

February 23, 2010

Senator W. Greg Ryberg
313 Gressette Bldg.
Columbia, SC 29201

Representative Kenneth A. Bingham
518C Blatt Bldg.
Columbia, SC 29201

Re: South Carolina Unemployment Insurance Benefits: Financing the System

Dear Senator Ryberg and Representative Bingham

The Lucas Group is honored to have been asked to review the South Carolina Unemployment Insurance Benefit and Tax System and prepare a report addressing ways to reduce the duration of unemployment and restore your unemployment insurance (UI) trust fund to solvency. We have conducted a thorough review of the entire system, as well as the claimant and firm level data provided by the Employment Security Commission and the Federal Department of Labor. Today, we are pleased to provide you with our second and final report, South Carolina Unemployment Insurance Benefits: Financing the System. In this Report, we have outlined a number of ideas and recommendations to help guide you in the decision making process. We are hopeful that this Report will also assist other policy makers in arriving at the critical decisions needed to move toward a path of solvency and sustainability.

Please be advised that part two "*South Carolina Unemployment Insurance Benefits: Financing the System*" of our report, does not include the benefit savings estimates that we previously included in part one, "*South Carolina Unemployment Insurance Benefits: Report Evaluating the Administration of Non-Monetary Benefits*" of our report. We did believe it would be prudent to include that estimate because this would involve policy changes that are currently being debated. Inclusion of our prior savings estimate would obviously shorten the time period for trust fund solvency and reduce the impact on the business community.

We fully understand the challenges you are facing in addressing the substantial shortfall in South Carolina's UI Trust Fund. We also know how important this issue is to the citizens of South Carolina and want to commend both of you for requesting an immediate and detailed review of the benefit and tax components of your system. We are hopeful that, given the current status of the UI trust fund, these recommendations will begin to help resolve some of the imbalance between the benefits paid out and the incoming taxes. We appreciate the opportunity to offer our recommendations and will be available to discuss any of the issues contained in this Report with you at any time. I can be reached at 603-419-9592 or jstephen@lucasgroupinc.com.

Sincerely,

A handwritten signature in black ink, appearing to read "John Stephen", with a stylized flourish at the end.

John Stephen

CC: Dr. Rebecca Gunnlaugsson