REPORT OF THE
ECONOMIC DEVELOPMENT SUBCOMMITTEE

(Caskey, Hosey, Whitmire, Lowe, & Weeks – Staff Contact: Abby Berquist)

HOUSE BILL 4710

H. 4710 – Reps. West, G.M. Smith, Bannister, Davis, Guest, Forrest, Hewitt, M.M. Smith, Long, B. Newton, Thayer, Hager, Leber, Mitchell, Brittain, Gatch, Hixon, Pope, Chapman, Murphy, Brewer and Robbins. A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 41-35-50, RELATING TO MAXIMUM UNEMPLOYMENT INSURANCE BENEFITS ALLOWED, SO AS TO SET THE DURATION OF UNEMPLOYMENT BENEFITS BASED ON SEASONAL ADJUSTED STATEWIDE UNEMPLOYMENT RATES.

Received by Ways and Means: December 14, 2023

Summary of Bill:

This bill aligns the number of weeks that an eligible individual can receive unemployment insurance with the most recent seasonally adjusted unemployment rate determined by the U.S. Department of Labor, Bureau of Labor Statistics. The minimum duration of benefits is 12 weeks under low unemployment rates, whereas the maximum duration of benefits is the current 20 weeks under high unemployment rates. The weekly benefit amount paid to an individual remains unchanged.

Estimated Revenue Impact:

Starting in tax year 2025, this bill could result in decreased Other Funds revenue due to unemployment insurance tax rates potentially being lowered.

Subcommittee Action/Explanation:

The subcommittee met twice and adopted two amendments. The first corrected a scrivener's error. The second made a handful of changes proposed by DEW to clarify certain sections of the bill. The amendment adjusted the technical terminology to make it consistent with the rest of the code and pushed the effective date to 10/1 in order to allow DEW time to prepare for the change and inform the public.

Full Committee Action/Explanation:

Other Notes/Comments:

SOUTH CAROLINA
HOUSE AMENDMENT

AMENDMENT NO. _____

Andy Beeson
January 23, 2024

ADOPTED	REJECTED	TABLED	ADJOURN DEBATE	RECONSIDERED	ROO

____
Clerk of the House

ADOPTION NO. _____

BILL NO: H. 4710 (Reference is to the original version)

The Economic Development Legislative Subcommittee of the Committee on Ways and Means proposes the following amendment (LC-4710.WAB0006H):

Amend the bill, as and if amended, SECTION 1, by striking Section 41-35-50~~(2)~~(A) and inserting:

(A) The number of weeks an individual is allowed to receive unemployment benefits depends on the seasonally adjusted statewide unemployment rate that applies to the six-month reference period that includes the effective date of the claim. One six-month reference period begins on January first and one six-month reference period begins on July first. For the reference period that begins January first, the average of the seasonally adjusted unemployment rates for the State for the preceding months of July, August, and September apply. For the reference period that begins July first, the average of the seasonally adjusted unemployment rates for the State for the preceding months of January, February, and March apply. The Department of Employment and Workforce must use the most recent seasonally adjusted unemployment rate determined by the U.S. Department of Labor, Bureau of Labor Statistics, and not the rate as revised in the annual benchmark.

Seasonally Adjusted Unemployment Rate	Number of Weeks
Less than or equal to 5.5%	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

Amend the bill further, SECTION 10001, by striking Section 41-35-120(2) and inserting:

(2)(a) Discharge for misconduct connected with the employment. If the department finds that he has been discharged for misconduct connected with his most recent work prior to filing a request for determination of insured status or a request for initiation of a claim series within an established benefit year, with ineligibility beginning with the effective date of the request, and continuing for the ~~next twenty weeks~~maximum duration of benefits applicable to the claim, in addition to the waiting period, with a corresponding and mandatory reduction of the insured worker's benefits to be calculated by multiplying his weekly benefit amount by ~~twenty~~the maximum duration of benefits applicable to the claim. For the purposes of this item, "misconduct" is limited to conduct evincing such wilful and wanton disregard of an employer's interests as is found in deliberate violations or disregard of standards of behavior which the employer has the right to expect of his employee, or in the carelessness or negligence of such degree or recurrence as to manifest equal culpability, wrongful intent, or evil design, or to show an intentional and substantial disregard of the employer's interest or of the employee's duties and obligations to his employer. No finding of misconduct may be made for discharge resulting from an extreme hardship, emergency, sickness, or other extraordinary circumstance.

(b) If the department finds that he has been discharged for cause, other than misconduct as defined in item (2)(a), connected with his most recent work prior to filing a request for determination of insured status or a request for initiation of a claim series within an established benefit year, then the department must find him partially ineligible. The ineligibility must begin with the effective date of the request, and continuing not less than five nor more than ~~the next nineteen weeks~~one week less than the maximum duration of benefits applicable to the claim, in addition to the waiting period. A corresponding and mandatory reduction of the insured worker's benefits, to be calculated by multiplying his weekly benefit amount by the number of weeks of his disqualification, must be made. The ineligibility period must be determined by the department in each case according to the seriousness of the cause for discharge. Discharge resulting from substandard performance due to inefficiency, inability, or incapacity shall not serve as a basis for disqualification under either subitem (a) or (b) of this item.

Amend the bill further, by striking SECTION 2 and inserting:

SECTION 2. This act takes effect upon approval by the Governor and is applicable for unemployment insurance claims with an effective date on or after October 1, 2024.

Renumber sections to conform.

Amend title to conform.

This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

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

South Carolina General Assembly
125th Session, 2023-2024

H. 4710

STATUS INFORMATION

General Bill
Sponsors: Reps. West, G.M. Smith, Bannister, Davis, Guest, Forrest, Hewitt, M.M. Smith, Long, B. Newton, Thayer, Hager, Leber, Mitchell, Brittain, Gatch, Hixon, Pope and Chapman
Document Path: LC-0524WAB24.docx

Prefiled in the House on December 14, 2023
Currently residing in the House Committee on **Ways and Means**

Summary: Maximum potential employment benefits

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
12/14/2023	House	Prefiled
12/14/2023	House	Referred to Committee on **Ways and Means**

View the latest legislative information at the website

VERSIONS OF THIS BILL

12/14/2023

A BILL

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 41-35-50, RELATING TO MAXIMUM UNEMPLOYMENT INSURANCE BENEFITS ALLOWED, SO AS TO SET THE DURATION OF UNEMPLOYMENT BENEFITS BASED ON SEASONAL ADJUSTED STATEWIDE UNEMPLOYMENT RATES.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 41-35-50 of the S.C. Code is amended to read:

Section 41-35-50. ~~The maximum potential benefits of any insured worker in a benefit year are the lesser of:~~

~~(1) twenty times his weekly benefit amount;~~

~~(2) one-third of his wages for insured work paid during his base period.~~

~~If the resulting amount is not a multiple of one dollar, the amount must be reduced to the next lower multiple of one dollar, except that no insured worker may receive benefits in a benefit year unless, subsequent to the beginning of the next preceding benefit year during which he received benefits, he performed "insured work" as defined in Section 41-27-300 and earned wages in the employ of a single employer in an amount equal to not less than eight times the weekly benefit amount established for the individual in the preceding benefit year.~~

(A) The number of weeks an individual is allowed to receive unemployment benefits depends on the seasonal adjusted statewide unemployment rate that applies to the six-month base period in which the claim is filed. One six-month base period begins on January first and one six-month base period begins on July first. For the base period that begins January first, the average of the seasonal adjusted unemployment rates for the State for the preceding months of July, August, and September apply. For the base period that begins July first, the average of the seasonal adjusted unemployment rates for the State for the preceding months of January, February, and March apply. The Department of Employment and Workforce must use the most recent seasonal adjusted unemployment rate determined by the U.S. Department of Labor, Bureau of Labor Statistics, and not the rate as revised in the annual benchmark.

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

(B) The total benefits paid to an individual equals the individual's weekly benefit amount allowed under Section 41-35-40 multiplied by the number of weeks allowed under subsection (A).

SECTION 2. This act takes effect upon approval by the Governor.

----XX----