

Procedures for the Unemployment Compensation Fund

Unemployment Compensation Fund

[Section 96.31 of the Code of Iowa](#) permits the Extension District to levy a separate tax for the cost of unemployment benefits. This levy is in addition to the regular Education Operating Fund levy.

However, this levy is only allowed when the regular Education Operating Fund levy is at its [maximum limitation imposed by statute](#). These limitations for the Extension Districts are noted in Extension Law, Section 176A.10. These limitations are also outlined in the annual Iowa Department of Management's "[Agricultural Extension District Budget Instructions](#)". See also [IDOM's Unemployment Compensation Section](#).

Once the maximum levy limitation is reached, the District has the choice to levy a special separate additional levy or to handle the expense as a regular expense in the Education Operating Fund. Before the maximum levy limitation is reached, the District would handle the expense as a regular expense in the Education Operating Fund.

Moneys received from separate additional levy must be used for the following purposes: (1) To pay unemployment premiums to become part of the state plan and (2) to pay unemployment claims to Iowa Workforce Development.

A number of years ago most Extension Districts chose to be self-insured for unemployment compensation purposes. The alternative would have been to choose to be covered by the state unemployment compensation plan. That plan necessitated the payment of an annual premium that was partly based on the District's employment experience. Any unemployment claim filed against the Extension District would have been paid from the account established for the District.

Choosing to be self-insured simply means that the District will reimburse Iowa Workforce Development for any claims against the District as they occur. If there is never a claim, no payment would ever be made.

In either case, the Council may choose to levy a tax to either pay the premium, pay a claim to Iowa Workforce Development or recover a past claim paid to Iowa Workforce Development. Any funds received from the levy can be used only for unemployment purposes. Therefore the receipting and disbursing of those funds are to be accounted for separate from the Education Operating Fund.

The Unemployment Compensation Fund is set up as a [main category](#) in the Education Operating Fund. The instructions are in the [County Accounting training manuals](#).

The following procedures are designed to help you insure that your county meets the requirements for establishing and operating a legal Unemployment Compensation Fund.

Two Routes for Setting up a Legal Unemployment Compensation Fund (i.e. separate from the Education Operating Fund)

Route 1: In anticipation of an unemployment benefits expense in a future fiscal year, the District levies a specific dollar amount through the regular budgeting process. The District may have a positive or negative Unemployment Compensation Fund carry forward amount for any year. Procedures are below.

Route 2: In the present fiscal year, the District pays an unemployment benefits charge received for a past employee by advancing the money from the Education Operating Fund. This will establish a negative balance and will carry over as a negative Unemployment Compensation Fund amount into the next fiscal year. Then during the next regular budgeting process the District levies an adequate amount to cover the anticipated expense for both years. Procedures are below.

Procedures to Pay Unemployment Compensation Expenses

Route 1 If the District has levied for expenses anticipated in a future fiscal year and you are now in that fiscal year and you want to pay an unemployment benefit expense and your bookkeeping categories are set up following the instructions given in the handout, [“All Categories to Match Budget Worksheet”](#), **follow these instructions.**

If the District has officially levied for the Unemployment Compensation Fund through the regular budgeting process, there will be a specific dollar amount that you anticipate receiving during the fiscal year for which you levied. If you receive a bill to pay for unemployment benefits before the tax dollars have been deposited in your account by the County Treasurer, you can pay the bill and show it as an expense in Quicken in the Unemployment Compensation expense category. When the tax dollars for the Unemployment Compensation Fund are deposited into your bank account by the County Treasurer at a later date in that fiscal year, you will show the receipt in the Unemployment Compensation income category. [See Recording Tort Liability and Unemployment Compensation Levies.](#)

The Unemployment Compensation Fund is the net of the Unemployment Compensation income category and the Unemployment Compensation expense categories. The fund will technically be in a deficit in the short term. The deficit is being covered in that short term by the balance in your Education Operating Fund.

The Unemployment Compensation Fund is allowed to carry forward a negative balance into the next fiscal year and levy for that amount in the next fiscal year's budget.

The balance would consist of any positive amount in the fund plus the amount you will receive if you levied for Unemployment Compensation funds for the current year **or** any negative amount created by advancing money from the Education Operating Fund plus

the amount you will receive if you levied for Unemployment Compensation funds for the current year.

For example, let's assume you will have \$1,000 in your Unemployment Compensation fund in FY07. This consists of \$200 carry forward from FY06 plus \$800 you levied for in FY07. You are billed for \$1,500 in Unemployment Compensation expenses in FY07. The first \$1,000 would come from the Unemployment Compensation fund. The remaining \$500 would be advanced from your Education Operating fund and would establish a liability in your Unemployment Compensation fund, which can carry forward into the next fiscal year. Then you can levy an appropriate amount in the next fiscal year to cover this carry forward liability as well as any additional Unemployment Compensation expenses you anticipate in the next fiscal year.

The Extension Council minutes should reflect that the Council is aware at the time they approve the expense payment that it is being covered partially by Education Operating Fund monies, which will later be "reimbursed or offset" by Unemployment Compensation Fund tax income and/or a future levy.

Route 2 If you are now in a fiscal year that the District did not levy for the Unemployment Compensation Fund and you have received an unemployment benefits charge for a past employee and the District wants to levy for this expense in the next fiscal budgeting cycle and your bookkeeping categories are set up following the instructions given in the handout, "[All Categories to Match Budget Worksheet](#)", **follow these instructions.**

Paying the expense during the unbudgeted fiscal year

If the District expects to be reimbursed from a levy for Unemployment Compensation Fund then the expense needs to be recorded under the main expense category "9 Unemployment" NOT under another main expense category. In the handout, "[All Categories to Match Budget Worksheet](#)", the expense category is "T Unemployment" and the income category is "9 Unemployment".

If the District elects to pay all of the Unemployment expense from the Education Operating Fund, you will use the same "T Unemployment" main category and there will be no income category.

If the District elects to pay part of the Unemployment expense from the Education Operating Fund, you will use the same "T Unemployment" main category with two subcategories, one for the levy portion and one for the Education Operating Fund portion, and there would be an income category used for the levy portion. [See Recording Tort Liability and Unemployment Compensation Levies.](#)

The Unemployment Compensation Fund is the net of the Unemployment Compensation income categories and the Unemployment Compensation expense categories. The fund will be in a deficit in the short term.

For example -- You are billed for \$1,500 in Unemployment Compensation expenses in the current fiscal year. When you pay the expense you would, in essence, advance the money from the Education Operating Fund as you pay the bill. This will establish a liability in your Unemployment Compensation fund, which can carry forward into the next fiscal year. Then you can levy an appropriate amount in the next fiscal year to cover this carry forward liability as well as any additional Unemployment Compensation expenses you anticipate in the next fiscal year.

The Extension Council minutes should reflect that the Council is aware at the time they approve the first bill that it is being paid by money advanced from the Education Operating Fund with the expectation that it will later be "reimbursed or offset" by the Unemployment Compensation Fund tax income.

Budgeting for the Unemployment Compensation Fund

Generally you would follow the procedures and deadlines given for County Extension budgeting. You should also read the rest of these procedures for Fund setup instruction.

To levy for unemployment compensation purposes, it is necessary to use [IDOM Forms 674, 678 and 674-A \(Attachment 2\)](#). The appropriate figures appear on line "2" on both 674 and 678. If you have made this levy in past years, you need to show the beginning balance (if any) and previous year's expenditures (receipts and expenses).

If the decision is made to use this levy, be sure to ask any questions you have so that you fully understand the process.

Because of the advance from the Education Operating Fund during the unbudgeted year, the District will carry over a negative Unemployment Compensation Fund amount into the next fiscal year. Then during the regular budgeting process the District levies an adequate amount to cover the anticipated expense for both years including interest. [Start with the Unemployment Compensation Worksheet section of CB-1 in the IDOM Budgeting Forms.](#)

The total amount to be budgeted is the sum of the amount of the advance plus any anticipated expenses for the fiscal year being budgeted. The District may have a positive Unemployment Compensation Fund carry forward amount for any year.

Paying the expense during the budgeted fiscal year

When you are in the fiscal year in which the District has levied for expenses anticipated and you want to pay an unemployment benefit expense, you would follow the instructions for Route 1 above.

Unemployment Compensation Expense Categories

Unemployment Compensation expenses need to be recorded under the main expense category "9 Unemployment", NOT under another main expense category. In the handout, "[All Categories to Match Budget Worksheet](#)", the expense category is "T Unemployment" and the income category is "9 Unemployment". [See Recording Tort Liability and Unemployment Compensation Levies.](#)

If the District elects to pay all of the Unemployment expense from the Education Operating Fund, you will use the same "T Unemployment" main category and there will be no income category.

If the District elects to pay part of the Unemployment expense from the Education Operating Fund, you will use the same "T Unemployment" main category with two subcategories, one for the levy portion and one for the Education Operating Fund portion, and there would be an income category used for the levy portion.

Amending for Unanticipated Unemployment Compensation expenses

No amendments are required for Unemployment Compensation Funds. The District must follow the procedures for levying which are given in these instructions.

For instance, the FY07 budget for Unemployment Compensation Fund is \$0; the District has actual expenses of \$1400 in FY06 and expects a claim for \$1400 in FY08. There is no amending for FY07 since they had no approved budget. The FY07 expense of \$1400 can be levied for FY08. No amendment is required in FY07 to pay the expenses they incur. The District may have a positive or a negative Unemployment Compensation Fund carry forward amount for any year.

Special Note: It is possible that a District could be in the situation where they would be budgeting for expenses covering three fiscal years, i.e., two prior fiscal years in which the expense happened and the year which is being budgeted. This would happen if a District had to pay an unanticipated expense which occurred after the March budgeting deadline and before June 30th of year one and continued as an unbudgeted expense during year two. The District would levy for the total amount which would be collected during year three.