



**ANNUAL REPORT TO THE LEGISLATURE  
ON THE SCHOOL EMPLOYEES FUND  
FOR STATE FISCAL YEAR 24/25**

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

**March 2026**

**ANNUAL REPORT TO THE LEGISLATURE  
ON THE SCHOOL EMPLOYEES FUND  
State Fiscal Year Ending June 30, 2025**

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March 31, 2026

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 (CUIC), the Employment Development Department (EDD) is pleased to provide the Annual School Employees Fund (SEF) Report to the Legislature for the State Fiscal Year (SFY) that ended on June 30, 2025. This report provides a financial summary of economic activities that affected the SEF during the SFY 24/25.

- As of June 30, 2025, the SEF had a positive balance of \$350.1 million. This represents a decrease of \$33.1 million compared to the prior year. The decrease in the fund balance was due to disbursements exceeding receipts.
- The SEF revenue during SFY 24/25 totaled \$60.5 million, which represents a decrease of \$0.7 million (one percent) when compared to the prior year. The decrease is due to a reduction in Local Experience Charge (LEC) revenue and penalties due from participants.
- During SFY 24/25, a total of \$85.6 million in Unemployment Insurance (UI) benefits were paid to former employees compared to \$76.5 million during SFY 23/24. The increase is due to an increase in benefit claims from former employees and a reduction of federal CARES Act credits.
- The SEF UI contribution rate for SFY 25/26 was calculated at the lowest allowable rate of 0.05 percent. The contribution rate is expected to generate sufficient revenue to ensure a positive SEF balance is maintained through the end of SFY 25/26.

Printed copies of this report are available to any legislative member upon request.

The report can also be viewed online on our website at  
[https://edd.ca.gov/en/about\\_edd/edd\\_legislative\\_reports/](https://edd.ca.gov/en/about_edd/edd_legislative_reports/).

Sincerely,

/s/ NANCY FARIAS  
Director

## EXECUTIVE SUMMARY

In accordance with section 832 of the California Unemployment Insurance Code (CUIC), the Employment Development Department (EDD) is providing the Annual School Employees Fund (SEF) Report to the Legislature for the State Fiscal Year (SFY) that ended on June 30, 2025. This report provides a financial summary of economic activities that affected the SEF during SFY 24/25 and recommendations to ensure the adequacy of funds.

SEF is a type of reimbursable financing method administered by the State of California for public school employers, kindergarten through 12th grades, and community colleges.

This report provides the SEF financial summary for SFY 24/25:

- As of June 30, 2025, the SEF had a positive balance of \$350.1 million. This represents a decrease of \$33.1 million (nine percent) compared to the SFY 23/24 ending balance of \$383.2 million. The fund balance decreased due to disbursements exceeding receipts.
- Total revenue was \$60.5 million for SFY 24/25. This is a decrease of \$0.7 million (one percent) compared to the total revenue of \$61.2 million for SFY 23/24. The decrease is due to a reduction in LEC revenue and penalties due from participants.
- During SFY 24/25, a total of \$85.6 million in Unemployment Insurance (UI) benefits were paid to former employees compared to \$76.5 million during SFY 23/24. The increase is due to an increase in benefit claims from former employees and a reduction of federal CARES Act credits.
- Claims management fees and administrative costs to operate the SEF totaled \$3.0 million in SFY 24/25, an increase of \$0.14 million (five percent) compared to \$2.86 million in SFY 23/24.
- The SEF UI contribution rate for SFY 25/26 was calculated by statutory code and set at the lowest allowable rate of 0.05 percent. The contribution rate is expected to generate sufficient revenue to ensure a positive SEF balance is maintained through the end of SFY 25/26.

## **INTRODUCTION**

The Annual SEF Report to the Legislature provides the SEF operations and financial condition for SFY 24/25 as mandated by section 832 of the CUIC.

The SEF is a unique reimbursable financing method and pooled-risk fund administered by the State of California. Public school employers, kindergarten through 12th grade, and community colleges are 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 less costly for school employers than the tax-rated method (required for private-sector employers).

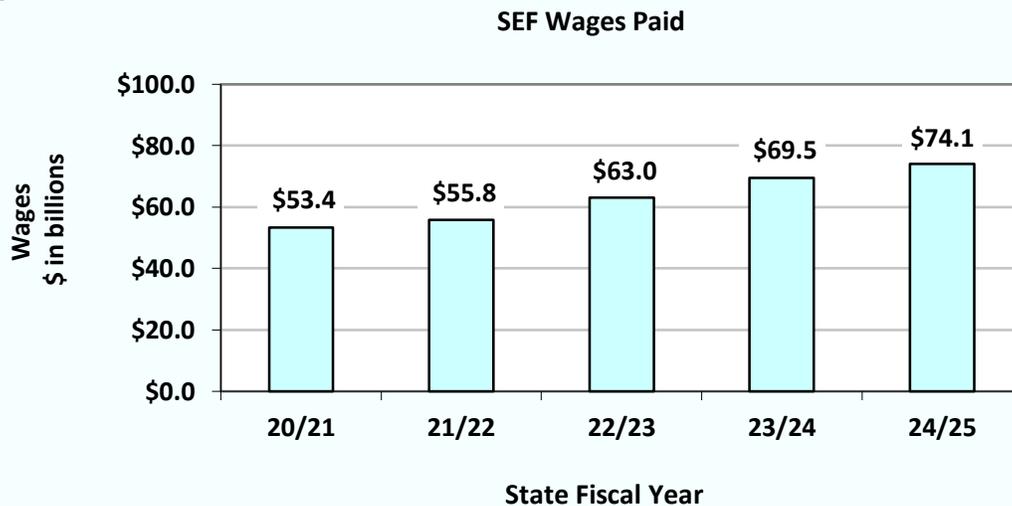
EDD collects quarterly contributions and Local Experience Charges from participating SEF employers. Revenue collected is used to reimburse the California UI Fund for the cost of UI benefits paid to former or furloughed school employees. Employer-paid penalties and interest and earned interest on deposits in the Surplus Money Investment Fund provide additional revenue for the SEF.

## PARTICIPATING SCHOOL EMPLOYERS

SEF participants include California’s 73 community college districts and 1,320 public schools, County Offices of Education, and charter schools. SEF participants employed 982,633 employees in SFY 24/25 compared to 978,705 in the prior SFY, an increase of 3,928 employees (one percent).

In SFY 24/25, participating school employers paid wages in excess of \$74.1 billion, compared to \$69.5 billion during SFY 23/24. This represents an increase of \$4.6 billion (seven percent). Figure 1 displays the growth in SEF wages paid over the last SFYs.

Figure 1.



## 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 appointed by the California State Superintendent of Public Instruction, California Community Colleges Chancellor’s Office, Association of California School Administrators, California Association of School Business Officials, and California School Boards Association. The members meet at least semi-annually with the EDD administrator to consider and recommend improvements in the administration of the SEF.

The UI Technical Subcommittee serves under the direction of the SEAC. Its membership consists of representatives from California’s school employer community and EDD. The UI Technical Subcommittee works in conjunction with the SEAC to discuss the SEF’s financial condition, provide outreach, and assist school employers in managing UI costs. See Appendix B for a list of SEAC representatives.

## Unemployment Insurance Seminar for School Employers

During the SFY 24/25, the UI Technical Subcommittee held a seminar in Redwood City on October 22, 2024. The seminar focused on UI claims management practices for school employers to help manage UI costs.

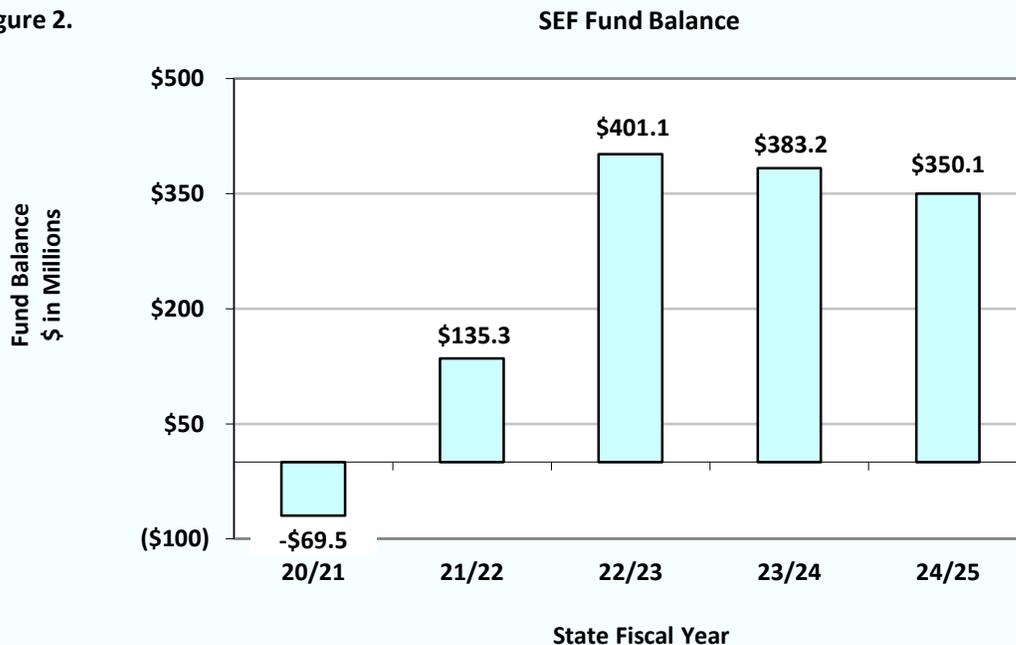
## FINANCIAL CONDITION OF THE SCHOOL EMPLOYEES FUND

### Fund Balance

The SEF balance for SFY 24/25 was \$350.1 million, a \$33.1 million (nine percent) decrease from the prior SFY 23/24 balance of \$383.2 million. The fund balance decreased due to disbursements exceeding receipts.

Figure 2 reflects the ending fund balance for the past five SFYs.

Figure 2.



### Revenue

SEF revenue is generated from quarterly UI contributions, Local Experience Charges, penalty and interest assessed to participants, and Surplus Money Investment Fund earned interest income.

In SFY 24/25, the UI contribution revenue totaled \$37.2 million, an increase of \$0.9 million (two percent), compared to \$36.3 million in SFY 23/24. The increase is due to the growth in payroll.

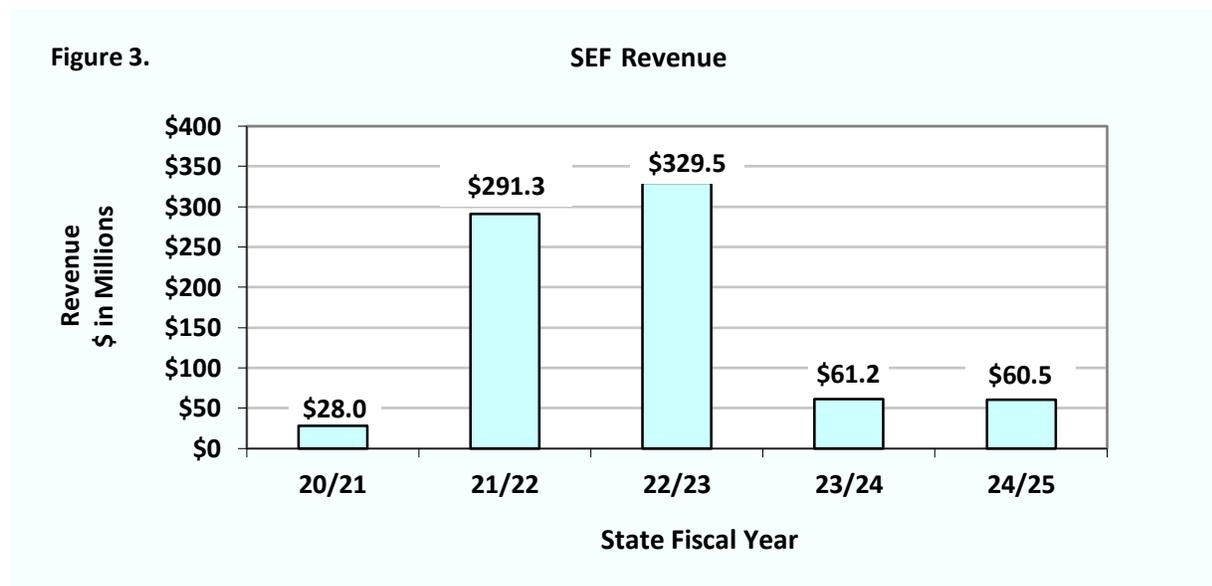
The Local Experience Charges generated \$5.3 million in revenue during SFY 24/25, a decrease of \$1.4 million (21 percent) compared to \$6.7 million for SFY 23/24.

Penalty and interest charges assessed to SEF employers totaled \$0.1 million during SFY 24/25, compared to \$0.2 million for the prior SFY 23/24, a decrease of \$0.1 million (50 percent).

The Surplus Money Investment Fund interest income was \$16.2 million in SFY 24/25, an increase of \$0.7 million (five percent) compared to \$15.5 million in SFY 23/24. The interest is partially attributed to the rising Surplus Money Investment Fund apportionment yields. The average Surplus Money Investment Fund apportionment yield during SFY 24/25 increased to 4.31 percent compared to 3.83 percent in SFY 23/24.

The total revenue was \$60.5 million for SFY 24/25, a decrease of \$0.7 million (one percent), compared to total revenue of \$61.2 million for SFY 23/24.

Figure 3 displays the total SEF revenue collected during the past five SFYs.



### Unemployment Insurance Contribution Rates

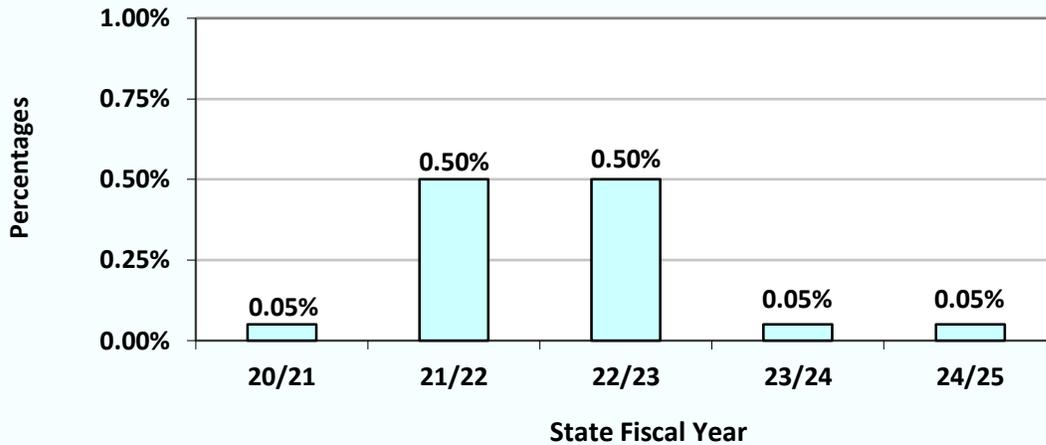
All participating employers pay the same contribution rate to the SEF, which is a percentage of their total annual employee payroll. The SEF contribution rate is determined by law, section 823(b)(2) of the CUIC. The rate is calculated using annual wages paid by the participating employers, annual UI benefit charges for all SEF participants, and the fund balance at the end of the prior calendar year.

The participating employers' contribution rate ensures that the SEF will have enough money to reimburse the UI Trust Fund for the UI benefits paid to former employees of the participating employers.

EDD must notify the participating employers of their annual SEF contribution rate by March 31 for the succeeding SFY. This is an annual process, and the notification language is established in law to include the UI contribution rate and other relevant information.

The SEF UI rate for SFY 25/26 was calculated by statutory code and set at 0.05 percent. The rate is at the lowest allowed and will provide sufficient revenue for the SEF to meet its estimated financial obligations for SFY 25/26.

**Figure 4. Unemployment Contribution Rate**



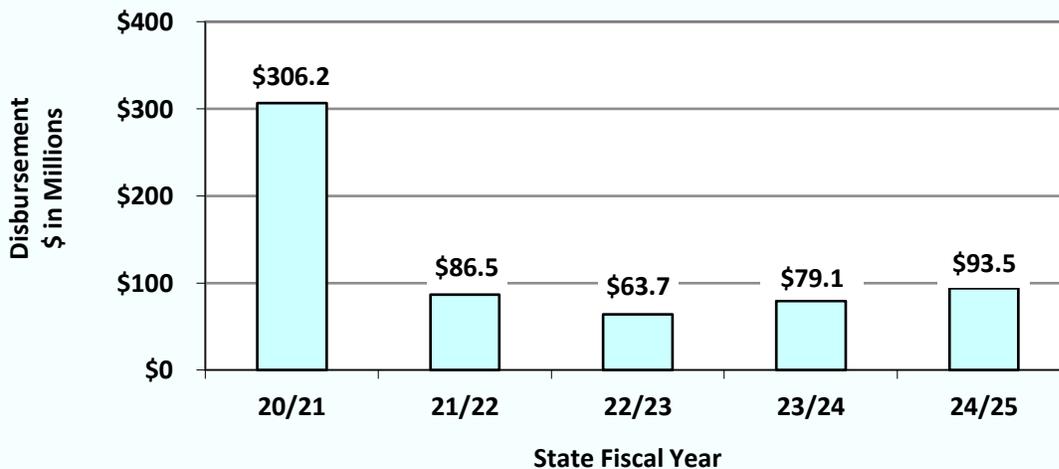
**Disbursements**

Disbursements include UI benefit reimbursements to the UI Trust Fund, administrative costs, claims management fees, and prior year adjustments.

Total disbursements during SFY 24/25 were \$93.5 million compared to \$79.1 million in SFY 23/24, an increase of \$14.4 million (18 percent). The increase is due to an increase in benefit claims from former employees, claims management fees, and the reduction of the federal CARES Act credits from \$0.2 million in 23/24 to \$0.09 million for SFY 24/25.

Figure 5 displays the total disbursements for the past five SFYs.

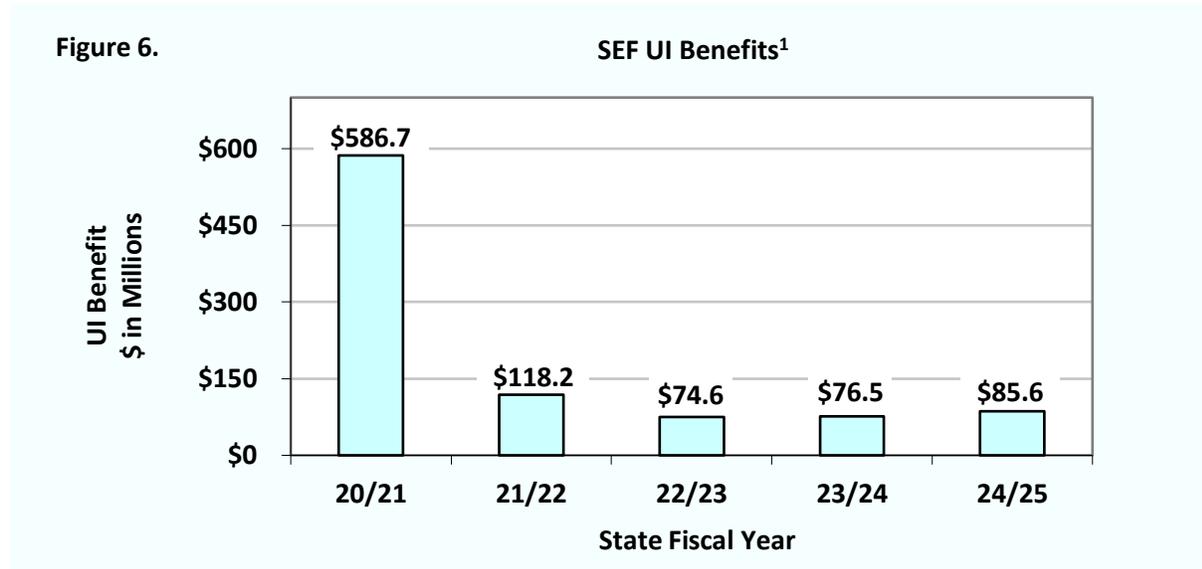
**Figure 5. SEF Disbursements**



## Benefits Paid

The total UI benefits paid to former employees during SFY 24/25 were \$85.6 million, an increase of \$9.1 million (12 percent) when compared to \$76.5 million in SFY 23/24. The increase is due to an increase in benefit claims from former employees and a reduction of federal CARES Act credits.

Figure 6 displays the total SEF UI benefits paid during the past five SFYs.



<sup>1</sup> SEF UI Benefits paid amounts are listed before federal CARES Act was applied.

## LEGISLATION

The school employer community closely monitors pending legislation which may affect the UI program and the SEF.

The CARES Act (Pub. L. 116-136), Protecting Nonprofits from Catastrophic Cash Flow Strain Act of 2020 (Pub. L. 116-151), Continued Assistance for Unemployed Workers Act of 2020 (Pub. L. 116-260) and the American Rescue Plan Act of 2021 (Pub. L. 117-2) provided emergency UI relief to SEF participants. The federal laws allowed a 50 percent credit for UI benefit charges for benefit weeks between March 13, 2020, and April 3, 2021, and a 75 percent credit between April 4, 2021, and September 4, 2021. The credit applied to SEF for SFY 24/25 was \$0.09 million.

## QUESTIONS AND COMMENTS

Contact EDD's SEF Unit at 916-653-5380 with any questions, comments, or suggestions regarding administration of the SEF program.

**APPENDIX A**

**FINANCIAL STATEMENTS**

**FINANCIAL STATEMENTS**

**Statement 1**

**STATEMENT OF ACTIVITY  
PERIOD ENDING JUNE 30, 2025**

***ACCRUAL BASIS***

Revenue

|                                |                 |                 |
|--------------------------------|-----------------|-----------------|
| Contributions                  | \$37,163,952.02 |                 |
| Local Experience Charge        | \$5,304,431.90  |                 |
| Penalty And Interest           | \$117,323.12    |                 |
| Other Revenue                  | \$0.00          |                 |
| Interest Income                | \$16,247,370.94 |                 |
| Prior Year Revenue Adjustment* | \$1,623,837.91  |                 |
| Total Revenue                  |                 | \$60,456,915.89 |

Disbursements

|                                             |                 |                          |
|---------------------------------------------|-----------------|--------------------------|
| Benefit Charges Repaid to UI Fund           | \$85,638,602.88 |                          |
| Administrative Cost                         | \$1,045,978.38  |                          |
| Claims Management Fees Paid                 | \$1,965,266.00  |                          |
| Prior Year Adjustment                       | \$4,885,146.52  |                          |
| Prior Year Benefit Appropriation Adjustment | \$0.00          |                          |
| Total Disbursements                         |                 | \$93,534,993.78          |
| <u>Net Decrease in Fund</u>                 |                 | <u>\$(33,078,077.89)</u> |

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

**STATEMENT OF RECEIPTS  
AND DISBURSEMENTS  
SEPTEMBER 1972 THROUGH JUNE 2025**

Revenue

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Contributions           | \$3,862,721,019.90 |                    |
| Local Experience Charge | \$234,210,356.60   |                    |
| Penalty And Interest    | \$5,721,574.57     |                    |
| Interest Income         | \$183,588,410.61   |                    |
| Total Revenue           |                    | \$4,286,241,361.68 |

Disbursements

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Benefit Charges Repaid to UI Fund* | \$3,724,337,265.25 |                    |
| Local Assistance Special Pro-Rata  | \$343,794.00       |                    |
| Accrued Penalty and Interest       | \$2,007,962.97     |                    |
| Court Ordered Interest Payments    | \$1,764.27         |                    |
| Administrative Costs               | \$32,157,971.04    |                    |
| Fund Transfer**                    | \$98,800,000.00    |                    |
| Claims Management Fees             | \$78,495,789.00    |                    |
| Total Disbursements                |                    | \$3,936,144,546.53 |

Net Fund Balance

\$350,096,815.15

\*Includes federal CARES Act credit adjustments.

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

The Statement of Receipts and Disbursements is prepared on an accrual basis.

**COMPARATIVE STATEMENT OF FUND CONDITION  
FOR THREE FISCAL YEARS ENDING JUNE 30, 2025  
ACCRUAL BASIS (\$ in thousands)**

|                          | 22/23                   | 23/24                   | 24/25                   |
|--------------------------|-------------------------|-------------------------|-------------------------|
| Beginning Fund Balance   | \$135,338               | \$401,131               | \$383,175               |
| <u>Revenue</u>           |                         |                         |                         |
| Contribution             | \$312,815               | \$36,279                | \$37,164                |
| Local Experience Charge  | \$6,870                 | \$6,679                 | \$5,304                 |
| Penalty And Interest     | \$1,266                 | \$216                   | \$117                   |
| Interest                 | \$5,143                 | \$15,520                | \$16,247                |
| Prior Year Adjustment    | \$3,434                 | \$2,486                 | \$1,624                 |
| Total Revenue            | <u>\$329,528</u>        | <u>\$61,180</u>         | <u>\$60,456</u>         |
| <u>Disbursements</u>     |                         |                         |                         |
| Benefit Charges Repaid*  | \$60,791                | \$76,279                | \$85,639                |
| Pro-Rata                 | \$0                     | \$0                     | \$0                     |
| Administrative Cost      | \$1,051                 | \$900                   | \$1,046                 |
| Claims Management Fees   | \$1,893                 | \$1,957                 | \$1,965                 |
| Prior Year Adjustments   | \$0                     | \$0                     | \$4,885                 |
| Prior Year Benefit       |                         |                         |                         |
| Appropriation Adjustment | \$0                     | \$0                     | \$0                     |
| Total Disbursements      | <u>\$63,735</u>         | <u>\$79,136</u>         | <u>\$93,535</u>         |
| Ending Fund Balance**    | <u><u>\$401,131</u></u> | <u><u>\$383,175</u></u> | <u><u>\$350,097</u></u> |

\*Includes federal CARES Act credit adjustments.

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

**APPENDIX B**

**SCHOOL EMPLOYER ADVISORY COMMITTEE**

## SCHOOL EMPLOYER ADVISORY COMMITTEE

### Members

**MS. JUBILEE SMALLWOOD, Chair**  
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FAX: 916-322-4019  
E-Mail: [jsmallwood@cccco.edu](mailto:jsmallwood@cccco.edu)

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E-Mail: [nksmith.ns@gmail.com](mailto:nksmith.ns@gmail.com)

**MS. SANTHA RAJIV**  
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Culver City, CA 90232  
1-310-842-4220 ext. 4226  
E-Mail: [satharajiv@ccusd.org](mailto:satharajiv@ccusd.org)

**MR. JOHN MILES**  
1430 N Street  
Sacramento, CA 95814  
1-916-445-7289  
E-Mail: [jmiles@cde.ca.gov](mailto:jmiles@cde.ca.gov)

### Representing

Rep. California Community Colleges Chancellor's  
Office – (CCCC)

Rep. Association of California School  
Administrators – (ACSA)

Rep. California School Boards Association –  
(CSBA)

Rep. California Association of School Business  
Officials – (CASBO)

Rep. California State Department of Education–  
(CDE)

## **APPENDIX C**

### **GLOSSARY**

## GLOSSARY

**Benefits:** The UI compensation payable to a former school employee, with respect to a person's 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, repaid to the California UI Trust Fund. All benefit charges paid from the SEF is a disbursement.

**Claims Management Fees:** Annually, two dollars (\$2) per covered employee is apportioned to the State Superintendent of Public Instruction and the Chancellor of the California Community Colleges, provided from SEF interest earnings, and less state administrative costs. The fees are distributed to the fund participants to administer their UI management systems.

**Experience:** A SEF participant must be in the SEF Fund for more than three full SFYs to increase his or her reserve account in the SEF. In the fourth SFY, the Local Experience Charge rate is calculated based on the experience of the school employer's relative usage of the UI Trust Fund (UI benefit charges). All fund participants are notified by March 31 of their Local Experience Charges rate as required by section 828(c) of the CUIC.

**Fund Participants:** Participants are public school employers who have elected to participate in the SEF to finance their UI taxes.

**Interest Income:** Interest is earned on the account balance invested in the Surplus Money Investment Fund with the State Treasurer's Office. The yield rate changes each quarter.

**Local Assistance Pro Rata:** The Local Assistance Pro Rata is charged by the Department of Finance and is the recovery of central service administrative costs from special and non-governmental cost funds.

**Local Experience Charge:** Mandated by section 828 of the CUIC, each SEF employer is responsible for paying a quarterly Local Experience Charges, *in addition* to the quarterly contributions paid on total wages. The Local Experience Charge amount due is calculated by multiplying the quarterly UI benefit charges times the participant's Local Experience Charges rate. The Local Experience Charge payment is due to the EDD within 30 days of the mail date on the *Notice of Amount Due* (DE 6601).

**Local Experience Charge Rate:** Annually, the Local Experience Charge rate is calculated for each SEF participant for the period July 1 through June 30. The Local Experience Charge ratio is calculated by the fund participant's ending cumulative balance divided by the UI benefit charges. All SEF participants are notified by March 31 of their individual Local Experience Charge rates for the succeeding SFY as required by Section 828(c) of the CUIC. Additionally, section 828(a) mandates that new SEF participants are subject to a 10 percent Local Experience Charge rate for the first three complete SFYs.

**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 SFY 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.

**Administrative Costs:** The SEF administrative costs are the cost of resources and tools necessary to operate the SEF program effectively.

**Surplus Money Investment Fund:** Interest on investments of the Surplus Money Investment Fund is apportioned to participating 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.

**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 CUIC. 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.

**Contribution Rate:** The UI 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 CUIC, all fund participants are notified by March 31 of the set contribution rate for the succeeding fiscal year.



**STATE OF CALIFORNIA**

**LABOR AND WORKFORCE DEVELOPMENT AGENCY**

**EMPLOYMENT DEVELOPMENT DEPARTMENT**