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Title 22@ Social Security

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Division 1@ Employment Development Department

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Subdivision 1@ Director of Employment Development

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Division 1@ Unemployment and Disability Compensation

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Part 1@ Unemployment Compensation

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Chapter 3@ SCOPE OR COVERAGE

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Article 5@ ELECTIONS FOR FINANCING UNEMPLOYMENT INSURANCE COVERAGE

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Section 803-2@ Bond Requirements for Entities Electing to Finance Unemployment Insurance

803-2 Bond Requirements -Entities Electing

Reimbursement Financing

(a)

If the director requires a bond pursuant to subdivision (b) of Section 803 of the code, the bond shall be issued by a surety authorized to do business in this state and be deposited with the director within 15 days after demand. In lieu of the posting of such bond the entity may deposit security in one or more of the following forms: (1) Cash deposit. (2) Certificates of deposit issued by a bank or federally insured savings and loan association made payable to the department. (3) Bearer bonds issued or guaranteed by the United States or by the State of California.

(1)

Cash deposit.

(2)

Certificates of deposit issued by a bank or federally insured savings and loan association made payable to the department.

(3)

Bearer bonds issued or guaranteed by the United States or by the State of California.

(b)

The amount of the surety bond, cash deposit, certificate of deposit or bearer bond shall be in a sum equal to 2.7 percent of the entity's total remuneration paid for

service which was or would have been taxable wages in subject employment had the election been in effect, for the four calendar quarters immediately preceding the effective date of the election. If the entity did not pay such remuneration in each of such four calendar quarters the amount of the bond or security shall be in an amount as determined by the director.

(c)

The surety bond shall be in force and remain on file with the director for a period of eight complete consecutive calendar quarters and shall be renewed 30 days prior to the expiration of each such period, as long as the entity continues to be liable for payments in lieu of contributions. The director may increase or decrease the amount of the previously filed bond or security at such times as he or she deems necessary or appropriate. If the bond is to be increased, the entity shall file the adjusted bond with the director within 30 days from the date of the mailing or personal service by the director of the notice to the entity that an adjusted bond is required. If the security is to be increased, the entity shall make the deposit within 15 days from the date of mailing or personal service by the director of the notice to the entity that additional security is required. The director may for good cause extend for a period not to exceed 30 days the time within which the additional bond shall be furnished or the additional cash deposit made or security furnished. The failure by any entity covered by such bond to pay within 30 days from the date of a written demand or within any period of extension the amounts required to be paid under Section 803 of the code shall render the surety liable for such payments to the extent of the bond.

(d)

The director shall retain in trust any deposit of security under this section for two years after the entity's election is terminated after which the director shall return

the security to the entity less any deductions required by Section 803 of the code. The director may apply any security deposited under this section by an entity to amounts required to be paid under subdivision (c) of this section or Section 803 of the code that are not paid within 30 days from the date of the written demand and he or she may take the following action: (1) If the security is a cash deposit, he or she may deduct from the amount so deposited the amount required to be paid under Section 803 of the code. (2) If the security deposited is a certificate of deposit or a bearer bond, he or she may sell the bearer bond or withdraw from the deposit an amount sufficient to satisfy the written demand under subdivision (c) of this section. (3) If as a result of such reduction in the amount of the security he or she believes an adjustment in the remaining balance of security is required, he or she may require the entity to make an additional deposit with the bank or federally insured savings and loan association or furnish additional bearer bonds.

(1)

If the security is a cash deposit, he or she may deduct from the amount so deposited the amount required to be paid under Section 803 of the code.

(2)

If the security deposited is a certificate of deposit or a bearer bond, he or she may sell the bearer bond or withdraw from the deposit an amount sufficient to satisfy the written demand under subdivision (c) of this section.

(3)

If as a result of such reduction in the amount of the security he or she believes an adjustment in the remaining balance of security is required, he or she may require the entity to make an additional deposit with the bank or federally insured savings and loan association or furnish additional bearer bonds.

(e)

If any entity fails to post a bond or furnish security or increase security within the time specified by this section, the director may terminate the election upon written notice to the entity. The termination shall be effective on the first day of the calendar quarter following the date of the notice of termination.