### Legal Title
Employment Development Department Contingent Fund

### Legal Citation/Authority
Chapter 1217, Statutes of 1985
Unemployment Insurance Code sections 1585-1590

### Purpose
The primary purpose of the fund is to provide a depository for interest and penalties collected in the administration of the unemployment and disability compensation law. The fund is used for the payment of administrative costs not provided for in federal grants and for the payment of refunds and interest on refunds or judgments.

Payments of administrative costs of the Employment Development Department not provided for in federal financing.

Refunds.

Transfers to the Personal Income Tax Fund.

Transfers of unencumbered balances, which exceed one million dollars, to the Unemployment Fund and the "Disability Fund" (Unemployment Compensation Disability Fund). (This citation is historically superseded by the Budget Act, in which unencumbered Contingent Fund balances are transferred to the General Fund).

Transfers to the Unemployment Administration Fund for augmentation of Unemployment Trust Fund Capital Outlay projects.

### Administering Agency/Organization Code
Department of Employment Development/Org 7100

### Major Revenue Source
Penalties and interest collected pursuant to the Unemployment Insurance Code except for amounts collected pursuant to Code Sections 1375.1, 1958 and 3654.2.

Penalties and interest on the withholding of the Personal Income Tax.

Rentals or proceeds on property derived from amounts expended from the fund.

Interest on amounts expended from the fund.
Disposition of Fund (upon abolishment)

Pursuant to Government Code 16346, absent language that identifies a successor fund, any balance remaining in this fund upon abolishment shall be transferred to the General Fund.

Appropriation Authority

Section 1586 of the Unemployment Insurance Code continuously appropriates the fund, without regard to fiscal years, for refunds of erroneous deposits, "for interest payable under the division of refunds and judgments, and for the administration of the department."

Section 1586.5 of the Unemployment Insurance Code also provides an appropriation authority for augmentation of Unemployment Trust Fund Appropriations made for acquisition, development, and equipment of Capital Outlay projects. These augmentations are made by executive order of the Director of Finance, subject to Public Works Board approval.

State Appropriations Limit

Always Excluded - Revenue in this fund are not proceeds of taxes and even after transfer, will never become proceeds of taxes because the major revenue source is derived from fines and penalties.

Comments/Historical Information

Chapter 17, Statutes of 1945 created the Department of Employment Contingent Fund and continued its existence through Section 1585 of the code. Chapter 350, Statutes of 1970 changed the name of the fund to the Department of Human Resources Development Fund. Chapter 1207, Statutes of 1973 renamed the fund as the Department of Employment Development Contingent Fund.

Chapter 1, Statutes of 1971, First Extraordinary Session, enacted withholding of the Personal Income Tax and provided for filing quarterly estimates and payments for taxable income not subject to withholding. The Employment Development Department administers the withholding part of the law. This chapter amended Section 1585 and added Section 1585.5 to the Unemployment Insurance Code to provide for the deposit of penalties and interest, for violations by employers of the withholding provisions of the Personal Income Tax Law, in the Contingent Fund. These penalties and interest collections are transferred to the Personal Income Tax Fund on a quarterly basis.

Section 1586.5 was added to the code by Chapter 941, Statutes of 1978 to provide for the augmentation of Unemployment Trust Fund appropriations for property acquisition or for construction and equipment of state public works projects where the project cannot be undertaken because the amount appropriated is insufficient or the bids are in excess of the estimate. Such augmentations are made by Executive Order of the Director of Finance upon approval of the State Public Works Board. This provision was added because both the federal state laws preclude augmentation of Unemployment Trust Fund projects under the provisions of law that provide the authority to augment Capital Outlay appropriations made from all other funding sources under state control.