

SC Department of Employment and Workforce

September 3, 2020



Prepared for: Senate Finance Committee



Be Pro Be Proud





Projected Budget Cuts

- SCDEW receives \$500,000 to administer approximately 20,000 WIN Work Ready Assessments
 - 3% cut would result in ~19,400 assessments
 - 5% cut would result in ~19,000 assessments
 - 7% cut would result in ~18,600 assessments
- Once all money is expended, either assessments stop or an alternate funding source must be identified.

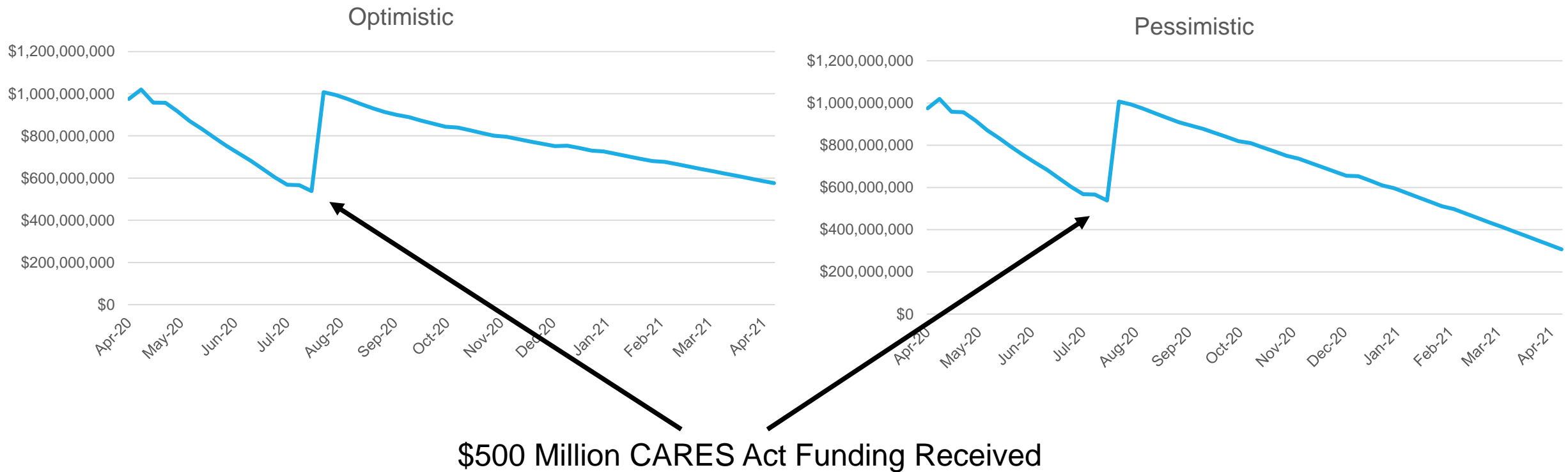


Essential Budget Items

- WIN Work Ready Assessments are SCDEW's only recurring General Appropriations.

Trust Fund Balance 8/31: \$963.4 million

The \$500 million appropriation will allow the state to avoid borrowing and reduce the amount of taxes that will be needed for future trust fund rebuilding—likely CY2022-2025.



Trust Fund Projections

Optimistic

Time Period	Trust Fund Starting Balance	Benefit Payments	Revenue and Adjustments*	Trust Fund Ending Balance	Cumulative Amount needed to Rebuild to \$1.1B
Jan 1 – Aug 22, 2020	\$1,093.7 million	\$909.1 million	\$809.3 million	\$993.9 million	\$106.1 million
Aug 23 – Dec 31, 2020	\$993.9 million	\$286.0 million	\$45.7 million	\$753.6 million	\$346.4 million
Jan 1 – Apr 30, 2021	\$753.6 million	\$194.1 million	\$16.5 million	\$576.0 million	\$524.0 million

Pessimistic

Time Period	Trust Fund Starting Balance	Benefit Payments	Revenue and Adjustments*	Trust Fund Ending Balance	Cumulative Amount needed to Rebuild to \$1.1B
Jan 1 – Aug 22, 2020	\$1,093.7 million	\$909.1 million	\$809.3 million	\$993.9 million	\$106.1 million
Aug 23 – Dec 31, 2020	\$993.9 million	\$392.1 million	\$51.4 million	\$653.2 million	\$446.8 million
Jan 1 – Apr 30, 2021	\$653.2 million	\$363.2 million	\$16.5 million	\$306.5 million	\$793.5 million

Impact of \$500 Million

- \$500 Million deposited in UI Trust Fund in mid-August.
- Allows state to avoid borrowing and minimizes trust fund rebuild surcharges on businesses in future years.

	Optimistic	Optimistic +\$500m	Pessimistic	Pessimistic +\$500m
Projected Balance as of April 30, 2021*	\$76.0m	\$576.0m	-\$193.5m	\$306.5m
Projected Amount to Rebuild to \$1.1 billion*	\$1,024.0m	\$524.0m	\$1,293.5m	\$793.5m

**Note: Official rebuild amounts will be based on June 30, 2021 balance and updated trust fund target upon completion of CY2020.*

Possible Future Tax Rates: 2021

- 2020 Taxes set to raise: \$195.0 million
- 2021 Taxes projected to be set at: \$367.4 million

Tax Rate Class Example	2020 Cost per Worker	2021 Cost per Worker
2	\$32.34	\$67.14
12 (new employers)	\$77.00	\$176.85
19	\$292.74	\$559.97

- Costs for 2021 and going forward are expected to be significantly higher than rates experienced in 2020, an average of 110% higher for 2021.
 - SCDEW exploring options to minimize tax rates for 2021 and 2022



To Minimize Employer Tax and Rebuild Costs

- An additional \$407.5 million in CARES Act allocation would likely result in the following:
 1. Cap 2021 tax rates at 2020 levels
 - Legislation or proviso required
 2. No or very minimal rebuilding surcharges for CY2022-2025
- SCDEW projects that the agency could be eligible for up to \$392.9m through 12/31 but will update this each week
 - Increases to \$490.8m by 3/31/2021