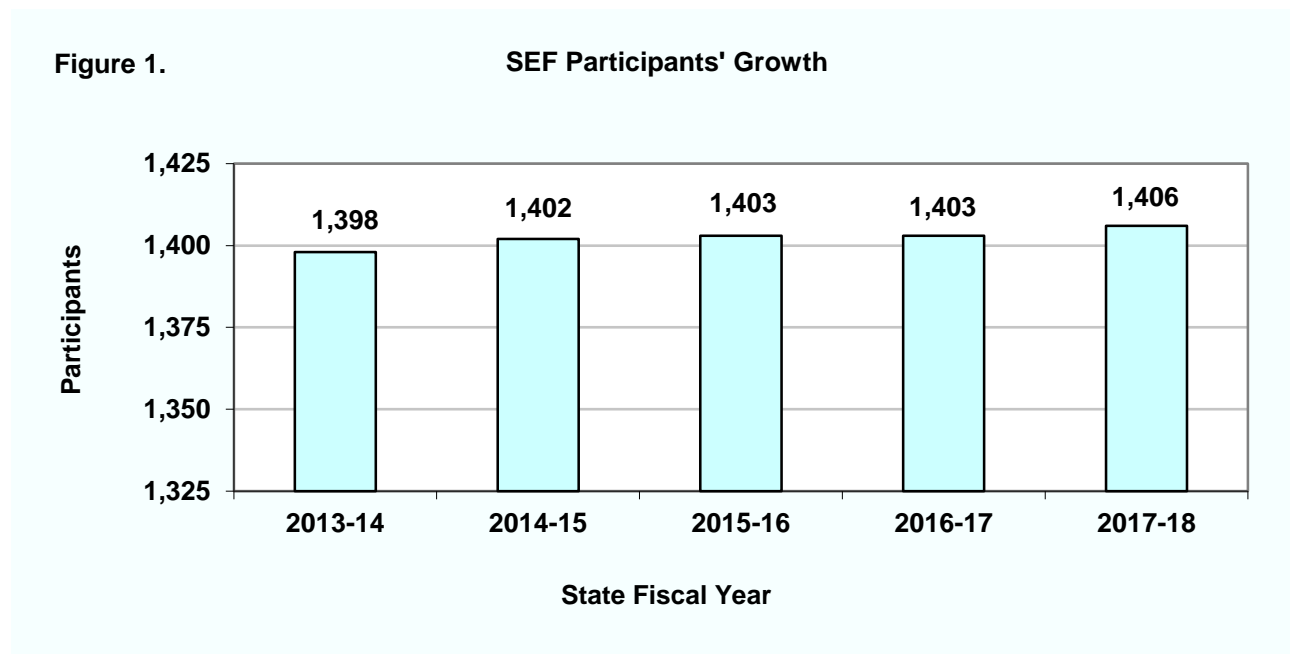
The SEF employer may also have to pay a quarterly Local Experience Charge (LEC) on the UI benefits paid to former school employees. All monies collected are deposited into the SEF and are used to reimburse the California UI Trust Fund for the cost of UI benefits paid to former school employees. Additional revenues to the SEF are generated from penalties and interest collected from employers and interest earned on the SEF deposits.

The SEF includes California's 72 community college districts and 1,334 public schools, County Offices of Education, and charter schools. In SFY 2017-18, participating school employers paid wages in excess of \$49.6 billion. This represents an increase of \$1.4 billion (3 percent) from the \$48.2 billion in total wages paid during SFY 2016-17.

During SFY 2017-18, the participating school employers had a total of 964,132 school employees compared to 949,154 school employees in the prior fiscal year. This represents an increase of 14,978 employees (2 percent).

## PARTICIPATING SCHOOL EMPLOYERS

Figure 1 displays the SEF participants' growth over the past five SFYs.



## SCHOOL EMPLOYER ADVISORY COMMITTEE

The School Employer Advisory Committee (SEAC) was created pursuant to Section 831 of the CUIIC. 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 California State Superintendent of Public Instruction, the California Community Colleges Chancellor's Office, 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 the EDD. The UI Technical Subcommittee works in conjunction with the SEAC to discuss the condition of the SEF, provide outreach, and assist school employers in managing UI costs.

## Unemployment Insurance Seminar for School Employers

During SFY 2017-18, the SEAC and UI Technical Subcommittee held a seminar in Sacramento on September 26, 2017. The seminar focused on UI claims management practices for the school employers to help control their UI costs.

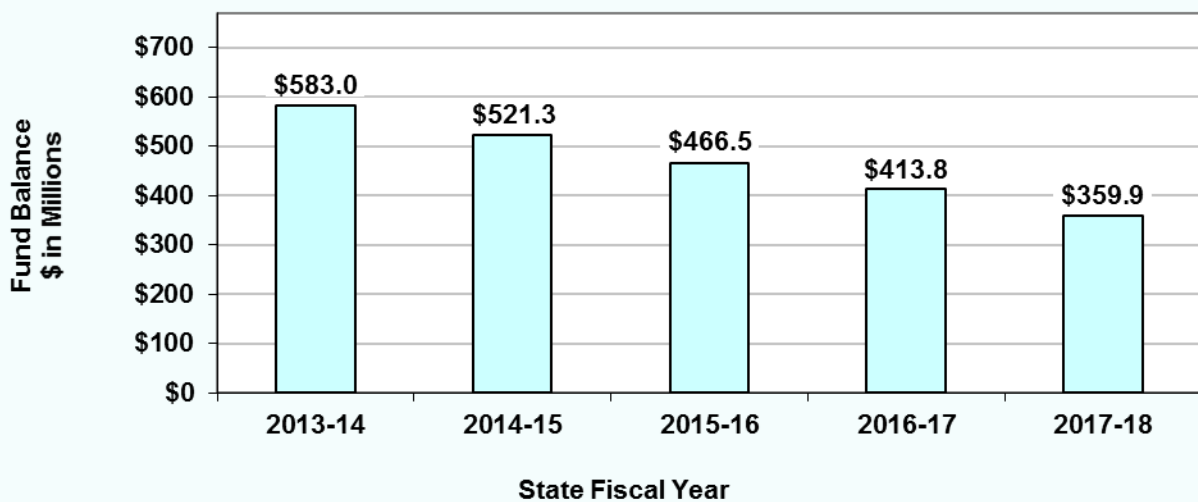
## FINANCIAL CONDITION OF THE SCHOOL EMPLOYEES FUND

### School Employees Fund Balance

On June 30, 2018, the SEF ended SFY 2017-18 with a fund balance of \$359.9 million. This represents a decrease in the fund balance of \$53.9 million (13 percent) when compared to SFY 2016-17, which ended with a fund balance of \$413.8 million. Figure 2 reflects the SEF's ending fund balances as of June 30 for the past five SFYs.

Figure 2.

SEF Fund Balance



### Total Fund Revenue

Total SEF revenue is generated from the quarterly UI contributions, LEC, penalty and interest assessed on school employers, interest income received from the Surplus Money Investment Fund, and prior year adjustments. For a definition of these terms, refer to the Glossary, Appendix C.

The revenue generated from UI contributions totaled \$25.5 million in SFY 2017-18, and reflects an increase of \$0.8 million (3 percent), compared to \$24.7 million in SFY 2016-17.

The LEC revenue collected from school employers totaled \$6.1 million in SFY 2017-18 compared to \$6.0 million collected during SFY 2016-17 (see Appendix A), which is an increase of \$0.1 million (2 percent). The LEC revenue increase is attributed to a rise in benefit payments. More employers experienced an increase to their LEC rates that is applied to the benefits paid to their former employees.

The revenue received from penalty and interest charges assessed to SEF employers totaled \$0.11 million (see Appendix A), during SFY 2017-18. This is a decrease of \$0.11 million (50 percent) compared to \$0.22 million earned in SFY 2016-17.

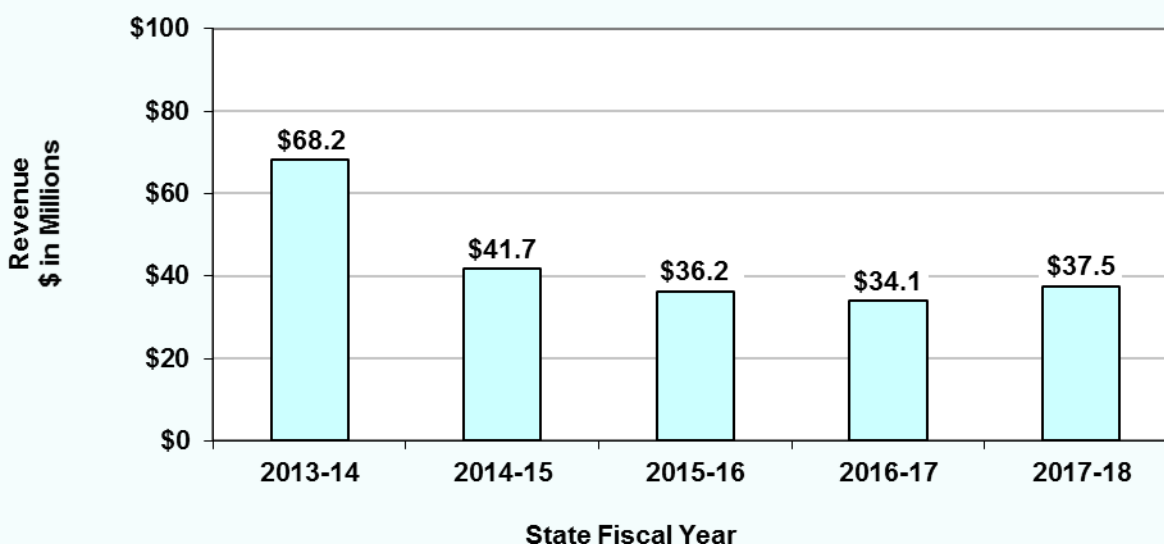


The interest income from the Surplus Money Investment Fund increased by \$1.8 million (55 percent) to total \$5.1 million in SFY 2017-18 compared to \$3.3 million in SFY 2016-17 (see Appendix A). The average Surplus Money Investment Fund apportionment yield during SFY 2017-18 was 1.254 percent compared to 0.741 percent in the prior SFY 2016-17.

The SEF's total revenue was \$37.5 million for SFY 2017-18. This is an increase of \$3.4 million (10 percent) compared to the total revenue of \$34.1 million for SFY 2016-17 (see Appendix A). Figure 3 displays the total SEF revenue collected during the past five SFYs.

Figure 3.

SEF Revenue



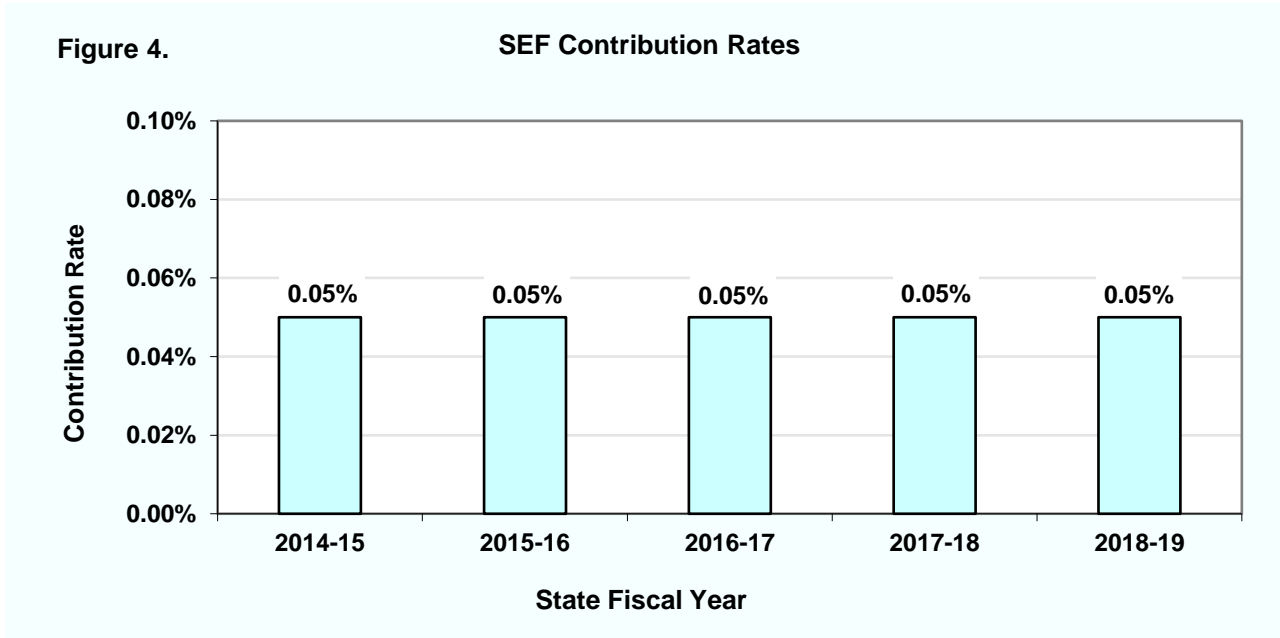
### Unemployment Insurance Contribution Rates

Regarding the contribution rate, Section 823(b)(2) of the CUIC states:

“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.”

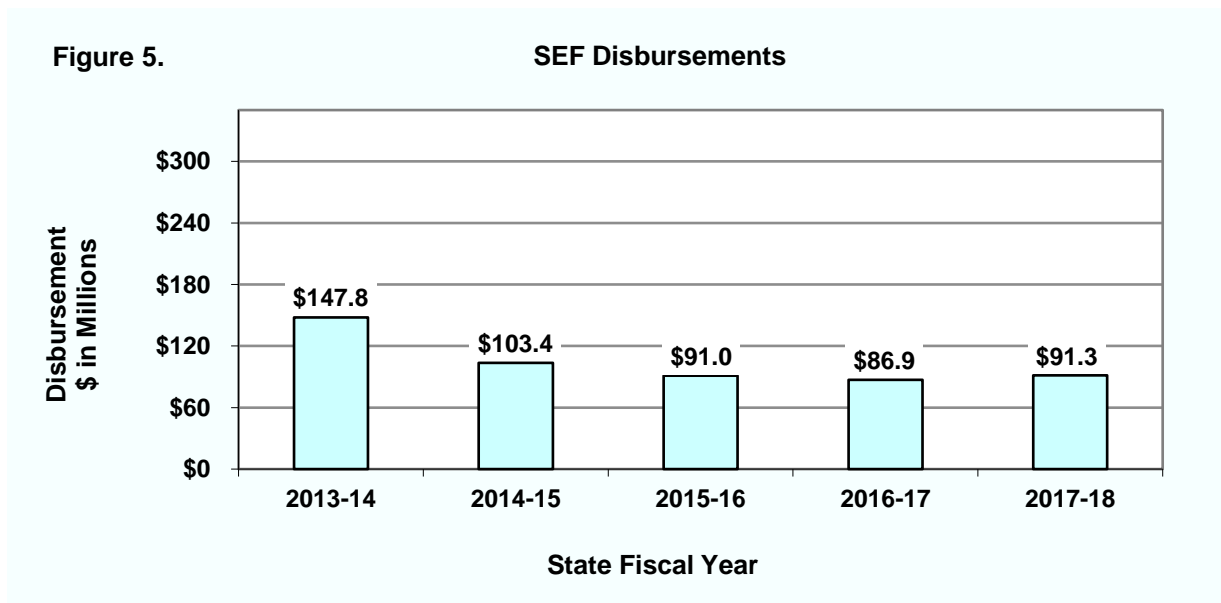
The rate is determined based on the condition of the fund. The UI contribution rate is set annually for the subsequent SFY. Each SEF participant is notified of the rate by March 31.

The UI contribution rate for school employers was calculated at 0.05 percent for SFY 2018-19. The UI contribution rate will provide sufficient revenue for the SEF to meet its estimated financial obligations for SFY 2018-19. Figure 4 displays the contribution rates for the past five SFYs.



### Total Fund Disbursements

Total SEF disbursements during SFY 2017-18 were \$91.3 million compared to \$86.9 million in SFY 2016-17 (see Appendix A), an increase of \$4.4 million (5 percent). Expenditures include UI benefit repayments to the California UI Trust Fund, administrative costs, claims management fees, and prior year adjustments. For a definition of these terms, refer to the Glossary, Appendix C. Figure 5 displays the total disbursements for the past five SFYs.

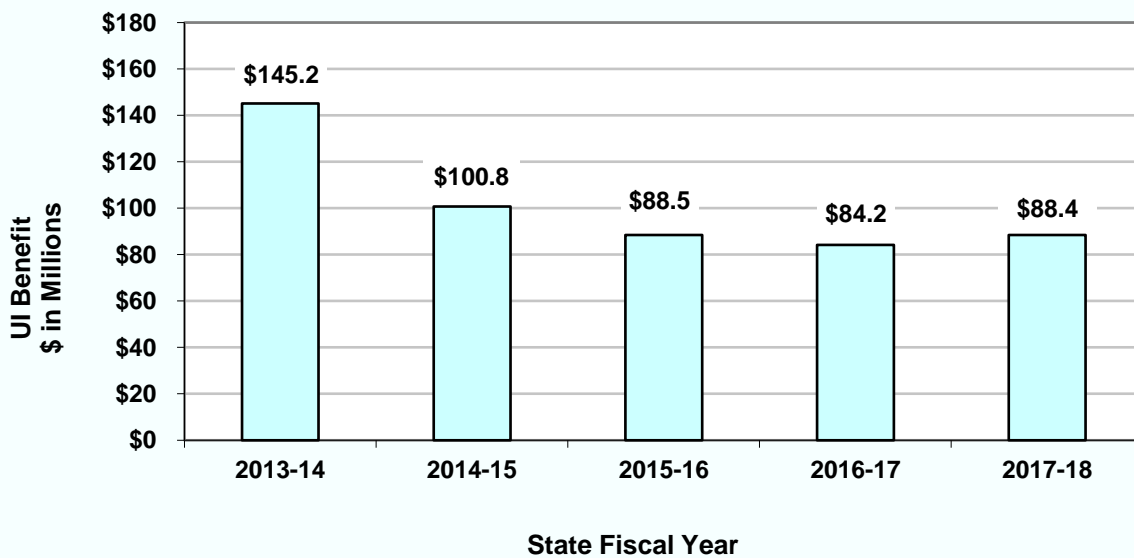


## Total Benefits Paid

The total UI benefits paid to former school employees was \$88.4 million during SFY 2017-18. This represents an increase of \$4.2 million (5 percent) when compared to \$84.2 million in SFY 2016-17 (see Appendix A). The increase in benefits could have been attributed to the elimination of administrative positions and fiscal budget challenges. Another factor could be the demographic shift of the population migrating to more affordable geographical areas, leaving some schools facing a decline in student enrollment, as other areas, in California are seeing growth. Figure 6 displays the total UI benefits paid to former school employees during the past five SFYs.

Figure 6.

### SEF Unemployment Insurance Benefits



## **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 2017-18, the SEF focused on Senate Bill 84:

Senate Bill 84, Chapter 50, Statutes of 2017, authorized the state to make a one-time cash transfer of \$6 billion as a loan from the Surplus Money Investment Fund to the Public Employees' Retirement Fund as a supplemental pension contribution. As pension contributions are expected to rise over the next few years, this loan will reduce these contributions to below what they would be otherwise. The enactment of this bill plans to save the state money over the next few decades by slowing the pace of rising pension costs.

The Department of Finance will provide a schedule for the repayment of the loan principal amounts. Quarterly interest will be distributed to participating funds on the total loan balance based on the two-year constant maturity United States Treasury Rate. The Department of Finance projects the loan will be fully repaid by SFY 2024-25, before the statutorily required repayment date of June 30, 2030.

## **RECOMMENDATION**

For SFY 2018-19, the SEF UI contribution rate was calculated at 0.05 percent. The rate will provide sufficient revenue to meet the estimated financial obligations for SFY 2018-19.

## **QUESTIONS AND COMMENTS**

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

**APPENDIX A**

**FINANCIAL STATEMENTS**

**FINANCIAL STATEMENTS**

**Statement 1**

**STATEMENT OF ACTIVITY  
STATE FISCAL YEAR 2017-18**

***ACCRUAL BASIS***

Revenue

Contributions	\$25,489,682.84	
Local Experience Charge	\$6,134,025.62	
Penalty And Interest	\$106,035.63	
Other Revenue	\$4,647.07	
Interest Income	\$5,117,084.47	
Prior Year Appropriation Adjustment*	(\$722,191.88)	
Prior Year Revenue Adjustment*	\$1,339,984.30	
Total Revenue		\$37,469,268.05

Disbursements

Benefit Charges Repaid To Unemployment Insurance Fund	\$88,395,842.70	
SEF Administrative Cost	\$979,755.23	
Claims Management Fees Paid	\$1,928,264.00	
Prior Year Adjustment*	\$0.00	
Prior Year Benefit Appropriation Adjustment	\$0.00	
Total Disbursements		\$91,303,861.93
<u>Net Decrease In Fund</u>		<u>(\$53,834,593.88)</u>

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

Amounts Repaid to the Unemployment Insurance Fund

<u>Quarters</u>	<u>Number of Claimants</u>	<u>Cost of Benefits</u>
3rd Quarter 2017	21,413	\$35,947,972
4th Quarter 2017	13,548	\$19,689,657
1st Quarter 2018	15,652	\$17,858,214
2nd Quarter 2018**	15,000	\$14,900,000
		<u>\$88,395,843</u>

\*\*Estimated Data

**STATEMENT OF RECEIPTS  
AND DISBURSEMENTS  
SEPTEMBER 1972 THROUGH JUNE 2018**

Revenue

Contributions	\$3,097,546,026.12	
Local Experience Charge	\$202,105,420.30	
Penalty And Interest	\$3,174,442.14	
Interest Income	\$132,742,740.31	
Total Revenue		\$3,435,568,628.87

Disbursements

Benefit Charges Repaid To UI Fund	\$2,884,134,378.37	
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	\$24,998,146.37	
Fund Transfer*	\$98,800,000.00	
Claims Management Fees	\$65,358,253.00	
Total Disbursements		\$3,075,644,298.98

Net Fund Balance

\$359,924,329.89

\*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, 2018, outstanding liabilities for local assistance (benefits) totaled \$14.9 million.

	Accrued Disbursements
Second Quarter of 2018 Estimated Benefit Charges for year-end closing.	\$14,900,000.00



Statement 3

**COMPARATIVE STATEMENT OF FUND CONDITION  
FOR THREE FISCAL YEARS ENDING JUNE 30, 2018  
ACCRUAL BASIS (\$ in thousands)**

	2015/16	2016/17	2017/18
Beginning Fund Balance	\$521,310	\$466,510	\$413,759
<u>Revenue</u>			
Contribution	\$23,778	\$24,704	\$25,494
Local Experience Charge	\$6,484	\$5,966	\$6,134
Penalty And Interest	\$88	\$220	\$106
Interest	\$2,087	\$3,274	\$5,117
Prior Year Adjustment	\$3,764	(\$23)	\$618
Total Revenue	\$36,201	\$34,141	\$37,469
<u>Disbursements</u>			
Benefit Charges Repaid	\$88,471	\$84,223	\$88,396
Pro-Rata	\$0	\$0	\$0
SEF Administrative Cost	\$671	\$771	\$980
Claims Management			
Fees	\$1,859	\$1,898	\$1,928
Prior Year Adjustments	\$0	\$0	\$0
Prior Year Benefit			
Appropriation Adjustment	\$0	\$0	\$0
Total Disbursements	\$91,001	\$86,892	\$91,304
Ending Fund Balance*	\$466,510	\$413,759	\$359,924

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

**APPENDIX B**

**SCHOOL EMPLOYER ADVISORY COMMITTEE**

## SCHOOL EMPLOYER ADVISORY COMMITTEE

### Members

**DR. HAROLD L. BORING, Chair**

5280 Avondale Way  
Riverside, CA 92506  
951-784-4496  
1-800-608-2272, ACSA Ontario Office  
Fax: 951-784-4058  
E-mail: dr5323@sbcglobal.net

ACSA Ontario Office  
3602 Inland Blvd, Suite A-230  
Ontario, CA 91784

**MR. MICHAEL YARBER, Vice-Chair**

1102 Q Street  
Sacramento, CA 95811  
916-327-6818  
Fax: 916-323-8245  
E-mail: myarber@cccco.edu

**MS. ZANDRA BLACK**

Department of Education  
1430 N Street, Suite 3800  
Sacramento, CA 95814  
916-324-4547  
Fax: 916-327-6157  
E-mail: zblack@cde.ca.gov

**MS. THERESA COOPER**

Business Services  
District Business Support, PaRC  
Stanislaus County Office of Education  
1100 H Street  
Modesto, CA 95354  
209-238-1948  
FAX: 209-238-4271  
E-Mail: tcooper@stancoe.org

**MR. DARREL WOO**

Sacramento City Unified School District  
5735 47th Avenue  
Sacramento, CA 95824  
916-643-7400 Ext. 9314  
E-mail: darrel-woo@scusd.edu

### Representing

Association of California School  
Administrators

California Community Colleges Chancellor's  
Office

California State Superintendent of Public  
Instruction

California Association of School Business  
Officials

California School Boards Association

## **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 are repaid to the California UI Trust Fund. All benefit charges paid from the SEF are considered a disbursement (expense).

**Claims Management Fees:** Two dollars (\$2) per covered employee, provided from available interest earnings from the SEF investments (less state administrative costs), is annually apportioned to the State Superintendent of Public Instruction or the Chancellor of the California Community Colleges for the distribution to the fund participants to administer their UI management system.

**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 LEC rate as required by Section 828(c) of the CUIIC.

**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 quarterly into the SEF based on the SEF balance with the State Treasury 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:** As mandated in Section 828 of the CUIIC, 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 Rate:** The LEC rate is calculated annually for the 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 Section 828(c) of the CUIIC. Additionally, Section 828(a) 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 disbursed in the current SFY and tied to a prior period other than the current SFY.

**School Employees Fund 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 Section 16475 of the Government Code. 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.

**Unemployment Insurance Contributions:** Each fund participant files documents and pays quarterly contributions which are deposited into the SEF as required by Section 823(b)(1) of the CUIIC. 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 California UI Trust Fund for UI benefits paid to former school employees.

**Unemployment Insurance 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 Section 823(b)(1) of the CUIIC, all fund participants are notified by March 31 of the set contribution rate for the succeeding fiscal year.