



Senate Labor, Commerce and Industry
Labor and Employment Subcommittee
Wednesday, October 9, 2013

DEW Oversight Committee Update
Presented By Cheryl M. Stanton, Executive Director



SEE IT. OWN IT. WORK IT. DEW IT!



Trust Fund Status

- Highest federal loan balance **\$977,720,813** in March 2011
- Current federal loan balance **\$456,528,967** as of September 2013
- SC has successfully avoided higher federal unemployment taxes in 2011 and 2012 (a penalty for outstanding loans lasting more than 2 years)
- DEW paid loan principal of \$219 million in 2013
 - Including a \$75 million voluntary payment



Loan Repayments

- SC has made five payments towards the outstanding loans
 - 4 to avoid higher federal unemployment taxes
 - 1 voluntary (initial projection was \$50m)

Date	Amount Paid	Reason
September 2011	\$115.2 million	Cash-flow loans
November 2011	\$68.7 million	FUTA Avoidance
August 2012	\$106.5 million*	FUTA Avoidance
May 2013	\$144.0 million**	FUTA Avoidance
September 2013	\$75.0 million	Voluntary

*\$102.9 million was required ** \$140 million was required

- Making FUTA payments prior to November 9th each year saves on interest costs. To date, approximately \$4.4 million has been saved in interest costs.



Benefit Ratio Look Back Period

- Tax rates for unemployment are set each fall for the next calendar year
- Tax rates are set based on a business' "experience" with unemployment
 - Companies with proportionately more benefit charges pay higher tax rates
- Statutory language ambiguous but legislative intent describes using 3 years of data for effective January 1, 2014 tax rates:
 - Agency will use 3 years of data to calculate rates going into effect on January 1, 2014



Tax Class	2013 per Worker	Projected 2014 per Worker
1	\$11.40	\$10.68
2	\$88.68	\$87.84
3	\$97.56	\$96.72
4	\$107.76	\$106.80
5	\$119.16	\$118.20
6	\$131.88	\$130.80
7	\$144.72	\$144.72
8	\$159.96	\$159.84
9	\$177.72	\$176.28
10	\$196.80	\$195.24
11	\$217.20	\$216.72
12	\$241.32	\$239.52
13	\$453.96	\$451.68
14	\$503.64	\$500.88
15	\$559.56	\$555.24
16	\$620.64	\$617.04
17	\$688.08	\$684.00
18	\$764.40	\$759.72
19	\$848.40	\$843.12
20	\$942.60	\$936.60



Federal Government Shutdown

- DEW is currently fully operational, but considering various contingency plans dependent on length of shutdown
- DEW is proactively working with local workforce investment boards in an attempt to mitigate any negative impacts



Appeals Backlog

- Discovered an appeals backlog of nearly 2,800 cases in lower authority
 - (DOL recommends only 1,200-1,400 appeals in the process)
- Have on-boarded additional hearing officers and reassigned staff to help clear the backlog by the end of 2013
- Resourcing higher authority appeals so a backlog does not occur once appeals clear lower authority
- Allowed DEW to hire additional attorneys as hearing officers and strengthened training requirements



SCUBI

- Southeastern Consortium for Unemployment Benefits Implementation (SCUBI) is a consortium of three states:
 - South Carolina, North Carolina and Georgia
- Purpose: Pool costs and resources to develop a modern UI Benefits system that can be shared by multiple states
- Initial Projected Funding = \$86.7 million covering 3 years of development and 4 years of support of the system
- Replaces SC's 30+ year old benefits solution
- Consortium takes advantage of economies of scale and will save money



Improper Payments Collection

- Agency has 5 years to collect improper payments before that debt is written off
- Claims spiked in 2008 during start of economic recession, meaning first quarters of improper payments are due to be written off
- As a result, signed an emergency declaration on Sept. 3, 2013 to have fraud recovery process overhauled and work began on Sept. 4, 2013



Improper Payment Detection/Prevention

- Treasury Offset Program (TOP) collection
- State Offset Debt (SOD) collection
- Benefit Audit Reporting and Tracking System (BARTS)
- Online fact finding process launched Sept. 2013
- Comparing paid claimant universe to the state pension fund
- Wage Cross-Match
- SC State Employee Cross-Match
- High Risk Occupation Cross-Match
- Work with DSS to gather a list of all newly hired individuals
- National Directory of New Hires (NDNH)
- State Directory of New Hires (SDNH)
- Dept. of Corrections admission dates comparison
- Comparison with State Verification Exchange System (SVES)
- Real time verification with Social Security Administration (SSA)



Key Priorities Moving Forward

- Fraud and improper payment prevention
- UI claims review
- Work with other state agencies to develop a program to help chronically unemployed citizens get back to work
- Better communication with businesses