

Sonoma County Office of Education
Business Services

EXTERNAL PAYROLL AND FINANCE UPDATES

DBUG MEETING: *November 17, 2022*

Updates:

Assembly Bill 185 – Wage Overpayments

- ❖ Ed code 44042.50 was added on September 27, 2022 (**Attached**)
 - This Ed Code provided new parameters for wage overpayments for school districts, charters and county offices of education
 - School employers can take up to 25% of an employee’s net disposable income without the employee’s consent
 - School employers are required to notify an employee of a wage overpayment before taking the payment. But if they do not receive a response, or do not come to a payment agreement, the LEA is permitted to take up to 25% of the employees’ net disposable income
 - Per EDD - "Disposable earnings are that part of wages remaining after deductions required by law, such as federal and state income taxes, State Disability Insurance (SDI), Social Security and Medicare. Any deductions not required by law, such as union dues, health and life insurance, charitable contributions, savings bond purchases, retirement plan contributions (except those required by law, such as Social Security), and other voluntary wage assignments, should not be subtracted from gross earnings"
 - There is also a hierarchy of wage garnishments (*local wage withholding falls last in priority*)
 - See **attached** Ed Code 44042.50 and the **School Services of California update**

Earnings Limit 403B/457 for 2022 calendar year

- ❖ Limit \$20,500
- ❖ Catch up contributions, individuals 50 or over: \$6,500
 - **Reminder** – There is a way to set up deduction limits in Escape. If your district is not utilizing this function please contact helpdesk@scoe.org to set this up
 - Run Pay34 report if your district is not set up with these earnings limits to make sure no employee goes over the limit for the calendar year

SDI Rate decreasing in 2023

- ❖ SDI Rate for 2023 will be .9%. This is down from 1.1% for 2022.
 - [https://edd.ca.gov/en/payroll_taxes/tax-rated-employers#:~:text=State%20Disability%20Insurance%20\(SDI\)%20Rate&text=The%20SDI%20withholding%20rate%20for,for%20each%20employee%20is%20%241%2C378.48](https://edd.ca.gov/en/payroll_taxes/tax-rated-employers#:~:text=State%20Disability%20Insurance%20(SDI)%20Rate&text=The%20SDI%20withholding%20rate%20for,for%20each%20employee%20is%20%241%2C378.48)

Minimum Wage January 2023

- ❖ Effective January 2023 – Minimum wage increasing to \$15.50 per hour
- ❖ Double check salary schedules to make sure your LEA follows the new minimum wage
- ❖ See **attached** notice from School Services of CA

EDD Local Experience Charge

- ❖ LEAs are starting to receive invoices from EDD that state Local Experience Charge.
 - A local experience charge is applied to total benefits paid in a quarter.
 - If your LEA has not received a bill for this in the past, it means that your Local Experience Rate was at 0%.
 - The rate can range from 0% - 15% (see below website for further information
 - The rate changes annually
 - [https://edd.ca.gov/en/Payroll_Taxes/School_Employees_Fund#:~:text=A%20Local%20Experience%20Charge%20\(LEC,first%20three%20complete%20fiscal%20years.](https://edd.ca.gov/en/Payroll_Taxes/School_Employees_Fund#:~:text=A%20Local%20Experience%20Charge%20(LEC,first%20three%20complete%20fiscal%20years.)
 - If you have further questions about this, you can reach out to the School Employee's Fund directly at EDD. **(1-916-653-5380)**

Electronic Deposit Request Form

- ❖ The county treasury requested that we take down the Electronic Deposit Request Form from the SCOE website. Their banking information is on the form.
 - The Electronic Deposit Request Form is the form that you need in order to notify the county of upcoming electronic deposits you will be receiving.
 - If you have an electronic deposit you are expecting, please reach out and we will get you the most up to date form via email.

AV next week (November 21st – 23rd)

- ❖ **Please fill out the survey Scott Greenwood sent out last week regarding delivery(Google document)**
 - Reach out to Scott if you did not get the google document:
sgreenwood@scoe.org
 - We are trying to plan for which LEAs will be available next week for delivery

- November regular payroll will be delivered November 28th and 29th if your AV day falls on Monday/Tuesday. If it falls on Wednesday, please note you will need to decide when to pick up your payroll
 - Payroll available for pickup starting November 23rd after 1:00PM

Upcoming Workshops

- ❖ 1099 Workshop – 12/01/2022 (Redwood C or Virtual)
- ❖ W-2 Workshop - 12/09/2022 (Redwood A-C or Virtual)
 - Run Pay31 W-2 Error Report as soon as possible!
 - Contact Carend@scoe.org, Jliu@scoe.org, & Helpdesk@scoe.org for assistance in clearing these errors
 - Some of the errors can be fixed on the upcoming payrolls before year end
 - Make sure your employees have updated their addresses if they have moved recently

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

New Wage Overpayment Requirements

 [BY DANYEL CONOLLEY](#)

 [BY MATT PHILLIPS, CPA](#)

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posted October 4, 2022

Ask SSC... Is there new legislation that impacts an employer's ability to seek repayment from their employee?

Yes, Assembly Bill 185 adds [Education Code Section \(EC §\) 44042.5](#), which provides parameters for wage overpayment processes for school districts, county offices of education, and charter school employees. The substantial changes in overpayment procedures are part of the 2022-23 Enacted State Budget and are effective immediately.

Specifically, EC § 44042.5 requires school employers to notify the employee of the wage overpayment prior to taking action to recoup the funds. In addition, school employers are required to provide the opportunity for the employee to respond before initiating a repayment plan or docking the employee's payroll earnings. Although employers are required to work with the employee regarding a repayment plan, the local educational agency is also permitted to proceed with recoupment absent mutual agreement on the reimbursement plan.

Parameters for repayment can be made through the following options:

- Single cash payment or installment payments
- Installment payments through payroll deductions
- Adjusted leave credits or compensatory time if the overpayment involves the accrual of leave credits; errors in sick leave balances shall only be adjusted with sick leave credits

This new law also provides details limiting the amount deducted for each pay period limiting the amount deducted to no more than 25% of the employee's net earnings for each pay cycle. Finally, EC § 44042.5 restricts the employer from recovering an overpayment unless the action to recover the overpayment occurs within three years from the date of overpayment.

It is important to note that wage overpayments are related to payroll errors which are commonly due to errors with position control procedures and other payroll practices. It is further noted that wages and compensation are subject to bargaining, so we advise that school employers coordinate these important changes with

human resources and business office staff and communicate with labor partners.


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EDUCATION CODE - EDC

TITLE 2. ELEMENTARY AND SECONDARY EDUCATION [33000 - 65001] (*Title 2 enacted by Stats. 1976, Ch. 1010.*)

DIVISION 3. LOCAL ADMINISTRATION [35000 - 45500] (*Division 3 enacted by Stats. 1976, Ch. 1010.*)

PART 25. EMPLOYEES [44000 - 45500] (*Part 25 enacted by Stats. 1976, Ch. 1010.*)

CHAPTER 1. Employees [44000 - 44114] (*Chapter 1 enacted by Stats. 1976, Ch. 1010.*)

ARTICLE 2. Rights and Duties [44030 - 44050]

 (*Article 2 enacted by Stats. 1976, Ch. 1010.*)

44042.5. (a) (1) When a school employer determines a wage overpayment has been made to a school employees it shall notify the employee of the overpayment and afford the employee an opportunity to respond before commencing recoupment actions. Reimbursement shall be made to the school employer through one of the following methods mutually agreed to by the employee and the school employer:

(A) Cash payment or cash installment payments.

(B) Installment payments through payroll deduction covering at least the same number of pay periods in which the error occurred. When overpayments from the employer have occurred for more than one year, the employer may require full repayment from the employee through payroll deductions over the period of one year.

(C) The adjustment of appropriate leave credits or compensating time off, provided that the overpayment involves the accrual or crediting of leave credits such as vacation, annual leave, holiday leave, or compensating time off. Any errors in sick leave balances shall only be adjusted with sick leave credits.

(2) Installment payment amounts deducted from an employee's salary or wages pursuant to paragraph (1), except as provided in subdivision (b), shall not exceed 25 percent of the school employee's net disposable earnings for each payroll amount.

(3) Absent mutual agreement on a method of reimbursement, the school employer shall proceed with recoupment pursuant to subparagraph (B) of paragraph (1).

(b) A school employee who is separated from employment before full repayment of the overpayment amount owed shall have an amount sufficient to provide full repayment withheld from any money owed to the employee upon separation. If the amount of money owed to the employee upon separation is insufficient to provide full reimbursement to the school employer, the school employer shall have the right to exercise any and all other legal means to recover the additional amount owed.

(c) An administrative action shall not be taken by the school employer pursuant to this section to recover an overpayment unless the action is initiated within three years from the date of overpayment. If an overpayment involves leave credits, the date of overpayment is the date that the school employee receives compensation in exchange for leave erroneously credited to the employee. For purposes of this section, leave hours are considered exchanged for compensation in the order they were credited.

(d) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Chapter 10.7 (commencing with Section 3540) of Division 4 of Title 1 of the Government Code, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

(e) For purposes of this section, "school employer" means the applicable administrative entity of any of the following:

(1) School district.

(2) County office of education.

(3) Charter school.

(Added by Stats. 2022, Ch. 571, Sec. 23. (AB 185) Effective September 27, 2022.)

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Payroll and Benefit Parameters Set by the IRS for 2023

 **BY CAROL WOLFE, CPA**

 **BY CHARLENE QUILAO**

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posted November 14, 2022

Each tax year, the Internal Revenue Service (IRS) designates changes in the various payroll and benefit parameters. The following will be in effect starting January 1, 2023:

Social Security Taxes

- Social Security tax earnings base is \$160,200 (up from \$147,000 in 2022)
- An additional employee-only Medicare tax of 0.9% applies to wages in excess of \$200,000 for single taxpayers and \$250,000 for married taxpayers filing jointly; however, an employer must withhold additional Medicare tax from wages paid to an individual in excess of \$200,000 in a calendar year, without regard to the individual's filing status or wages paid by another employer (no change from 2022)

Health Savings Accounts

- Minimum deductible for high-deductible health plans is \$1,500 for single coverage and \$3,000 for family coverage (up from \$1,400 and \$2,800, respectively, in 2022)
- Maximum annual out-of-pocket limit for high-deductible health plans is \$7,500 for single coverage and \$15,000 for family coverage (up from \$7,050 and \$14,100, respectively, in 2022)
- Maximum contribution to a health savings account is \$3,850 for single coverage and \$7,750 for family coverage (up from \$3,650 and \$7,300, respectively, in 2022)
- Maximum "catch-up" contribution (age 55 or over) is \$1,000 for single and family coverage (unchanged from 2022)

Flexible Spending Accounts

- Maximum pre-tax contribution to health care reimbursement flexible spending accounts is \$3,050 (up from \$2,850 in 2022)

Section 403(b) Tax-Sheltered Annuities

- Maximum amount of employee elective deferrals is \$22,500 (up from \$20,500 in 2022)
- Employees ages 50 and older—who also meet other requirements—can make up to \$7,500 in additional catch-up contributions (up from \$6,500 in 2022)

Section 457 Deferred Compensation Plans

- Maximum amount of employee elective deferrals is \$22,500 (up from \$20,500 in 2022)
- Employees ages 50 and older—who also meet other requirements—can make up to \$7,500 in additional catch-up contributions (up from \$6,500 in 2022)

Travel Expenses

- Per diem rates (or “high-low” standard) can all be found on the U.S. General Services Administration [website](#)
- The IRS has not yet announced the mileage reimbursement rate for 2023; we will provide that information once it becomes available

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Minimum Wage Increases Effective January 1, 2023

✓ BY CHARLENE QUILAO

✓ BY SUZANNE SPECK

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posted November 10, 2022

California’s minimum wage is projected to increase to \$15.50 per hour for all workers effective January 1, 2023, as triggered by increasing costs due to inflation. Per Labor Code, the minimum wage rate will be adjusted annually for inflation based on the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Because the CPI-W exceeded 7%, the first adjusted increase was accelerated; therefore, employees will be guaranteed the \$15.50 rate even if they work for small employers—those employers with 26 employees or less ([Labor Code Section 1182.12\(c\)\(3\)\(A-B\)](#)) and the ongoing increase in the future is caused by [Labor Code Section 1182.12\(c\)\(1\)](#).

Below is a table illustrating minimum wage on an hourly, weekly, monthly, and annual basis. Based on inflation, School Services of California Inc. staff project that the minimum wage will continue to increase by the maximum amount allowed by law through 2028.

Minimum Wage	Effective Date: > 25 Employees	Effective Date: ≤ 25 Employees	Exempt Minimum Salary (Weekly)	Exempt Minimum Salary (Monthly)	Exempt Minimum Salary (Annually)
\$14.00/hour	January 1, 2021	January 1, 2022	\$1,120	\$4,853	\$58,240
\$15.00/hour	January 1, 2022	N/A	\$1,200	\$5,200	\$62,400
\$15.50/hour	January 1, 2023		\$1,240	\$5,373	\$64,480
\$16.00/hour	January 1, 2024		\$1,280	\$5,547	\$66,560
\$16.40/hour	January 1, 2025		\$1,312	\$5,685	\$68,224
\$16.80/hour	January 1, 2026		\$1,344	\$5,824	\$69,888
\$17.20/hour	January 1, 2027		\$1,376	\$5,963	\$71,552
\$17.60/hour	January 1, 2028		\$1,408	\$6,101	\$73,216

The forthcoming increase in the minimum wage highlights important operational considerations to ensure that employers are maintaining their obligation to comply with state and federal laws. Local educational agency human resources departments should review current salary schedules now, to identify salary cells that may fall below the scheduled minimum increase, in addition to preparing for future increases. Keep in mind that increases in the minimum wage also impact the threshold for exemption from the overtime rules of the [Fair Labor Standards Act \(FLSA\)](#). Exempt workers in California must be paid a salary that is at least twice the state’s minimum wage as well as meeting the duties test under the FLSA. Information on overtime exemptions in California can be found on the [Department of Industrial Relations website](#).

Remember that the minimum wage is an obligation of the employer and cannot be waived by any agreement, including collective bargaining agreements. So, even if you find yourselves in the middle of negotiations regarding salary, as employers, you are still obligated to comply with the minimum wage rate for the effective year.

ATTN: SELF-INSURED SCHOOLS OF CA.(SISC)
SAMPLE
 PO Box 1808
 BAKERSFIELD CA 93305-4326

Letter ID: L1163509728
 Issued Date: March 31, 2021
 Account ID: 942-XXXX-X
 1665619968_P100_E100

**Notice of Unemployment Insurance Contribution
 Rate and Local Experience Charge Rate
 Statement for School Employees Fund
 Participants for Fiscal Year: 2021 / 2022**

Your UI Contribution	1.23%
Your LEC Rate	0.00%
All school employees' wages are taxable wages for UI.	

Important:

This is **not a bill, do not pay this amount**. This is to inform you of your (UI) Contribution Rate and Local Experience Charge (LEC) Rate for the fiscal year 2021/2022. The following is a breakdown of your **UI account balance** and the factors used to calculate your LEC Rate.

Your UI account balance is non-refundable.

If you have any questions regarding this letter, please call 1-916-653-5380.

1. Cumulative reserve balance as of 6/30/19		\$0.00
2. UI contributions paid from 7/1/19 to 6/30/20	\$0.00	
3. LEC paid from 7/1/19 to 6/30/20	\$0.00	
3a. CARES Act Credit***	\$0.00	
4. Interest distributed by the SEF (for positive reserve account employers only)	\$0.00	
5. Total Credits		+ \$0.00
6. UI benefits charged to your account from 7/1/19 to 6/30/20	\$0.00	
Total Charges		- \$0.00
7. New UI account balance as of 6/30/20		\$0.00
8. Reserve ratio for LEC Ranking/Rate (line 7 divided by line 6)		0.000

LEC Ranking and Percentage Matrix

Reserve Ratio	Rank	LEC Percentages
Negative to <1.00	1	15 %
= 1.00 to <2.00	2	10 %
= 2.00 to <3.00	3	5 %
= 3.00 or more	4	0 %
	4	0 %
		10 %

* Unrated Accounts -
 No benefit charges with a positive account balance

— New SEF Accounts -
 For the first three completed fiscal years.

***The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Protecting Nonprofits from Catastrophic Cash Flow Strain Act of 2020 (S. 4209), and Continued Assistance for Unemployed Workers Act of 2020 (H.R. 133) provides emergency unemployment relief to reimbursable employers. Generally, this legislation provides a 50% credit on eligible unemployment benefits paid to your former employees for the applicable period between March 13, 2020, and March 14, 2021. For each SEF participant's account, the credit will first be applied to offset any LEC amounts due that are related to the benefit charges incurred during the applicable period. The rest of the credit will be applied to your reserve account balance, which may be positive or negative and is non-refundable.

Explanation of Terms for DE 56

Issued Date

The official mail date for this notice. Some notices are mailed prior to this date.

Account Number

The number assigned to you when you registered as an employer with the Employment Development Department (EDD). Please refer to your employer account number when making inquiries about your account.

Contribution Rate

Section 832 of the California Unemployment Insurance Code (CUIC) mandates the UI contribution rate for the Fiscal Year, July 1 through June 30. All SEF participants have the same UI contribution rate.

Local Experience Charge Rate

Section 828 of the CUIC mandates the LEC rate for the Fiscal Year. All SEF participants are rated annually. Each SEF participant is responsible for a quarterly LEC, together with any associated penalties, as well as all costs for benefits, and reimbursement for charges will be delinquent 30 days from the issued date of this notice. If not paid within 30 days, the SEF participant shall pay a penalty of 10% of the unpaid amount, plus interest at the adjusted annual rate established by section 1952 of the Revenue and Taxation Code from and after the date of delinquency until paid.

The LEC rate shall be 10% for the first three fiscal years of participation in the SEF.

The LEC rate for the fourth fiscal year, and each succeeding fiscal year, is determined by dividing the reserve balance at the end of the fiscal year by the benefits paid for that same fiscal year.

All SEF participants will receive the DE 56 no later than March 31 of each year.

1. **Cumulative reserve balance** - Shows the ending balance in your UI reserve account as of June 30.
2. **UI contributions paid from** - Shows the total of all UI contributions paid by you from July 1 through June 30.
3. **LEC paid from** - Shows the total of all LEC from July 1 through June 30.
4. **Interest distribution by the SEF** - Shows the amount credited to positive UI reserve accounts for interest earned on the SEF. Employers with a negative UI reserve account balance do not receive a portion of these interest earnings.

5. **Total Credits** - Shows the total of all the items added to your UI reserve account beginning July 1 through June 30. This amount is the total of items 2 through 4.

6. **UI benefits charged to your account** - Shows the amount of UI benefits paid to your former employees from July 1 through June 30. This amount should agree with the amount shown on your *School Employee's Fund Employer Statement of Benefit* (DE 428F). These charges may also be as a result of a UI reserve account transfer. For partial transfers, the successor will not receive the DE 428F.

Total Charges - Shows the total of all the items subtracted from your UI reserve account beginning July 1 through June 30.

7. **New UI account balance** - Shows your UI reserve balance as of June 30.

Previous Reserve Balance	Line 1
Plus Total Credits	Line 5
<u>Minus Total Charges</u>	<u>(Line 6)</u>
New UI Account Balance	Line 7

8. **Reserve ratio for LEC Ranking / Rate** - Shows your reserve ratio. Line 7 divided by Line 6.

DE 428F
Statement of Benefit Charges
To School Employee Fund (SEF)
Employer Reserve Account

Purpose:	Notifies employer which employees drew UI benefits and how much they were paid
Issued by:	Employment Development Department
Issued to:	Employer



Letter ID: L1980753600
 Issued Date: January 24, 2018
 Account ID: 942-4400-1
 236150784_P1135_E1030

County Office of Education
 1290 RIDDER PARK DRIVE, # 264
 SAN JOSE, CA 95131-2304

SCHOOL EMPLOYEE'S FUND EMPLOYER
 STATEMENT OF BENEFIT CHARGES

TOTAL CHARGE
(PLEASE DO NOT PAY)
\$1870.00

BENEFIT CHARGES FROM
 October 1, 2017, THRU December 31, 2017

YOUR ACCOUNT NUMBER: 942-4400-1

CLAIMANT	CLAIMANT NAME	CLM DATE	CLM TYPE	CHG QTR	EMPLYR CHRG	CHG CODE	PGM CODE
	B DEGREG	07/02/2017	A	12/31/17	1,840.00		00
	J DOE	10/08/2017	A	12/31/17	-3.00		00
	S MEYERS	09/17/2017	A	12/31/17	33.00	6	00