

Chapter 8500 - Payrolls

8500 GENERAL (Revised 9/00)

The responsibility for administering the State's personnel system is divided between the State Personnel Board (SPB) and the Department of Personnel Administration (DPA). The SPB is responsible for merit-related personnel matters including examinations, review of disciplinary actions, and civil service appointments and status. The SPB also reviews and approves changes to the Personnel Classification Plan. DPA is responsible for salary and benefit administration, performance appraisal, training, and administration of the Personnel Classification Plan.

The SPB administrative actions are basically governed by Article VII of the California Constitution and the State Civil Service Act (Government Code of Regulations Sections 18500-19798). These provisions are made more specific by the SPB rules (California Code of Regulations, Title 2, Division 1, Chapter 1). More detailed guidance and instructions for applying these provisions can be found in the Selection, Personnel Management Policy and Procedures, Delegated Testing, and Personnel Transactions manuals.

The DPA administers its programs under Government Code Sections 19815-19999. These provisions are made more specific by the DPA rules (California Administrative Code, Title 2, Division 1, Chapter 3). For rank and file employees, these laws and rules may be superseded by a Memorandum of Understanding (MOU) negotiated under the State Employer–Employee Relations Act. In certain areas, the Personnel Transactions Manual provides detailed guidelines and procedures.

The State Controller's Office (SCO) is responsible for operating the State's payroll system and processing personnel transaction documents. Procedural information is available in the SCO's Payroll Procedures Manual and the Personnel Action Manual.

Departmental human resources office can provide additional guidance in these areas.

8510 STATE PAY PLAN (Revised 9/00)

In accordance with Board of Control Rule 633.2, salaries of State officers and employees will be paid on the basis of 12, nearly equal, pay periods each year. The pay period will contain either 21 or 22 normal workdays, called a calendar month. Normal workdays are Monday through Friday including holidays during the week.

The exception is when there are more than 22 or fewer than 21 workdays in a month, then the pay period may end one day before or after the end of the calendar month. On rare occasions the pay period may end two days before the end of the calendar month.

The end of the third monthly pay period, in each quarter, will always coincide with the end of the calendar quarter. Monthly salary rates are the pay for full pay periods of employment.

Hourly rate employees will be paid for the same pay periods as prescribed for monthly rate employees.

Special procedures apply to academic-year employees and ten-month academic employees in State universities, prescribed by Title 5 of the California Code of Regulations and the SCO's Payroll Procedures Manual.

8512 BEGINNING AND ENDING DATES OF PAY PERIOD (Revised 9/00)

The Department of Finance (DOF), Fiscal Systems and Consulting Unit, prescribes beginning and ending pay period dates. A schedule of 14 patterns of pay period dates will be used. The patterns repeat within a 28-year cycle. The patterns are numbered 1 through 14 and are listed below. The pattern that will be used is shown below each calendar year for the 28-year cycle 1994 through 2021

YEAR:	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
PATTERN:	7	1	9	4	5	6	14	2	3	4	12
YEAR:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PATTERN:	7	1	2	10	5	6	7	8	3	4	5
YEAR:	2016	2017	2018	2019	2020	2021					
PATTERN:	13	1	2	3	11	6					

	PAY PERIOD	INCLUSIVE DATES	NUMBER OF WORKDAYS (Including Holidays)
PATTERN #1	January	January 1 - January 31	22
	February	February 1 - March 1	21
	March	March 2 - March 31	22
	April	April 1 - May 1	21
	May	May 2 - May 31	22
	June	June 1 - June 30	22
	July	July 1 - August 1	22
	August	August 2 - August 31	22
	September	September 1 - September 30	21
	October	October 1 - October 31	22
	November	November 1 - November 30	22
	December	December 1 - December 31	21
PATTERN #2	January	January 1 - January 30	22
	February	January 31 - February 28	21
	March	March 1 - March 31	22
	April	April 1 - April 30	21
	May	May 1 - May 30	22
	June	May 31 - June 30	22
	July	July 1 - July 31	22
	August	August 1 - August 30	22
	September	August 31 - September 30	21
	October	October 1 - October 30	22
	November	October 31 - November 29	22
	December	November 30 - December 31	22
PATTERN #3	January	January 1 - January 30	22
	February	January 31 - February 28	21
	March	March 1 - March 31	21
	April	April 1 - April 30	22
	May	May 1 - May 30	22
	June	May 31 - June 30	21
	July	July 1 - July 30	22
	August	July 31 - August 29	22
	September	August 30 - September 30	22
	October	October 1 - October 30	22

	November	October 31 - November 30	22
	December	December 1 - December 31	22
PATTERN #4	January	January 1 - January 30	22
	February	January 31 - February 28	21
	March	March 1 - March 31	21
	April	April 1 - April 30	22
	May	May 1 - May 31	22
	June	June 1 - June 30	21
	July	July 1 - July 30	22
	August	July 31 - August 31	22
	September	September 1 - September 30	22
	October	October 1 - October 30	22
	November	October 31 - December 1	22
	December	December 2 - December 31	22
PATTERN #5	January	January 1 - January 29	21
	February	January 30 - February 28	21
	March	March 1 - March 31	22
	April	April 1 - April 30	22
	May	May 1 - May 31	21
	June	June 1 - June 30	22
	July	July 1 - July 30	22
	August	July 31 - August 31	22
	September	September 1 - September 30	22
	October	October 1 - October 31	22
	November	November 1 - December 1	22
	December	December 2 - December 31	22
PATTERN #6	January	January 1 - January 31	21
	February	February 1 - March 1	21
	March	March 2 - March 31	22
	April	April 1 - April 30	22
	May	May 1 - May 31	21
	June	June 1 - June 30	22
	July	July 1 - July 31	22
	August	August 1 - August 31	22

	September	September 1 - September 30	22
	October	October 1 - November 1	22
	November	November 2 - December 1	22
	December	December 2 - December 31	22
PATTERN #7	January	January 1 - January 31	21
	February	February 1 - March 1	21
	March	March 2 - March 31	22
	April	April 1 - April 30	21
	May	May 1 - May 31	22
	June	June 1 - June 30	22
	July	July 1 - August 1	22
	August	August 2 - August 31	22
	September	September 1 - September 30	22
	October	October 1 - October 31	21
	November	November 1 - November 30	22
	December	December 1 - December 31	22
PATTERN #8	January	January 1 - January 31	22
	February	February 1 - February 29	21
	March	March 1 - March 31	22
	April	April 1 - April 30	21
	May	May 1 - May 30	22
	June	May 31 - June 30	22
	July	July 1 - July 31	22
	August	August 1 - August 30	22
	September	August 31 - September 30	21
	October	October 1 - October 30	22
	November	October 31 - November 29	22
	December	November 30 - December 31	22
PATTERN #9	January	January 1 - January 30	22
	February	January 31 - February 29	22
	March	March 1 - March 31	21
	April	April 1 - April 30	22
	May	May 1 - May 30	22

	June	May 31 - June 30	21
	July	July 1 - July 30	22
	August	July 31 - August 29	22
	September	August 30 - September 30	22
	October	October 1 - October 30	22
	November	October 31 - November 30	22
	December	December 1 - December 31	22
PATTERN #10	January	January 1 - January 30	22
	February	January 31 - February 29	22
	March	March 1 - March 31	21
	April	April 1 - April 30	22
	May	May 1 - May 31	22
	June	June 1 - June 30	21
	July	July 1 - July 30	22
	August	July 31 - August 31	22
	September	September 1 - September 30	22
	October	October 1 - October 30	22
	November	October 31 - December 1	22
	December	December 2 - December 31	22
PATTERN #11	January	January 1 - January 30	22
	February	January 31 - February 29	21
	March	March 1 - March 31	22
	April	April 1 - April 30	22
	May	May 1 - May 31	21
	June	June 1 - June 30	22
	July	July 1 - July 30	22
	August	July 31 - August 31	22
	September	September 1 - September 30	22
	October	October 1 - October 31	22
	November	November 1 - December 1	22
	December	December 2 - December 31	22
PATTERN #12	January	January 1 - January 31	22
	February	February 1 - March 1	21
	March	March 2 - March 31	22

April	April 1 - April 30	22
May	May 1 - May 31	21
June	June 1 - June 30	22
July	July 1 - July 31	22
August	August 1 - August 31	22
September	September 1 - September 30	22
October	October 1 - November 1	22
November	November 2 - December 1	22
December	December 2 - December 31	22

PATTERN #13

January	January 1 - January 31	21
February	February 1 - March 1	22
March	March 2 - March 31	22
April	April 1 - April 30	21
May	May 1 - May 31	22
June	June 1 - June 30	22
July	July 1 - August 1	22
August	August 2 - August 31	22
September	September 1 - September 30	22
October	October 1 - October 31	21
November	November 1 - November 30	22
December	December 1 - December 31	22

PATTERN #14

January	January 1 - January 31	21
February	February 1 - March 1	22
March	March 2 - March 31	22
April	April 1 - May 1	21
May	May 2 - May 31	22
June	June 1 - June 30	22
July	July 1 - July 31	21
August	August 1 - August 30	22
September	August 31 - September 30	22
October	October 1 - October 31	22
November	November 1 - November 30	22
December	December 1 - December 31	21

8520 SUMMARY OF CONTROLLER'S PAYROLL FUNCTIONS

(Revised 4/01)

In accordance with Government Code Sections 12470 to 12477 and 16395 and Board of Control Rule 660, SCO performs the following functions in connection with operating the uniform State payroll system:

1. Records approved position and personnel documents in payroll rosters to provide fiscal payroll control for DOF, SPB, and DPA for both civil service and exempt positions.
2. Computes gross pay, retirement contributions, State and federal withholding tax, Social Security/Medicare, other deductions, and net pay for monthly, daily, hourly, and miscellaneous rate employees as well as for emergency employees, seasonal help, and overtime.
3. Prepares all payrolls, salary warrants, direct deposit payments, and employees' statements of earnings and deductions.
4. Issues disability payments.
5. Verifies that all monthly rate employees whose appointments have been certified to SCO are included on the payroll or notifies the State agency of any exceptions.
6. Transfers funds for payroll disbursements and State contributions for employees' retirement, Social Security/Medicare, and other benefits from the various appropriations to the State Payroll Revolving Fund and notifies the State agencies and the State Treasurer of these fund transfers.
7. Provides the State agencies with a payroll warrant register for each prepared payroll.
8. Remits the amount of payroll deductions directly to the retirement systems, tax authorities, insurance carriers and others and performs all accounting operations in connection therewith.
9. Prepares annual Withholding Statements, Form W-2, as well as quarterly and annual withholding State tax returns for salaries, wages, taxable benefits, and employee business expenses.
10. Pre-lists regular employees' names on attendance report forms and distributes them to the State agencies at the beginning of each pay period.
11. Processes regular merit salary adjustments for employees.
12. Prepares the bank reconciliation and maintains the outstanding warrant file for payroll disbursements.
13. Makes annual report of salary rates as basis for life insurance coverage under a group insurance policy.
14. Audits time compensated against personnel months authorized for each class within each budgetary group for all agencies.
15. Prepares annual reports of past and anticipated future salaries and wages expenditures for all State agencies for use in budget preparation.
16. Provides special services for selected State agencies.
17. Operates U.S. Savings Bond Payroll Deduction and Purchase Program.

8531 GENERAL PERSONNEL PROCEDURES - ESTABLISHED POSITIONS

(Revised 10/88)

Personnel procedure is coordinated with budgetary control of salaries and wages by means of established positions. No employee may be appointed except to a position which has been properly established and approved by the Department of Finance to fix its class title, duration, organizational function, and the budget allotment from which the salary is payable.

Each position not previously established on a continuing basis must be established by the submission of Change in Established Positions form, STD. 607, to the Department of Finance. Factors that change or abolish positions are reported on this form. Encumbrances and disencumbrances are recorded on STD. 607, against current budget allotments and indicated in the Estimates Register and allotment-expenditure accounts.

Blanket positions, in which any number of persons may be employed within budgetary limits as to the amount of money allotted, may be established for temporary or seasonal help, overtime, and other purposes, with approval of the Department of Finance. Amounts encumbered against blanket position allotments are reported on STD. 607. The SCO will summarize expenditures from blanket positions as of the tenth of each month and will withhold any subsequent warrants for positions shown by such summary to be over-expended. Such warrants will be released upon receipt of STD. 607 increasing the approved encumbrance for those positions.

In order to promote the policy of recruiting employees at the entry or "trainee" level and subsequently advancing these employees to the journey person level when qualified, without further budgetary action, certain classifications are established interchangeably with the approval of the Department of Finance.

STD. 607 applicable to these positions will show the appropriate combination of "trainee-journey person" titles and will show the class code at the "journey person" level with the other class code(s) in parentheses. The positions will be reflected in the SCO's file with the "journey person" class code and will not be changed when the class of the incumbent is changed

8533 GENERAL PERSONEL PROCEDURES - POSITION NUMBERS

(Revised 12/99)

Positions are identified on documents, budget schedules, agency rosters, the SCO's Employment History Data Base, and payrolls by a 13-digit code number made-up as follow:

Agency Code:

Three-digit code identifying the agency or major subdivision for personnel/payroll use, and the fund from which salaries are payable. This number is assigned by the SCO.

Reporting Unit Code:

Three-digit code identifying the budgetary function and the location of attendance reporting units within the agency code. (When positions are authorized to be used in any of several attendance reporting units, STD. 607 may show budget function codes instead of reporting unit codes to identify a group of reporting units.) These codes are assigned by the agency to conform with the organizational structure, with the approval of the Department of Finance and the SCO.

Class Code:

Four-digit code identifying the civil service class or exempt position title, as shown in the Civil Service Pay Scales or Exempt Pay Scales.

Serial Number:

Three-digit code identifying the individual position within the class and function. Serial numbers in the seven and eight hundred series identify employees in interchangeable classes and the nine hundred series identifies blanket positions.

8534 LEAVE CARDS

(Revised 12/99)

Agencies will maintain sick leave and vacation records for each employee. STD. 642 or an equivalent form will be used to maintain individual sick leave and vacation credit balances. Information on sick leave and vacation usage will be obtained from monthly attendance reports, equivalent attendance summaries, STD. 634, or similar sources. All sick leave must be documented on STD. 634 or its equivalent. An annual statement of leave will be prepared and given to each employee. Leave cards and other supporting documents will be adequately protected and will not leave the premises.

8535 UNEMPLOYMENT INSURANCE

(Revised 12/99)

In accordance with the Unemployment Insurance Code Sections 135 and 605 (effective January 1, 1978), all service (with some exceptions) performed in the employ of a state agency is covered employment for Unemployment Insurance (UI) compensation benefit purposes. The agency/agencies that employed the claimant during the base period (the base period is the twelve-month period on which a claim is based), are directly liable to the Unemployment Insurance Fund for all benefits paid.

The Tax Branch of the Employment Development Department will process the billing invoices to the agency/agencies on a quarterly basis. Payment of these invoices is due within thirty (30) days of the invoice date or they will be subject to a late payment penalty of 10 percent plus daily interest at the adjusted annual rate established pursuant to Section 19269 of the Revenue and Taxation Code, computed on the total bill amount. Payments will be accounted for as a "Personal Services" expenditure from the appropriation of the agency which makes payment.

The Personnel Officer or other designee so named by the agency director shall be responsible for the administration of UI claims within the department or agency.

The nearest Unemployment Insurance Field Office should be the initial contact for all agencies with questions regarding UI eligibility.

The Office of Risk and Insurance Management, Department of General Services, will be the contact for all agencies with questions regarding the internal administration of UI claims.

8536 WORKERS' COMPENSATION INSURANCE DISABILITY PAYMENTS

(Revised and Renumbered from 8538.5 10/88)

The purpose of this Section is to provide some background on job-related disability payments and to prescribe accounting procedures relating to Temporary Disability (TD) checks issued by the State Compensation Insurance Fund (SCIF). For instructions concerning the payroll process relating to Temporary Disability Compensation and Industrial Leave, see Sections E300 and E400 of the Payroll Procedures Manual.

Employees must initiate disability claims with their departmental personnel unit. There are several options available to most employees including TD without using sick leave or vacation credits; TD using sick leave and/or vacation credits; and Industrial Disability Leave (IDL). An employee who has sufficient leave credits for the temporary disability period will remain on active pay status and continue to receive regular full salary payments. If the employee's disability absence is covered by using sick leave, the temporary disability checks issued to the individual are to be captured and deposited as General Cash. The details associated with the options will be provided by personnel unit staff.

It should be noted that some departments, boards, commissions, etc. are insured through SCIF while others are not (self-insured). Generally, larger organizations will be self-insured because, statistically, it should be financially advantageous to them. Frequently, smaller units will purchase insurance because disability costs could have a catastrophic impact upon their relatively small annual budgets. SCIF processes disability claims for all State organizations, self-insured as well as insured.

Additionally, SCIF issues all TD checks. If a claimant elects to receive TD and the employing organization is self-insured SCIF will bill the employing organization for the compensation payment and associated administrative costs. If the organization is insured, it is entitled to the service and support without charge.

If a claimant elects to receive IDL, SCIF will prepare a regular claim schedule and forward it to the SCO. The SCO will issue a warrant to the claimant and charge the employing organization's current appropriation. IDL is always paid in this manner. The procedures are applicable to insured and self-insured

organizations. Self-insured organizations will be billed for processing and administrative costs incurred by SCIF. An insured organization will receive a TD check even if the claimant selects IDL. This is included in the agreement between SCIF and the subscribing organizations. The TD check belongs to the agency and should be processed in accordance with the following instructions. Government Code Section 19863 prohibits payment in excess of an employee's full salary. If at any time the amount of the temporary disability payment plus the amount of salary paid to the employee exceeds the employee's regular full salary, the excess amount must be recovered by the employing organization from the employee.

The SCIF will send TD checks to the employing organization unless the claimant has separated from State service. This procedure places the agency in control in the event that it becomes necessary to recover an overpayment. Agencies may endorse checks for deposit in lieu of having them endorsed by the employee. The endorsement form is illustrated below:

Print Name of Payee
Absence of personal endorsement guaranteed by (Name of Organization)

Signed by Accounting Officer

Agencies using this endorsement must ensure that employees receive the compensation due to them. Should the injured employee suffer any loss due to the endorsement and deposit of the TD checks by an agency, this loss will be recovered from the agency. If a TD check is mistakenly endorsed and deposited the organization may refund the amount due to the employee by issuing a General Cash check, (sometimes referred to as a Cash State check). If, for any reason, the agency cannot make a timely refund, SCIF, on request, may issue a duplicate check to the employee. If a duplicate check is issued, SCIF will charge the organization accordingly during the next billing cycle.

The TD checks that are endorsed by an organization will be deposited in its bank (CTS) account and subsequently processed as an abatement to the applicable appropriation(s), Personnel Services category.

If the injured elects Temporary Disability Compensation rather than Industrial Disability Leave, the checks will be mailed directly to the employee. Insured State Agencies should monitor these cases to make sure that employees are not paid more than their regular full salaries.

8537 WORKERS' COMPENSATION INSURANCE - ACCOUNTING FOR THIRD PARTY RECOVERIES

(Revised and Renumbered from 8538.6 and 8538.61 10/88)

The State Compensation Insurance Fund (SCIF) will credit the amount recovered from a third party to the proper appropriations as abatements. Any amounts owing to employing State agencies will be credited on the semi-monthly SCIF billings to the State agency with alpha code "SV" (salvage) in the column headed "Check Number" or the check will be mailed directly to the State agency depending on the circumstances. If there are any questions, contact the Office of Insurance and Risk Management, Department of General Services, or the SCIF office which handled the claim. See SAM Section 8775.

8538 NONINDUSTRIAL DISABILITY INSURANCE

(Revised and Renumbered from 8539 10/88)

Under the provision of Senate Bill No. 1555, Chapter 341, Statutes of 1976, the Employment Development Department is charged with the responsibility of administering the Nonindustrial Disability Insurance Program for State employees. The Employment Development Department shall be reimbursed for its Nonindustrial Disability Insurance related administrative costs by the State agencies or entities employing individuals receiving Nonindustrial Disability Insurance benefits.

The Employment Development Department has developed procedures for ongoing reimbursement of its administrative costs by agencies, based on actual costs for the number of employees paid benefits in respective periods. The Fiscal Programs Division of the Employment Development Department will process billing invoices for Nonindustrial Disability Insurance Program administrative costs to participating agencies through SCO on a quarterly basis. The SCO will make the reimbursement payments by a transfer from the appropriate agency operating account to the Unemployment Compensation Disability Fund.

Nonindustrial Disability Insurance Program payments shall be accounted for by the agencies in the following manner:

1. Nonindustrial Disability Insurance benefit costs are charged as "Personal Service" expenditures, Section 3(a) of the Budget Act.
2. Nonindustrial Disability Insurance administrative costs are charged as "Operating Expenses and Equipment" expenditures, Section 3(b) of the Budget Act.

8539 ATTENDANCE RECORDS

(Revised 9/00)

Agencies will maintain complete records of attendance and absences for each employee during each pay period. These records will be properly certified. The original copy of the completed Time and Attendance Report form, 672, required by SCO and maintained at the agency, will be signed only by those authorized per the signature on file at SCO.

Lists of those persons authorized to approve attendance documents supporting form 672 will be maintained in agency human resources offices. Agencies may designate specific individuals to certify attendance to the human resources office. If specific individuals are not designated, an employee's supervisor will certify the attendance. Authorizing signatures will be compared to the lists, which will be continuously updated.

Agencies must certify attendance to SCO after the close of each pay period in the manner prescribed by SCO.

When individual time records are maintained by employees, they will be signed by both the employee and the employee's supervisor.

Persons certifying attendance reports cannot certify his/her own attendance report.

8540 OVERTIME

(Revised 4/01)

As a general practice, compensation for overtime, either by cash payment or time off, should be based upon prior written approval signed by a designated supervisor. It should also be authorized and issued in accordance with bargaining unit agreements. Due to the nature of work carried out by a State agency, management can retroactively approve this compensation. Care should be exercised in recording the overtime hours on the monthly attendance reports and overtime records of the employing State agency.

8572 WITHHOLDING AND REPORTING REQUIREMENTS FOR TAXABLE FRINGE BENEFITS AND EMPLOYEE BUSINESS EXPENSES

(Revised 12/02)

Employment taxes (federal and State income, Social Security, and Medicare) apply to various employer payments, fringe benefits (FB), and employee business expense (EBE) reimbursements. FBs are generally cash, property, or services received from the employer in addition to an employee's regular pay. FBs are reportable and taxable income unless specifically excluded by federal and State tax laws, rules, regulations, etc.

Employer reimbursements for EBEs are taxable and reportable income unless the sponsoring employer's plan satisfies Accountable Plan provisions and any unique requirements applicable per federal and State tax laws, rules, regulations, etc.

Accountable Plan criteria include: (1) expenses must be job related—to the extent that the expenses would be deductible on an employee's personal income tax return; (2) employee must provide and sponsoring employer must validate a detailed accounting of the expenses (including time, business purpose, place, and expenditures validated by receipts); and (3) unsubstantiated amounts must be promptly returned to the employer.

EBEs must satisfy other specific requirements (e.g. uniforms must satisfy federal and State definitions of what constitutes a uniform as well as be provided under an Accountable Plan) before reimbursements qualify as non-taxable. EBE reimbursements failing to meet either Accountable Plan or other mandated requirements are considered issued under a non-Accountable Plan and are reportable and taxable income.

Taxation is based upon the actual reimbursement amount. For non-cash benefits such as personal use of a State provided vehicle, the fair market value of the benefit is generally used to determine the tax liabilities. SCO processes applicable tax withholding as follows:

Federal Income Tax: 27% (1-1-02 to 12-31-03)
26% (1-1-04 to 12-31-05)
25% (1-1-06 and later)
State Income Tax: 6% California, except bonuses: 9.3% effective 1-1-03, 7.35% New York, 3% Illinois
Social Security: 6.2%
Medicare: 1.45%

Taxes are due (payable) and reportable upon constructive receipt of the EBE reimbursement or the FB by the employee. Employers must report taxable EBE reimbursement and FBs monthly to the SCO no later than the 10th of the month following the month of receipt. Applicable taxes are then withheld from the affected employee's next regular payroll warrant. For example, taxable overtime meal reimbursements/value of overtime meals received by the employee in March must be reported to the SCO by April 10. Failure to report timely violates legal requirements and subjects State agency employers (including third parties such as an employee's supervisor) to civil and criminal actions.

The following EBE reimbursements and FBs have taxable/reportable requirements that mandate timely employer reporting as outlined in the State Controller's Payroll Procedures Manual (PPM) Section N. Additional instructions can be located by accessing the SCO's Payroll Letters via the Internet at <http://www.sco.ca.gov/ppsd/scoltrs>. Payroll Letters provide interim procedures that may not yet be reflected in the PPM.

Benefits include, but are not limited to: personal use of State provided vehicles and aircrafts, awards, bonuses, incentives, bicycle and car mileage,

entertainment expenses, educational assistance, electronic devices, housing, life insurance, loan programs, long term travel-indefinite, meals (travel and non-travel status), per diems, lodging, moving expenses/mileage, out placement, dues and memberships, scholarships, tickets, tips, gratuities, tool allowance, and uniform allowances.

8572.1 MOVING EXPENSES

(Revised 12/02)

Federal and State laws require that all payments for moving expenses be reported for income tax purposes. State agencies will report moving expense payments to the SCO. (Refer to the PPM Section N 147, et seq.) Where applicable, payments will be included on the employee's W-2 form.

Federal and State laws require the withholding of income, Social Security, and Medicare taxes from certain moving expense payments. **It is imperative that the employee be notified, prior to moving, that certain moving expense payments are subject to withholding.**

For reimbursement information on moving expenses, refer to the DPA Regulations 599.714 to 599.724.1. Federal income, Social Security, and Medicare tax questions should be directed to the Internal Revenue Service (IRS). State income tax questions should be directed to the Franchise Tax Board (FTB). Employees requesting tax advice should be referred to the IRS Publication 521--Moving Expenses, the IRS website: <http://www.irs.gov/>, or any local IRS office.

8572.2 INDETERMINATE FIELD ASSIGNMENT ALLOWANCES (LONG TERM TRAVEL-INDEFINITE)

(Revised 12/02)

DPA Regulations 599.619 and 599.621 allow a State agency to reimburse employees for expenses incurred on a continuous indeterminate field assignment at a job site away from its headquarters location for an extended period of time. Based on federal and State tax law (refer to the IRS Publication 463), long-term per diem (for continuous, indefinite field assignment) is subject to withholding of employment taxes (federal and State income, Social Security, and Medicare).

It is imperative that the employee be notified, prior to starting the assignment, that such reimbursements are subject to withholding. (Refer to the PPM Section N 141, et seq.)

8572.4 PERSONAL USE OF STATE PROVIDED VEHICLES

(Revised 12/02)

The IRS and the FTB regulations consider as compensation that is subject to taxation the value of all personal use of a State provided vehicle. (Refer to the IRS Publication 535—Business Expenses and the PPM Section N 129 et seq.) Publication 535 can be obtained from any local IRS office or via the IRS website: <http://www.irs.gov/>. The PPM is available in the State agency's human resources and accounting offices.

Employees are required to provide monthly records on the use of State vehicles, both personal and business, to their supervisor consistent with the law and departmental requirements

8572.5 UNIFORM ALLOWANCES

(Revised 12/02)

In addition to the income reporting requirements, some uniform allowances are subject to withholding for retirement contributions. If applicable, the provisions for retirement contributions will be included in the employees' Memorandum of Understanding (MOU).

If the MOU stipulates that the uniform allowance is subject to retirement contributions, agency accounting offices will not make uniform allowance payments to employees. Agency human resources offices will request a payroll warrant be issued through the SCO payroll system. The payroll system will contribute the State's share and withhold the employee's share of the retirement contributions. If applicable, the benefit will be reported and the employment taxes will be withheld.

Agency accounting offices may pay uniform allowances not subject to retirement contributions. Payment may be made by issuing a revolving fund check or presenting a claim schedule to the SCO. However, these payments are subject to the withholding and reporting requirements as provided in SAM Section 8572.

8580 DISTRIBUTION OF SALARY WARRANTS
(Revised 09/00)

The SCO will release salary warrants, Payroll Warrant Registers, Form CD-38, and in some instances Report of Exceptions, Form CD-66, to a designated individual. The SCO will require that the individual signs a receipt acknowledging receipt.

8580.1 DUTIES INCOMPATIBLE WITH HANDLING OF SALARY WARRANTS
(Revised 09/00)

State agencies will observe the following separation of duties in designating persons who can certify or process personnel documents to SCO, Division of Personnel and Payroll Services. Persons designated by agencies to receive salary warrants from SCO, or to distribute salary warrants to employees, or to handle salary warrants for any other purpose will not be authorized to process or sign any of the following personnel documents:

- a. Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant, Form CD-113A and B
- b. CSU Personnel/Payroll Transaction form, STD. 456-A
- c. Absences Without Pay Report form, STD. 603
- d. Absence and Additional Time Worked Report form, STD. 634
- e. Payroll Exceptions Report form, STD. 666
- f. Time and Attendance Report form, 672
- g. Miscellaneous Payroll/Leave Actions form, STD. 671
- h. Payroll Adjustment Notice form, STD. 674
- i. Personnel Action Request form, STD. 680-A

Departments will review duties at least semiannually or more often if necessary to comply with this section.

8580.2 RELEASE OF SALARY WARRANTS
(Revised 9/00)

When a pay period ends on a normal workday (Monday through Friday), departments may release salary warrants anytime on that day **after the employee has completed the work for the pay period**. For employees who complete their shift at 5:00 p.m. on the last day of the pay period, departments may release salary warrants up to two hours prior to the end of the shift for administrative ease. When the pay period ends on a Saturday, a Sunday, or a holiday, departments may release salary warrants anytime on the last preceding normal workday (Monday through Friday) **provided the employee has completed the work for the pay period**. If employees are going to deposit or cash their warrants prior to the issue date, they should be cautioned to do it just before bank closing time, or 4:00 p.m. on those days when the banks are open until 6:00 p.m. This will ensure that the warrant will not be presented to the State Treasurer's Office prior to the issue date since it cannot accept warrants from a bank before the issue date of the warrant.

Salary warrants will not be distributed to employees until the time paid for as shown on the Payroll Warrant Register has been verified with the attendance reports and a check made to ensure that the warrants should not be withheld because of amounts due to the agency revolving fund or judgment creditors. Supplemental Payroll Warrant Registers will be checked against uncleared reports of exceptions, adjustment notices, or other payroll records to ensure against release of duplicate or otherwise improper payments. Agencies having maintenance deductions, e.g., housing charges will check final payments for separating employees to ensure that all maintenance charges have been collected.

Salary warrants will not be mailed for employee convenience. If employees are absent due to an approved nonrecurring condition, such as travel, sickness, or training, and prior arrangements have been made, warrants may be mailed.

8580.3 RETURN OF SALARY WARRANTS TO THE STATE CONTROLLER'S OFFICE, DIVISION OF ADMINISTRATION AND DISBURSEMENTS
(Revised 9/00)

Computations of amounts of gross and net pay made by SCO will not be verified by agencies. However, agencies must be careful to withhold and return to SCO, Division of Administration and Disbursements, warrants which would result in overpayments because of incorrect documents submitted to that office. Warrants for less than the amount due should be given to the employees so that they may receive partial payment pending receipt of supplemental warrants. The handling of overpayments and underpayments should be done in accordance with bargaining unit agreements.

8580.4 EMPLOYEE SEPARATIONS

(Revised 06/05)

Departments are responsible to ensure that payments to separating employees are in accordance with Labor Code Sections 201 and 202.

Salary warrants will not be distributed to separating employees until the department had verified that all travel and salary advances have been paid (cleared). The verification must be provided by office revolving fund staff. See SAM Section 8595.

It is recommended that a check-out list acknowledging the return of state-owned items such as credit cards, keys, state records, and equipment be completed for separating employees prior to the release of the final warrant. The check-out list may also include the verification from the office revolving fund staff that there are no outstanding advances.

Government Code Section 19838 authorizes the state to withhold amounts owed for outstanding travel and salary advances from an employee's final separation pay, provided the employee receives an amount sufficient to satisfy the state's minimum wage requirement. Departments should direct all questions regarding the state's minimum wage requirements to their department legal staff.

Amounts owed by the employee, other than salary and travel advances will not be deducted from an employee's final separation pay. If, after the check-out, the separating employee leaves owing the department money, it is the responsibility of the department to pursue collections as described in SAM Section 8776.6.

8580.5 UNDELIVERED SALARY WARRANTS

(Revised 2/99)

Salary warrants not delivered within five days of pickup shall be returned to the office which distributes salary warrants. A written record of all undelivered warrants will be maintained and a copy given to the payroll office.

Warrants not delivered within 90 calendar days of receipt must be deposited and remitted to an escheat revenue account in the original fund that provided the resources to the State Payroll Revolving Fund.

Agencies will maintain a subsidiary ledger of all amounts credited to and disbursed from the escheat revenue accounts. Subsequent claims made by payees within 2 years of the date the warrant was credited to the escheat revenue account will be processed by filing a claim schedule against an escheat revenue account. For those amounts credited in the current fiscal year, the claim schedule shall be filed against the current year escheat revenue account. For those amounts credited in a prior fiscal year, the claim schedule will be filed against the prior year escheat revenue account. The State Controller's Office will process the claims regardless of the balances in the escheat revenue accounts.

8590 PAYROLL EXPENDITURE ACCOUNTING

(Revised 10/99)

See SAM Section 8300 for allotment and encumbrance procedures and maintenance of the Allotment-Expenditure Ledger.

Under the uniform state payroll system, the State Controller's Office will prepare agency payrolls and draw salary warrants on the State Payroll Revolving Fund in payment thereof. The State Controller's Office will transfer from the agency's appropriation and/or fund the gross amount of each payroll prepared including the State's contributions for employees' retirement, OASDI, health benefits, and dental care benefits, and will return by transfer to the agency's appropriation and/or fund any amounts accumulated in the State Payroll Revolving Fund as a result of warrants voided or redeposited or overpayments recovered.

The State Controller's Office will report payroll transfers to agency offices by Notice of State Payroll Revolving Fund Transfer, Form CA-62, which will be recorded by the agencies using a Payroll Expenditure Register. (Refer to SAM Section 10504.)

Form CA-62 will reflect clearance codes indicating whether transfers are to or from the State Payroll Revolving Fund as follows:

Transfers from the State Payroll Revolving Fund that increase expenditures (entered as plus entries if a manual Payroll Expenditure Register is needed).

Clearance Code Type 1: Registers of warrants issued

Clearance Code Type 7: Registers of payroll adjustments

Clearance Code Type 9: No register—these are corrections of previous transfers as noted thereon

Transfers from the State Payroll Revolving Fund that decrease expenditures (entered as minus entries if a manual Payroll Expenditure Register is maintained).

Clearance Code Type 4: Register of warrants redeposited

Clearance Code Type 5: No register—these are transfers of amounts collected on overpayments detailed previously on registers of accounts receivable

Clearance Code Type 6: Registers of payroll adjustments

Clearance Code Type 8: No register—these are corrections of previous transfers as noted thereon

Payroll transfers will be distributed to the applicable expenditure accounts and, if applicable, entered in the Payroll Expenditure Register where used in a manual system. The month during which the expenditures were incurred will generally be indicated by the date on the Controller's Transfer. An exception to this procedure occurs when the month indicated by the transfer date is different from the month the expenses or most of the expenses were incurred. Then post the payroll transfer to the matching month. If the payroll period and the transfer date are in different fiscal years, the transfer date takes precedent. Note: In automated systems i.e. CALSTARS, the Payroll Expenditures Register is automatically produced as a by-product of the labor distribution system and these entries are not applicable.

8593 OVERPAYMENTS

(Revised 10/88)

When Adjustment Notices reporting amounts overpaid to employees are processed by the State Controller's Office, they will send to the agency the Controller's Payroll Accounts Receivable Registers showing: the amount of gross salary overpayment, the amount of deductions withheld applicable to the overpayment; the net overpayment to the employee, the amount of overpayment of the employer's share of contributions for employees' retirement, OASDI, other benefits; and the total amount of the overpayment. The gross amount of these registers will be entered as a credit to the expenditure accounts offset by a debit to Accounts Receivable—Abatements. (See SAM Section 10504 For Payroll Expenditure Register procedure) The Controller's Accounts Receivable Registers will be held in an open file pending recovery of the overpayment and transfer of the amount recovered to the agency appropriation and/or fund.

The File of Controller's Accounts Receivable Registers is the subsidiary to that portion of Account No. 1311, Accounts Receivable—Abatements representing salary overpayments, and will show a breakdown of (1) the amounts to be collected from employees, (2) deductions held in the State Payroll Revolving Fund, and (3) amounts collected from employees and temporarily held in the State Payroll Revolving Fund pending transfer to the agency appropriation and/or fund. The Controller's Accounts Receivable will be removed from the open file upon receipt of the Controller's Transfer, Form CA-62, returning the gross amount of the overpayments to the agency appropriation and/or fund.

8593.1 RECOVERY BY CASH COLLECTION

(Revised and Renumbered From 8593.2 10/88)

When cash collection is made from the employee of the net amount he/she was overpaid, the amount collected will be debited to Account No. 1110, General Cash, and credited to Account No. 3730, Uncleared Collections.

The amount collected from the employee will be remitted to the State Treasury to the credit of the State Payroll Revolving Fund. Upon remittance to the State Treasury the amount will be debited to Account No. 1150, Cash in Transit to State Treasury, and credited to Account No. 1110, General Cash. When the Controller's Receipt is received ordering the collection into the State Payroll Revolving Fund, the amount will be debited to Account No. 3730.

The gross amount of the overpayment recovered will be transferred by the State Controller's Office to the agency appropriation and/or fund. The transfer will be entered as a debit to Account No. 1140, Cash in State Treasury. Account No. 1311 will be credited. If the agency is using a manual Payroll Expenditure Register, a minus entry in the transfer column and a credit to Accounts Receivable—Abatements will be made.

8593.2 RECOVERY BY PAYROLL DEDUCTION

(Renumbered From 8593.3 10/88)

When overpayments are deducted from subsequent payrolls, the State Controller's Office will deposit the amount deducted in the State Payroll Revolving Fund and notify the agency by a listing of accounts receivable deductions. The transaction should be noted on the Controller's Accounts Receivable Register, clearing the portion of the overpayment due from the employee and increasing the amount due from the State Payroll Revolving Fund.

The total amount of the overpayment so recovered will be transferred by the State Controller's Office to the agency appropriation and/or fund. The transfer will be entered as a debit to Account No. 1140, Cash in State Treasury account. Account No. 1311 will be credited. If the agency is using a manual Payroll Expenditure Register, a minus entry in the transfer column and a credit to Accounts Receivable—Abatements will be made.

8593.3 RECOVERY FROM SEPARATED EMPLOYEES

(Revised 03/02)

State agencies will request the State Controller's Office (SCO), Division of Personnel/Payroll Services (PPSD) to flag its records to notify the agency if a separated employee returns to State service if:

after three months from date of separation, the agency is unable to collect the amount owed and the employee is not precluded reentry to State service.

Requests will be made by submitting a Personnel Action Request form, STD 680-A, prepared in accordance with instructions contained in the Payroll Procedures Manual, maintained by the SCO, PPSD.

The SCO, PPSD, will notify the agency of the date the employee returns to State service, the name of the employing agency, and the location of employment. Upon receipt of this information the agency will take necessary action to recover amounts owed it.

8594 ABSENCE FOR JURY DUTY

(Revised 9/07)

State employees may be required to serve as a juror for the following:

- Civil or criminal trial
- Grand jury
- Jury of inquest

Employees who receive regular compensation while serving as a trial juror on a civil or criminal case will not be paid an attendance fee, pursuant to Section 215 of the Code of Civil Procedure.

Jurors serving on a grand jury or jury of inquest may receive an attendance fee. If employees elect to retain these attendance fees, such jury duty time off is not compensable. The employee must charge absence without pay, or if a sufficient balance exists, vacation, annual leave, or CTO on the Absence and Additional Time Worked Report form, STD. 634. If employees do not elect to retain the attendance fees, such jury duty time off is compensable and employees must remit the attendance fees to the State. This will be reported on the STD.634 form. The human resources office will submit a copy of the STD. 634 form to the accounting office. The form will serve as a source document for recording an accounts receivable - abatement.

When serving as any type of juror, employees may be reimbursed for mileage by the governing body, e.g. court, city, or county. Any mileage reimbursement shall be retained by the employee.

8594.1 ABSENCE AS A COURT SUBPOENED WITNESS

(Revised 03/02)

If an employee is requested to appear as a witness, the employee will confer with the court or attorney, when possible, to determine if certified copies of appropriate documents would be suitable and would eliminate the need for a court appearance. If a court appearance waiver is not approved, the employee will request a subpoena and whatever fees and travel allowances that may be allowed by law from the party requesting the employee's appearance. The Government Code (GC) Section 1230.1 requires a compensable absence be granted to subpoenaed employees, unless he/she is an expert witness (SAM Section 8594.2) or is a party to the suit. GC Sections 68093-68097.10 govern witness fees for a civil trial; Penal Code Sections 1329-29.1 governs witness fees for a criminal trial.

The treatment of attendance fees and travel expenses of an employee serving as a subpoenaed witness depends on whether the appearance is in the interest of the State. The following are payment and leave instructions when an employee is subpoenaed:

Interest of the State

The employing department will pay the employee his/her regular salary and the necessary and reasonable traveling expenses for the period of absence. The employee must remit to the State all fees received for court attendance and travel. The employee's absence as a court witness is authorized time off with pay; vacation, annual leave, or compensating time off (CTO) will not be charged.

For civil actions, the party at whose request the subpoena is issued shall provide, together with the subpoena, \$150 for each day the employee's attendance is required, in accordance with GC Section 68097.2. This amount must be tendered to the person accepting the subpoena: the subpoenaed party, his/her immediate supervisor, or an agent designated by the supervisor. After the employee's appearance, the department will calculate the employee's personal services costs in accordance with the SAM Section 8740. If the total costs, e.g., personal services, travel, and indirect (SAM Sections 8752-52.1), are less than the amount remitted, the difference shall be refunded. If the total costs are greater than the amount remitted, the difference shall be paid by the party whose request the subpoena was issued.

Not in the Interest of the State

When an employee is subpoenaed as a witness in a matter not in the interest of the State and in which the employee is not a party to the suit, the employing department will pay regular salaries to the employee for the period of absence, providing the employee remits to the State all attendance fees received. Any court travel allowance may be retained by the employee. Travel expenses, if any, will not be paid by the State.

If the employee elects to retain the attendance fees, the subpoenaed witness time off is not compensable. The employee may charge absence without pay or, if a sufficient balance exists, vacation, annual leave, or CTO.

When an employee is subpoenaed as a witness and is a party to the suit, the employee must use vacation, annual leave, CTO, or be charged dock time for the period of absence. Attendance fees and travel allowances may be kept by the employee; travel expenses will not be paid by the State.

8594.2 ABSENCE AS AN EXPERT WITNESS

(Revised 03/02)

Generally, an expert witness testifies upon opinions formed from specialized knowledge or courses of study. An employee, when called as an expert witness, is not bound by any court limitation on fees but is free to negotiate any reasonable amount agreeable to the employee (or the State) and the party requesting the testimony (Government Code Section 68092.5). Normally, an expert witness gives testimony by arrangement or negotiation and is not subpoenaed.

The treatment of fees and travel expenses of an employee serving as an expert witness depends upon whether the employee testifies on behalf of the State or not on behalf of the State. Following are payment and leave instructions to be used by the employing department when an employee serves as an expert witness:

Testimony on Behalf of the State

The employing department will bill the party or court requesting the appearance for all costs in accordance with SAM Sections 8752 – 52.1 (e.g. preparation, travel, appearance, and indirect). The hourly rate of the employee's salary will be calculated in accordance with SAM Section 8740. The employee's absence as an expert witness is authorized time off with pay; vacation, annual leave, or CTO will not be charged. The employee will submit a Travel Expense Claim form, STD. 262, for travel expenses. The employee must remit to the State all court fees.

Testimony Not on Behalf of the State

When an employee appears as an expert witness not on behalf of the State, the employee must use vacation, annual leave, CTO, or be charged dock time for the period of absence. The employee will not submit a Travel Expense Claim for travel expenses. The employee will retain all negotiated attendance and travel fees.

If the employee's expertise has been gained from State employment, the employee should check with the department's human resources office to determine whether a conflict of interest exists regarding the retention of fees.

8594.3 ABSENCE REPORTING FOR WITNESSES

(Revised 03/02)

An Absence and Additional Time Worked Report form, STD. 634, will be used to report compensable absences as a subpoenaed witness or an expert witness. One copy of the STD. 634 will be prepared for the accounting office to serve as a source document for recording an accounts receivable-abatement if the absence is compensable and fees are due the State from the employee or others. Accounts receivable will be established in an amount as provided for in law.

STD. 634 is required to support time off reported for witness appearances on the Time and Attendance Report form, STD. 672.

8594.4 ABSENCE FOR COLLECTIVE BARGAINING ACTIVITIES

(Revised 9/91)

Certain designated employees are allowed to take paid leaves of absence to participate in employer/employee collective bargaining activities. Employee organizations will repay the State for the paid leave of absence time employees spend away from work on collective bargaining issues.

The department Labor Relations Officer (LRO) will notify the accounting office of all approved leaves of absences for collective bargaining activities. A copy of each approved leave of absence will be sent to the accounting office.

Employee time spent on collective bargaining issues will be kept by the employee's collective bargaining organization. Paid collective bargaining leave time will be accounted in whole day increments. Employee organizations will notify the department LRO of the number(s) of days spent by each employee on collective bargaining issues during each calendar month. The notification will be made by the fifth working day of the following month. The LRO will

compare the names of employees listed by the employee organization with the file of employees who have approved collective bargaining leaves of absences. The LRO will also reconcile the employee time spent on collective bargaining issues kept by the employee organization against the time kept by the department. After the reconciliations are complete, the LRO will notify the accounting office of the number of paid collective bargaining leave days for each employee.

The accounting office will compute billings in accordance with SAM Section 8740 unless the Memorandum of Understanding (MOU) specifies otherwise. If there is a conflict between SAM and the MOU, the MOU shall have precedence. These billings will be invoiced monthly. Amounts billed shall be accounted as abatements.

8595 REVOLVING FUND ADVANCES

(Revised 10/88)

Normally, agencies will make office revolving fund payments to employees for salary earned only when (1) there have been errors or delays in submitting or processing documents making it impossible for the State Controller's Office to prepare and deliver proper salary warrants within a reasonable time, or (2) separating employees are in immediate need of their final salary payments. However, agencies may, at their discretion, make payments of salaries earned where this is necessary to alleviate serious, unforeseeable hardship. Agencies will prepare written criteria for advances including the procedures that must be followed before advances are given. The specific reason for the advance must be written on the request.

Payroll advances shall be issued for amounts as close as possible to the actual net payments which will be made by the State Controller's Office less other amounts due to the agency for advances, maintenance, etc. The salary advance can be based on the employee's prior period pay or by computing the amount due for the advance period. Agencies shall pay the difference between the employee's full net pay and the salary advance upon receipt of the Controller's warrant for the full salary payment. (See SAM Section 8160 concerning deposit of Controller's warrants.)

If the Controller's warrant is not received by the agency within 30 calendar days following the issuance of the revolving fund advance, the agency must report the amount of the advance, compute Federal withholding tax on the advance, and remit the withheld taxes to the State Controller's Office. (See Controller's Payroll Procedures Manual.)

Separate payroll revolving funds will not be maintained by agencies since the volume of salary advances should not warrant them. Regular office revolving funds will be used for advance payments occasionally required.

8596 RECOVERY OF LUMP SUM PAYMENTS

(Revised and Renumbered from 8599 10/88)

Upon separation from State Service, with no fault on the part of the employee, a person may be entitled to a lump sum payment for annual vacation and compensating time off, (reference Government Code Section 19839). If a person receives a lump sum separation payment and subsequently returns to State service, the person may repurchase the vacation and/or compensating time off for which payment has been received covering the period that exceeds the person's break in service. The employee will then have the balance of vacation and/or leave credit restored to what they would have been if the employee had remained in State Service and taken time off.

Repayments will be recovered directly from the employee. (See SAM Section 8593.1.) The amount of such repayments received by agencies will be remitted to the State Treasury to the credit of the State Payroll Revolving Fund. Subsequently, it will be transferred by the State Controller's Office to the fund and the appropriation from which the lump sum payment was made and will be accounted as an abatement.