Bill Number:	H. 4710 Introduced on January 9, 2024
Author:	West
Subject:	Maximum Potential Unemployment Benefits
Requestor:	House Ways and Means
RFA Analyst(s):	Vesely
Impact Date:	January 16, 2024

Fiscal Impact Summary

This bill amends Section 41-35-50, relating to the maximum unemployment insurance benefits that beneficiaries can receive. Currently, maximum benefits in a benefit year are the lessor of one third of the wages for insured work from the beneficiary's base period or twenty times his weekly calculated benefits. This bill changes the calculation of the maximum benefits to depend upon the seasonal adjusted statewide unemployment rate for the most recent six-month period. The new amount of maximum benefits would range from 12 weeks of benefits when the unemployment rate is equal to or under 5.50025 percent to 20 weeks of benefits when the unemployment rate is above 9.0 percent, which will result in fewer benefits paid when the unemployment rate is lower. (Please note there is an overlap between the rate threshold for the 12 weeks of benefits at or below 5.50025 percent and the minimum threshold of greater than 5.5 percent for 13 weeks of benefits. We anticipate this overlap will be corrected.)

The Department of Employment and Workforce (DEW) is responsible for managing South Carolina's unemployment insurance system, including the Unemployment Insurance Trust Fund (UITF). DEW anticipates this bill will result in approximately $30,000 in non-recurring expenses to upgrade software and ensure that employers, claimants, and the public have materials related to the change in the maximum benefits due to this bill. The agency indicates these expenses can be managed using existing Federal Funds. Additionally, DEW indicates this bill may result in an undetermined savings in Other Funds expenditures beginning in FY 2024-25 due to the lower aggregate unemployment insurance benefits paid from UITF. For reference, in FY 2022-23, there was a total of $135,600,000 in benefits paid from the UITF. As the unemployment rate for this time period was below 5.50025 percent, this bill would have capped benefits at twelve weeks, resulting in a potential savings of $34,600,000 or approximately 25 percent of the benefits paid. If the unemployment rate were higher, then the expenditure savings would be lower.

Further, this bill may result in an undetermined decrease in Other Funds revenue for the UITF beginning in tax year 2025, as the tax rates which fund the UITF are set based upon the expected benefit payouts.

Explanation of Fiscal Impact

Introduced on January 9, 2024
State Expenditure
This bill amends Section 41-35-50, relating to the maximum unemployment insurance benefits that beneficiaries can receive. Currently, maximum benefits in a benefit year are the lessor of one third of the wages for insured work from the beneficiary's base period or twenty times his weekly calculated benefit. This bill changes the calculation of the maximum benefits to depend upon the seasonal adjusted statewide unemployment rate for the most recent six-month period. This bill sets the maximum benefits as follows:

Seasonal Adjusted Unemployment Rate	Number of Weeks
Less than or equal to 5.50025%	12 weeks
Greater than 5.5% up to 6%	13 weeks
Greater than 6% up to 6.5%	14 weeks
Greater than 6.5% up to 7%	15 weeks
Greater than 7% up to 7.5%	16 weeks
Greater than 7.5% up to 8%	17 weeks
Greater than 8% up to 8.5%	18 weeks
Greater than 8.5% up to 9%	19 weeks
Greater than 9%	20 weeks

(Please note there is an overlap between the rate threshold for the 12 weeks of benefits at or below 5.50025 percent and the minimum threshold of greater than 5.5 percent for 13 weeks of benefits. We anticipate this overlap will be corrected.)

This will result in fewer benefits paid when the unemployment rate is lower. The formula rate is the average of the preceding July, August, and September seasonally adjusted unemployment rates for the first six month of a calendar year and the average of the seasonally adjusted unemployment rate of January, February, and March of the year for the last six month of a calendar year. Based on the current unemployment rate, which is below 5.50025 percent, this bill will result in lowering the maximum benefits.

Department of Employment and Workforce. DEW is responsible for managing South Carolina's unemployment insurance system, including the UITF. DEW anticipates this bill will result in approximately $30,000 in non-recurring expenses to upgrade software and ensure that employers, claimants, and the public have materials related to the change in the maximum benefits due to this bill The agency indicates these expenses can be managed using existing Federal Funds.

Additionally, DEW indicates this bill may result in an undetermined savings in Other Funds expenditures beginning in FY 2024-25 due to the lower aggregate unemployment insurance benefits paid from the UITF. For reference, in FY 2022-23, there was a total of $135,600,000 in benefits paid from the UITF. As the unemployment rate was below 5.50025 percent over this time period, this bill would have capped benefits at twelve weeks, resulting in a potential savings of $34,600,000 or approximately 25 percent of the benefits paid. If the unemployment rate were higher, then the expenditure savings would be lower.

State Revenue
The UITF is funded through the unemployment insurance tax on businesses. DEW calculates the tax rates annually to maintain solvency for the UITF. The solvency of the UITF is determined by the Average High-Cost Multiple (AHCM). The AHCM is the estimated ratio of the fund balance to total taxable wages divided by average ratio of unemployment benefits paid to total taxable wages of the three highest calendar years in the last twenty years or in the last three recessions.

DEW anticipates this bill will not modify the solvency of the UITF. Also, DEW indicates the 2024 tax rates have been assigned already. However, beginning in tax year 2025, this bill may result in a decrease in Other Funds revenue as the tax rates may be set at lower rates while still maintaining the fund's solvency, due to a potential decrease in the total payouts from the UITF.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director