

**ANNUAL REPORT TO THE LEGISLATURE  
ON THE SCHOOL EMPLOYEES FUND  
FOR STATE FISCAL YEAR 2016-17**

**Prepared by  
California Employment Development Department  
School Employees Fund Unit  
March 2018**

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

**(State Fiscal Year Ending June 30, 2017)**

**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 Seminars 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, 2018

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, 2017. This report provides a financial summary of economic activities that affected the SEF during the SFY.

- As of June 30, 2017, the SEF had a fund balance of \$413.8 million. This represents a decrease of \$52.7 million compared to the prior year.
- The SEF revenue during SFY 2016-17 totaled \$34.1 million, which represents a decrease of \$2.1 million (6 percent) when compared to the prior year.
- The SEF's total disbursements were \$86.9 million in SFY 2016-17 compared to \$91.0 million in SFY 2015-16, a decrease of \$4.1 million (5 percent).
- The SEF UI contribution rate for SFY 2017-18 was calculated at 0.05 percent. This rate will provide sufficient revenue for the SEF to meet its estimated financial obligations for SFY 2017-18.

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, 2017. This report provides a financial summary for SFY July 1, 2016, through June 30, 2017, 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, 2017, the SEF ended with a fund balance of \$413.8 million. This represents a decrease of \$52.7 million (11 percent) compared to the SFY 2015-16 ending balance of \$466.5 million. The decrease in the SFY 2016-17 fund balance is attributed to the reduced Local Experience Charge (LEC) and the low contribution rate of 0.05 percent. Both are a result of a stabilized school workforce. For a definition of LEC, refer to the Glossary, Appendix C.
- The SEF revenue during SFY 2016-17 totaled \$34.1 million, which represents a decrease of \$2.1 million (6 percent) compared to the \$36.2 million in total revenue collected during SFY 2015-16. This decrease in revenue is due to the LEC revenue and prior year adjustment.
- The LEC generated revenue during SFY 2016-17 of \$6.0 million, which represents a decrease of \$0.5 million (8 percent) compared to \$6.5 million in SFY 2015-16. The LEC revenue continues to decline as the total amount of UI benefits paid to former school employees decreases.
- Additional revenue is generated from penalty and interest paid by school employers, and interest earned on deposits in the Surplus Money Investment Fund (SMIF). 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 2015-16</b>	<b>SFY 2016-17</b>	<b>Difference in Dollars</b>	<b>Percentage Change</b>
Penalty and Interest	\$0.09 Million	\$0.22 Million	\$0.13 Million	144%
SMIF Interest	\$2.1 Million	\$3.3 Million	\$1.2 Million	57%
SMIF Yield Rate	0.421%	0.741%	0.320%	76%

- The SEF's total disbursements were \$86.9 million in SFY 2016-17 compared to \$91.0 million in SFY 2015-16, a decrease of \$4.1 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 2016-17, a total of \$84.2 million in UI benefits were paid to former school employees compared to the total of \$88.5 million in UI benefits paid during the SFY 2015-16, a decrease of \$4.3 million (5 percent). The decline in benefits is attributed to an increase in funding to the school budgets.
- Other expenses include the SEF's administrative and operational costs and claims management fees. Administrative costs to operate the SEF totaled \$0.8 million during SFY 2016-17, an increase of \$0.1 million (14 percent) compared to \$0.7 million in SFY 2015-16. The claims management fees paid totaled \$1.9 million during SFY 2016-17 and SFY 2015-16. For a definition of the claims management fees, refer to the Glossary, Appendix C.
- The SEF UI contribution rate for SFY 2017-18 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 2017-18.

## **INTRODUCTION**

The Annual Report to the Legislature provides comments and recommendations on the administration of the School Employees Fund (SEF) as of June 30, 2017. This report includes the SEF operations and financial condition for the SFY 2016-17 as mandated by Section 832, Division 1, Part 1, Chapter 3, Article 6 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 to 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 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.

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 1,331 public schools, County Offices of Education, and charter schools. In SFY 2016-17, participating school employers paid wages in excess of \$48.2 billion. This represents an increase of \$4.3 billion (10 percent) from the \$43.9 billion in total wages paid during SFY 2015-16.

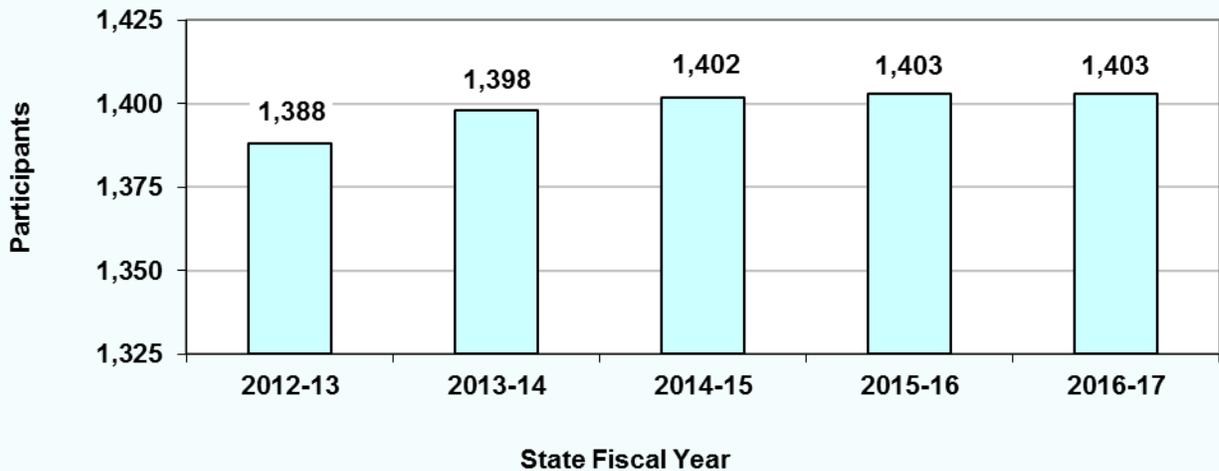
During SFY 2016-17, the participating school employers had a total of 949,154 school employees compared to 929,442 school employees in the prior fiscal year. This represents an increase of 19,712 employees (2 percent).

## PARTICIPATING SCHOOL EMPLOYERS

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

Figure 1.

SEF Participants' Growth



## SCHOOL EMPLOYER ADVISORY COMMITTEE

The School Employer Advisory Committee (SEAC) was created pursuant to Section 831 of the CUIA. 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 2016-17, the SEAC and UI Technical Subcommittee held a seminar in San Diego on October 18, 2016. The seminar focused on UI claims management practices for the school employers to help control their UI costs.

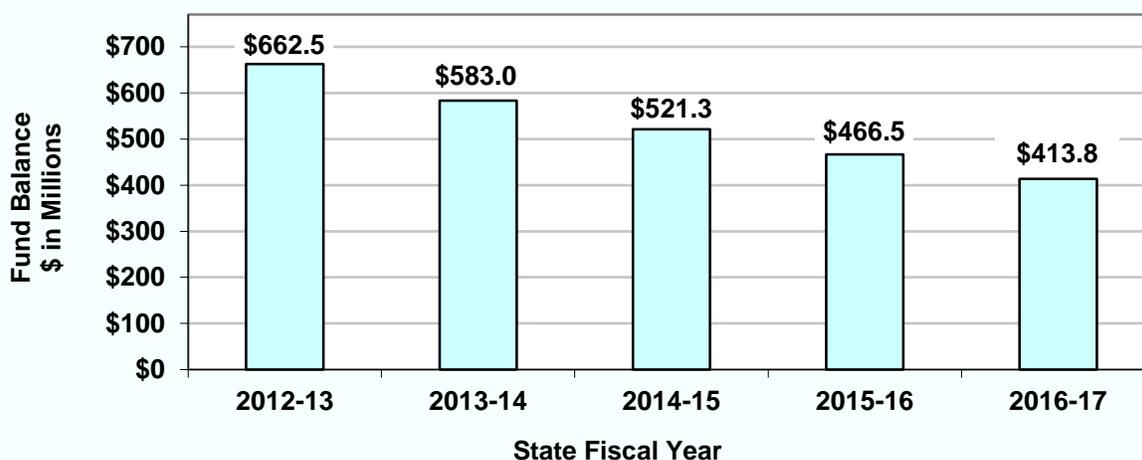
## FINANCIAL CONDITION OF THE SCHOOL EMPLOYEES FUND

### School Employees Fund Balance

On June 30, 2017, the SEF ended SFY 2016-17 with a fund balance of \$413.8 million. This represents a decrease in the fund balance of \$52.7 million (11 percent) when compared to SFY 2015-16, which ended with a fund balance of \$466.5 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 UI contributions, LEC, penalty and interest, and prior year adjustment, refer to the Glossary, Appendix C.

The revenue generated from UI contributions totaled \$24.7 million in SFY 2016-17, and reflects an increase of \$0.9 million (4 percent), compared to \$23.8 million in SFY 2015-16.

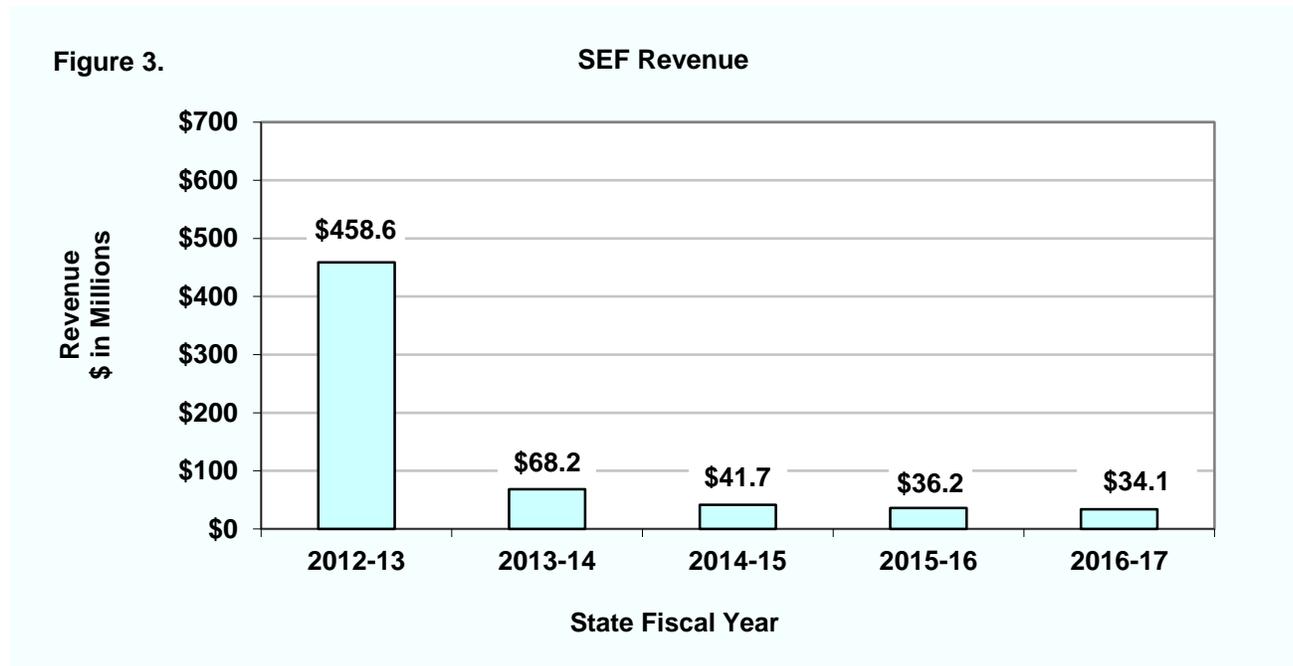
The LEC revenue collected from school employers totaled \$6.0 million in SFY 2016-17 compared to \$6.5 million collected during SFY 2015-16 (see Appendix A), which is a decrease of \$0.5 million (8 percent). The LEC revenue continues to decline as the total amount of UI benefits paid to former school employees decreases.

The revenue received from penalty and interest charges assessed to SEF employers totaled \$0.22 million (see Appendix A), during SFY 2016-17. This is an increase of \$0.13 million (144 percent) compared to \$0.09 million earned in SFY 2015-16.

The interest income from the Surplus Money Investment Fund increased by \$1.2 million (57 percent) to total \$3.3 million in SFY 2016-17 compared to \$2.1 million in

SFY 2015-16 (see Appendix A). The average Surplus Money Investment Fund apportionment yield during the SFY 2016-17 was 0.741 percent compared to 0.421 percent in the prior SFY 2015-16.

The SEF's total revenue was \$34.1 million for SFY 2016-17. This is a decrease of \$2.1 million (6 percent) compared to the total revenue of \$36.2 million for the SFY 2015-16 (see Appendix A). Figure 3 displays the total SEF revenue collected during the past five SFYs.



### Unemployment Insurance Contribution Rates

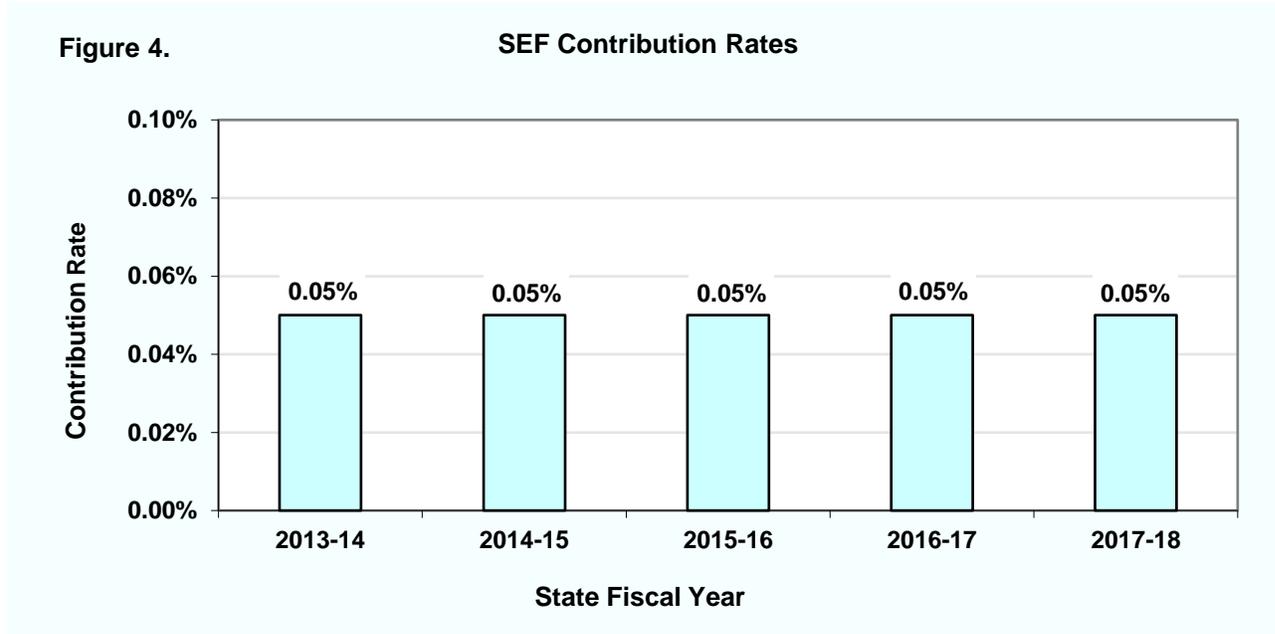
Regarding the contribution rate, Section 823(b)(2) of the CUIC states:

"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.

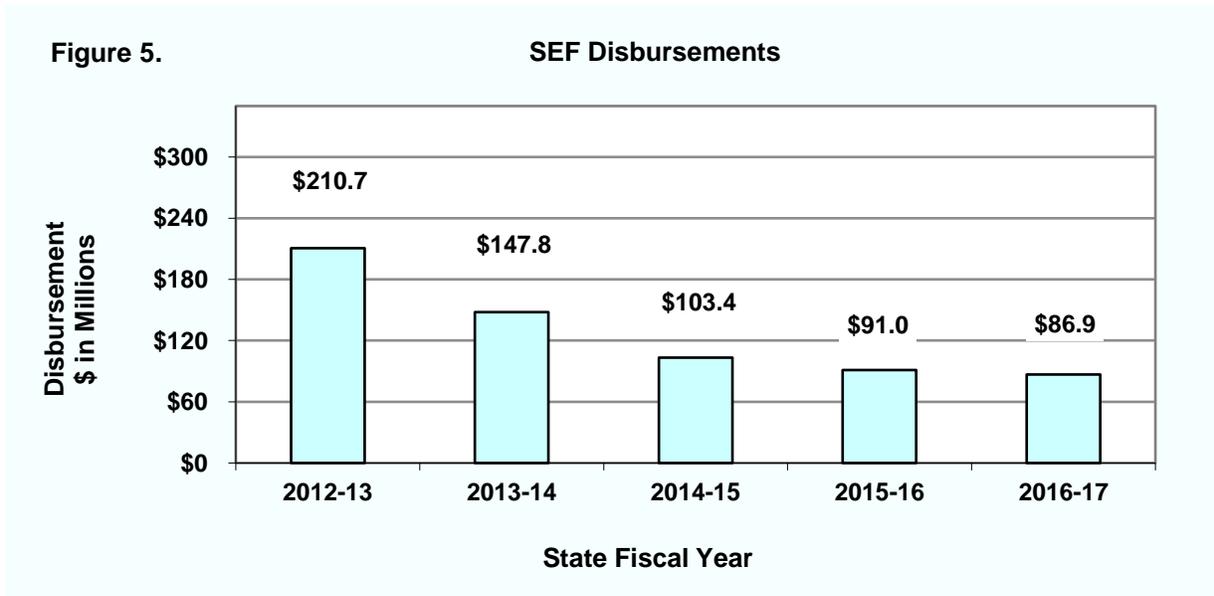
The UI contribution rate for school employers was calculated at 0.05 percent for SFY 2017-18. The UI contribution rate will provide sufficient revenue for the SEF to meet its estimated

financial obligations for SFY 2017-18. Figure 4 displays the contribution rates for the past five SFYs.



### Total Fund Disbursements

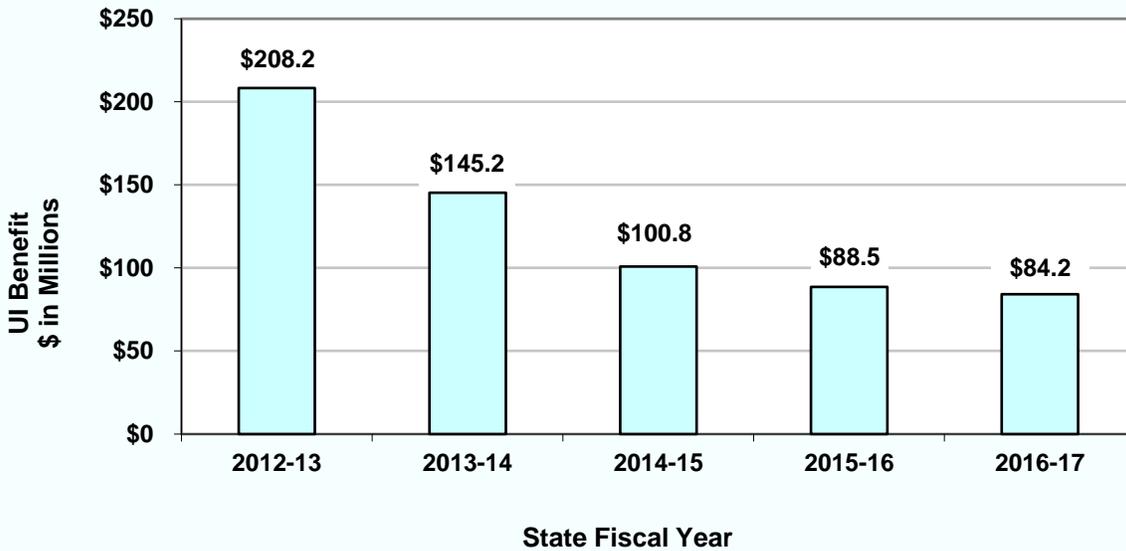
Total SEF disbursements during SFY 2016-17 were \$86.9 million compared to \$91.0 million in SFY 2015-16 (see Appendix A), a decrease of \$4.1 million (5 percent). Expenditures include UI benefit repayments to the California UI Trust Fund, administrative costs, claims management fees, and prior year adjustments. For a definition of benefits, administrative costs, claims management fees, and prior year adjustments, 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 \$84.2 million during SFY 2016-17. This represents a decrease of \$4.3 million (5 percent) when compared to \$88.5 million in SFY 2015-16 (see Appendix A). The decline in benefits is attributed to an increase in funding to the school budgets. 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 2016-17, the school employers focused on Assembly Bill 2197:

Assembly Bill 2197 would have amended Section 1253.3(c) of the CUIIC by deleting the prohibition on the payment of UI benefits to nonprofessional public school employees and professional employees of school operated by an entity as defined by Section 605(b)(2) of the CUIIC when they file for benefits between academic years and have reasonable assurance of returning to work in the following year or term. Specifically, the bill would have allowed these school employees to receive UI benefits during summer recess as follows:

- 1) Two weeks of benefits during 2017, beginning July 1, provided that funds are appropriated for that purpose in the annual Budget Act.
- 2) Four weeks of benefits during 2018, beginning July 1, provided that funds are appropriated for that purpose in the annual Budget Act.
- 3) Six weeks of benefits during 2019, beginning July 1, provided that funds are appropriated for that purpose in the annual Budget Act.
- 4) Eight weeks of benefits during 2020, and each year thereafter, beginning July 1, provided that funds are appropriated for that purpose in the annual Budget Act.

The Governor vetoed Assembly Bill 2197 on September 30, 2016, because this bill would have created several conformity issues with the federal Unemployment Insurance laws, which would result in sanctions from the federal government, including the loss of significant tax credits for California's employers.

## **RECOMMENDATION**

For SFY 2017-18, 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 2017-18.

## **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 2016-17**

***ACCRUAL BASIS***

Revenue

Contributions	\$24,703,760.30	
Local Experience Charge	\$5,966,289.34	
Penalty And Interest	\$219,479.03	
Other Revenue	\$372.69	
Interest Income	\$3,274,066.72	
Prior Year Appropriation Adjustment*	(\$1,425,182.08)	
Prior Year Revenue Adjustment*	\$1,401,827.18	
Total Revenue		\$34,140,613.18

Disbursements

Benefit Charges Repaid To Unemployment Insurance Fund	\$84,223,272.21	
SEF Administrative Cost	\$770,927.48	
Claims Management Fees Paid	\$1,898,308.00	
Prior Year Adjustment*	\$0.00	
Prior Year Benefit Appropriation Adjustment	\$0.00	
Total Disbursements		\$86,892,507.69
<u>Net Decrease In Fund</u>		<u>(\$52,751,894.51)</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 2016	22,092	\$35,714,885
4th Quarter 2016	13,597	\$17,589,682
1st Quarter 2017	16,075	\$17,718,705
2nd Quarter 2017**	16,000	\$13,200,000
		<u>\$84,223,272</u>

\*\*Estimated Data

**STATEMENT OF RECEIPTS  
AND DISBURSEMENTS  
SEPTEMBER 1972 THROUGH JUNE 2017**

Revenue

Contributions	\$3,071,433,903.79	
Local Experience Charge	\$195,971,394.68	
Penalty And Interest	\$3,068,406.51	
Interest Income	\$127,625,655.84	
Total Revenue	\$3,398,099,360.82	\$3,398,099,360.82

Disbursements

Benefit Charges Repaid To UI Fund	\$2,795,738,535.67	
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	\$24,018,391.14	
Fund Transfer*	\$98,800,000.00	
Claims Management Fees	\$63,429,989.00	
Total Disbursements	\$2,984,340,437.05	\$2,984,340,437.05

Net Fund Balance

\$413,758,923.77

\*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, 2017, outstanding liabilities for local assistance (benefits) totaled \$13.2 million.

	Accrued Disbursements
Second Quarter of 2017 Estimated Benefit Charges for year-end closing.	\$13,200,000.00

Statement 3

**COMPARATIVE STATEMENT OF FUND CONDITION  
FOR THREE FISCAL YEARS ENDING JUNE 30, 2017  
ACCRUAL BASIS (\$ in thousands)**

	2014/15	2015/16	2016/17
Beginning Fund Balance	\$582,975	\$521,310	\$466,510
<u>Revenue</u>			
Contribution	\$21,803	\$23,778	\$24,704
Local Experience Charge	\$7,554	\$6,484	\$5,966
Penalty And Interest	\$63	\$88	\$220
Interest	\$1,439	\$2,087	\$3,274
Prior Year Adjustment	\$10,828	\$3,764	(\$23)
Total Revenue	<u>\$41,687</u>	<u>\$36,201</u>	<u>\$34,141</u>
<u>Disbursements</u>			
Benefit Charges Repaid	\$100,757	\$88,471	\$84,223
Pro-Rata	\$0	\$0	\$0
SEF Administrative Cost	\$766	\$671	\$771
Claims Management			
Fees	\$1,829	\$1,859	\$1,898
Prior Year Adjustments	\$0	\$0	\$0
Prior Year Benefit			
Appropriation Adjustment	\$0	\$0	\$0
Total Disbursements	<u>\$103,352</u>	<u>\$91,001</u>	<u>\$86,892</u>
Ending Fund Balance *	<u><u>\$521,310</u></u>	<u><u>\$466,510</u></u>	<u><u>\$413,759</u></u>

\* 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

**MS. ZANDRA BLACK, Vice-Chair**

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

**MS. MELISSA L. ANDERSON**

District Financial Services  
Chief  
San Bernardino County Superintendent of Schools  
760 E. Brier Drive  
San Bernardino, CA 92408  
909-388-5701  
Fax: 909-388-5735  
E-mail: melissa\_anderson@sbcss.k12.ca.us

**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

**MR. MICHAEL YARBER**

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

### Representing

Association of California School  
Administrators

California State Superintendent of Public  
Instruction

California Association of School Business  
Officials

California School Boards Association

California Community Colleges Chancellor's  
Office

## **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.