REPORT OF THE
ECONOMIC DEVELOPMENT SUBCOMMITTEE MEETING

(B. Newton, Whitmire, Lowe, Weeks, Dillard) – Staff: Will McClellan

HOUSE BILL 3477

Maximum Potential Unemployment Benefits

Summary of Bill:

This bill would revise Section 41-35-50 to base the maximum number of weeks of unemployment benefits a person can receive on the state's seasonally adjusted statewide unemployment rate for a recent three-month reference period. If the statewide unemployment rate during the reference period is less than or equal to 5.5%, the maximum weeks of benefits would be capped at 12 weeks. As the statewide unemployment rate rises, the maximum weeks of benefits increases (one week of additional benefits per half-percentage-point increase in the statewide unemployment rate, up to a maximum of 20 weeks of benefits when the rate is 9% or higher). Total benefits would equal the weekly benefit amount multiplied by the number of weeks allowed under the new schedule.

This bill also amends Section 41-35-120 to adjust how periods of ineligibility and benefit reductions are calculated when a claimant is discharged for misconduct or cause. It would tie these disqualifications to the maximum duration of benefits applicable to the claim, rather than a fixed number of weeks.

Estimated Fiscal Impact:

This bill may result in an undetermined savings in Other Funds expenditures due to the lower aggregate unemployment insurance benefits paid from the Unemployment Insurance Trust Fund (UITF). For reference, in FY 23-24, there was a total of approximately $142,900,000 in benefits paid from the UITF. As the unemployment rate for the reference periods of FY 23-24 were below 5.5%, the Department of Employment and Workforce (DEW) states this bill would have capped benefits at 12 weeks, resulting in a potential savings of $40,900,000 or approximately 28.6% of benefits paid. However, if the unemployment rate were higher, then the expenditure savings would be lower.

This bill may also result in an undetermined decrease in Other Funds revenue for the UITF beginning in tax year 2027, as the tax rates which fund the UITF are set based upon the expected benefit payouts.

Subcommittee Action/Explanation:

The Economic Development Legislative Subcommittee recommended favorably with amendment. The amendment changes the effective date to January 1, 2027.

Full Committee Action/Explanation:

N/A

Other Notes/Comments:

N/A

SOUTH CAROLINA
HOUSE AMENDMENT

AMENDMENT NO. _____

David Good
January 30, 2026

ADOPTED	REJECTED	TABLED	ADJOURN DEBATE	RECONSIDERED	ROO

____
Clerk of the House

ADOPTION NO. _____

BILL NO: H. 3477 (Reference is to the original version)

The Economic Development Subcommittee proposes the following amendment (LC-3477.DG0001H):

Amend the bill, as and if amended, by striking SECTION 3 and inserting:

SECTION 3. This act takes effect upon approval by the Governor and is applicable to unemployment insurance claims with an effective date on or after ~~October 1, 2025~~January 1, 2027.

Renumber sections to conform.
Amend title to conform.

Bill Number:	H. 3477 Prefiled on December 5, 2024
Subject:	Maximum Potential Unemployment Benefits
Requestor:	House Ways and Means
RFA Analyst(s):	Vesely
Impact Date:	January 8, 2025

Fiscal Impact Summary

This bill amends Sections 41-35-50 and 41-35-120, 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 seasonally adjusted statewide unemployment rate for the most recent three-month period. The new amount of maximum benefits would range from 12 weeks of benefits when the unemployment rate is equal to or under 5.5 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. This bill will apply to unemployment insurance claims filed on or after October 1, 2025.

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 have no Federal Funds expenditure impact. While the agency expects a non-recurring expense of approximately $35,000 to upgrade software and documentation 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 2025-26 due to the lower aggregate unemployment insurance benefits paid from the UITF. For reference, in FY 2023-24, there was a total of approximately $142,900,000 in benefits paid from the UITF. As the unemployment rate for the reference periods of FY 2023-24 were below 5.5 percent, DEW states this bill would have capped benefits at twelve weeks, resulting in a potential savings of $40,900,000 or approximately 28.6 percent of the benefits paid. However, 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 2026, as the tax rates which fund the UITF are set based upon the expected benefit payouts.

Explanation of Fiscal Impact

Prefiled on December 5, 2024
State Expenditure
This bill amends Sections 41-35-50 and 41-35-120, 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 average seasonally adjusted statewide unemployment rate over a three-month reference period. The reference period for each month's unemployment claim is as follows:

Month of Unemployment Claim	**Reference Period**
January, February, March	Latest August, September, October
April, May, June	Latest November, December, January
July, August, September	Latest February, March, April
October, November, September	Latest May, June, July

This bill sets the maximum benefits as follows:

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

This will result in fewer benefits paid when the unemployment rate is lower. If the current unemployment rate, which is below 5.5 percent, continues to be below the threshold, then this bill will result in lowering the maximum benefits for new claimants. This bill will impact unemployment insurance claims beginning October 1, 2025.

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 $35,000 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. However, the agency indicates these expenses can be managed using existing Federal Funds, and therefore, will have no Federal Funds expenditure impact.

Additionally, DEW indicates this bill may result in an undetermined savings in Other Funds expenditures beginning in FY 2025-26 due to the lower aggregate unemployment insurance benefits paid from the UITF. For reference, in FY 2023-24, there was a total of approximately $142,900,000 in benefits paid from the UITF. As the unemployment rate for the reference periods of FY 2023-24 were below 5.5 percent, DEW indicates this bill would have capped benefits at twelve weeks, resulting in a potential savings of $40,900,000 or approximately 28.6 percent of the benefits paid. However, 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 2025 tax rates have been assigned already. However, beginning in tax year 2026, 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
126th Session, 2025-2026

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~~Indicates Matter Stricken~~
Indicates New Matter

H. 3477

STATUS INFORMATION

General Bill
Sponsors: Reps. Caskey, Bannister, G.M. Smith, B. Newton, Hewitt, Long, Wooten, Mitchell, Pope and W. Newton
Document Path: LC-0075WAB25.docx

Introduced in the House on January 14, 2025
Ways and Means

Summary: Maximum potential employment benefits

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
12/5/2024	House	Prefiled
12/5/2024	House	Referred to Committee on **Ways and Means**
1/14/2025	House	Introduced and read first time (House Journal-page 218)
1/14/2025	House	Referred to Committee on **Ways and Means** (House Journal-page 218)

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VERSIONS OF THIS BILL

12/05/2024

A BILL

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 41-35-50, RELATING TO THE MAXIMUM UNEMPLOYMENT INSURANCE BENEFITS ALLOWED IN A BENEFIT YEAR, SO AS TO BASE THE DURATION OF UNEMPLOYMENT BENEFITS ALLOWED ON SEASONALLY ADJUSTED STATEWIDE UNEMPLOYMENT RATES, TO PROVIDE REQUIREMENTS FOR CALCULATING THE RATES, AND TO PROVIDE THE DEPARTMENT OF EMPLOYMENT AND WORKFORCE SHALL PROMULGATE CERTAIN RELATED REGULATIONS; AND BY AMENDING SECTION 41-35-120, RELATING TO DISQUALIFICATION FOR BENEFITS.

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 seasonally adjusted statewide unemployment rate that applies to the three-month reference period in which the effective date of the claim falls. One three-month reference period begins on January first, the second three-month reference period begins on April first, the third three-month reference period begins on July first, and the fourth three-month reference period begins on October 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 August, September, and October apply. For the reference period that begins April first, the average of the seasonally adjusted unemployment rates for the State for the preceding months of November, December, and January 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 February, March, and April apply. For the reference period that begins October first, the average of the seasonally adjusted unemployment rates for the State for the preceding months of May, June, and July apply. The Department of Employment and Workforce must use the most recent seasonally adjusted unemployment rates 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

(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).

(C) The department shall promulgate regulations to ensure compliance with job search requirements and to prevent fraud. These regulations may include verification of attendance at job interviews.

SECTION 2. Section 41-35-120(2) of the S.C. Code is amended to read:

(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.

SECTION 3. This act takes effect upon approval by the Governor and is applicable to unemployment insurance claims with an effective date on or after October 1, 2025.

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