



SOUTH CAROLINA
Department of Employment and Workforce

SOUTH CAROLINA
UNEMPLOYMENT INSURANCE

FY2026

TRUST FUND ANNUAL ASSESSMENT

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EXECUTIVE SUMMARY

Each fiscal year, the South Carolina Department of Employment and Workforce (DEW) is required to submit, by October 1, a report to the Governor, General Assembly and the Review Committee indicating the amount in the Unemployment Insurance (UI) Trust Fund and making an assessment of its funding level in accordance with Section 41-33-45 of the South Carolina Code of Laws. This assessment covers fiscal year 2026 (July 1, 2025-June 30, 2026).

CURRENT STATUS

Unemployment benefit outlays for FY2026 totaled \$179,399,140¹. Revenues generated to fund the UI programs totaled \$181,408,403².

As of June 30, 2026, the UI Trust Fund had an unadjusted balance of \$1,873,095,860³. The health of the Trust Fund has been strong over the past fiscal year.

The Trust Fund is above its statutorily required balance as of June 30, 2026, and there will be no Trust Fund rebuilding process required for CY2027.

For historical context, all previous advances from the federal government were repaid as of June 11, 2015. The COVID-19 pandemic had a significant negative impact on the Trust Fund balance. Fortunately, the Trust Fund was fully funded going into CY2020 and thus in better shape to weather a downturn. Additionally, swift legislative action, including appropriating \$836.4 million to the Trust Fund, helped to mitigate the significant drain. The balance as of June 30, 2026 exceeded the state definition of adequate funding. Thus, no solvency surcharge will be required for CY2027, and weekly UI payments continue to remain consistent with pre-pandemic levels.

More than 20 states had to borrow from the federal government to continue making unemployment benefit payments at some point during the past five years. As of August 3, 2026, one state (CA) continued to have an outstanding balance, and is actively borrowing. In addition to paying back these loans, these states must also pay

¹ Treasury Direct Account Statements

² *Ibid*

³ Treasury Direct Account Statements: Jun 2025

interest on the accumulated balances. The federal waiver on interest expired September 6, 2021. For FY2026, four states (CA, CT, TX, VI) accumulated more than \$541.9 million in interest costs. South Carolina avoided this result, and South Carolina employers will not have to pay increased UI taxes or a solvency surcharge to pay off loans and rebuild the Trust Fund.

FUTURE OUTLOOK

The economic recovery from the pandemic-induced recession is largely complete. As of July 2022, all jobs lost had been recovered statewide and UI claim payments remain consistent with their pre-pandemic levels. This strong recovery combined with effective management of the Trust Fund, in partnership with the Governor's Office and General Assembly, will result in no solvency surcharge for CY2027⁴.

RECENT UNEMPLOYMENT INSURANCE TRUST FUND HISTORY

The components of the Trust Fund are defined as follows:

- **Contributions** – Revenue received from employers, federal government, or other states as of June 30.
- **Interest** – Federal Treasury interest posted to each state's Trust Fund account quarterly.
- **Benefits** – Benefit payments less benefit overpayment recoveries.

- **Fund Balance** – Unadjusted Trust Fund balance
- **Total Wages** – Total covered payroll wages reported by all covered employers for the period beginning July 1 and ending June 30.

Historical data of the principal components of the state UI Trust Fund are outlined in Table 1. Graphs of the historical contributions, benefits, and fund balance are shown in Figure 1 based on calendar year data.

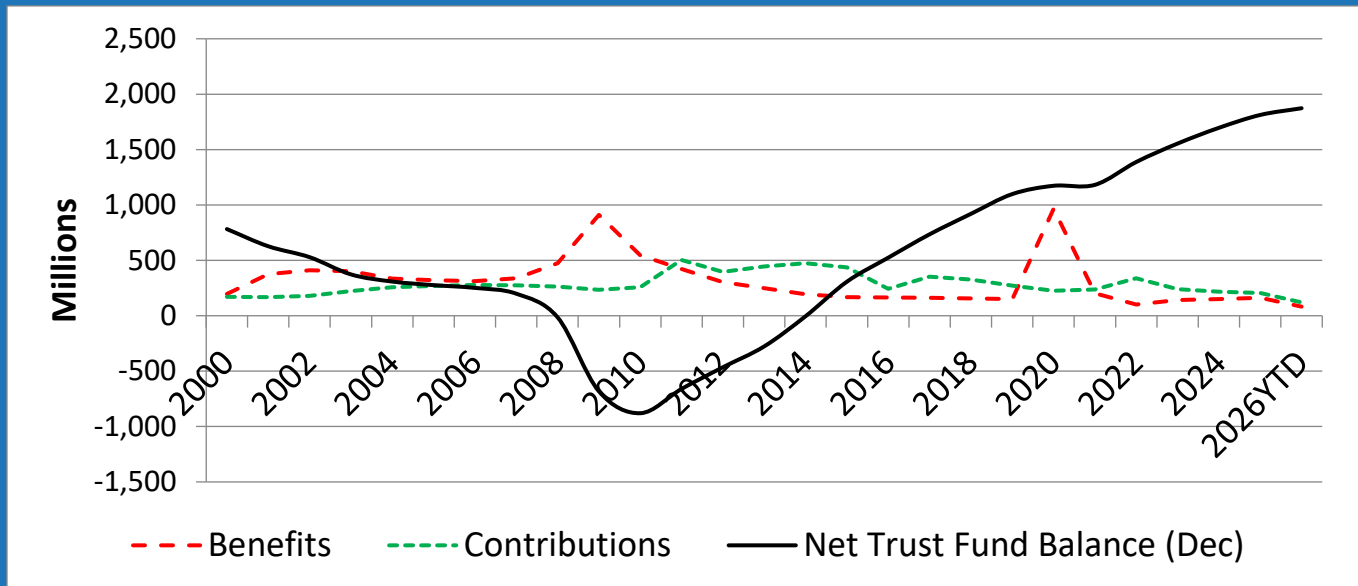
⁴ CY2027 tax rates will be mailed to all businesses the second week of November 2026.

TABLE 1: UI TRUST FUND COMPONENTS, FY2022-2026

COMPONENT	FY2022	FY2023	FY2024	FY2025	FY2026
7/1 Begin Fund Balance	\$1,181,566,146	\$1,387,797,571	\$1,554,293,460	\$1,696,336,324	\$1,812,388,549
Contributions	\$319,727,912	\$271,220,724	\$241,790,569	\$232,235,504	\$181,408,403
Earned Interest⁵	\$20,037,025	\$25,872,453	\$43,195,370	\$54,834,148	\$58,698,047
Benefits	\$133,533,512	\$130,597,287	\$142,943,075	\$171,017,427	\$179,399,140
6/30 End Fund Balance⁶	\$1,387,797,571	\$1,554,293,460	\$1,696,336,324	\$1,812,388,549	\$1,873,095,860
Total Wages⁷	\$93.4 billion	\$102.7 billion	\$108.9 billion	\$115.9 billion	\$122.6 billion

Note: Not equivalent to audited financial statements.

FIGURE 1: HISTORICAL CONTRIBUTIONS, BENEFITS, AND FUND BALANCE, CY2000-2026⁸



⁵ Between FY22 and FY26 the interest earned on trust fund balances increased from a low of 1.6% to a high of 3.3%.

⁶ Treasury Direct Account Statements Jul 2019-Jun 2026, Unadjusted.

⁷ Internal estimates August 17, 2026.

⁸ US Department of Labor: Financial Handbook 394 <http://www.oui.doleta.gov/unemploy/hb394.asp> (information from US Department of Labor excludes all federal advances and other fiscal year-ending adjustments) and ETA2112 Reports; contributions data exclude CARES Act funding.

After 10 years of continuously falling annual benefit payments, South Carolina experienced a significant increase in benefit costs in the spring of 2020 as a result of the COVID-19 pandemic. This dramatic increase in benefit costs combined with declining tax revenues brought the Trust Fund balance from a high of nearly \$1.1 billion as of January 2020 to just over \$700 million by June 2020. An \$836.4 million infusion from legislatively appropriated CARES Act funds was received in August and December 2020 bringing the Trust Fund balance back over \$1.1 billion as of December 2020. Benefit payments have declined dramatically since the spring of 2020 and are now consistent with pre-pandemic levels. Barring any additional economic turmoil, the Trust Fund balance is expected to stay over \$1.5 billion for the foreseeable future.

SOLVENCY STANDARDS

In 2026 South Carolina adopted a new measure of Trust Fund solvency based on historical patterns of benefit payments, the size of the state's labor force, and the number of weeks and benefit amounts available in the state. See S.C. Code Ann. § 41-31-45(A). The state's new "fund solvency target" is defined as the product of 0.08, the size of the S.C. labor force, the maximum weekly benefit amount set in accordance with § 41-35-40, and the maximum number of weeks of unemployment benefits available in accordance with § 41-35-50.

Historical data shows that between seven and twelve percent of a state's total labor force is likely to file for and draw unemployment benefits at some point during an economic downturn. This does not mean that all of these individuals will draw the full number of weeks or the maximum weekly benefit amount. Therefore, the value of eight percent was determined to be sufficient to hedge against a moderate recession.

The maximum weekly benefit amount in FY2026 was \$350 per week, and the maximum number of weeks of benefits a claimant is eligible for is currently 20 weeks. If eight percent of the state's labor force claimed the maximum amount of weekly benefits for

the maximum number of weeks available, this would be a reasonable estimate of the amount of funding the UI Trust Fund would likely require to remain solvent during a standard economic downturn.

The South Carolina General Assembly adopted the Department's recommendation to put in place this new fund solvency target for the CY2027 tax year. While the prior solvency target was in line with U.S. Department of Labor recommendations from the 1990s, it appeared to be out of line with actual benefit payment experiences. The previous solvency standard would likely have resulted in a minimum required trust fund balance of nearly \$2 billion by 2030, significantly higher than any actual annual payout the agency has experienced including the Great Recession of 2007-2009 and the Covid-19 pandemic of 2020.

Table 2 shows the expected fund solvency target for tax years 2027 through 2031 based on expected growth in the labor force of 2.5 percent per year and no changes to either the maximum weekly benefit amount or the number of weeks of UI available.

TABLE 2: SOLVENCY STANDARDS AND PROJECTIONS⁹

CALENDAR YEAR	LABOR FORCE (2 YEARS PRIOR)	MAXIMUM WBA	MAXIMUM WEEKS OF BENEFITS	TARGET BALANCE ¹⁰
2027	2,608,887	\$350	20	\$1.46 billion
2028	2,674,109	\$350	20	\$1.50 billion
2029	2,740,962	\$350	20	\$1.53 billion
2030	2,809,486	\$350	20	\$1.57 billion
2031	2,879,723	\$350	20	\$1.61 billion

Projections in italics

For CY2027, the fund adequacy target is projected to be \$1.46 billion based on the size of the state's labor force in the last available full year, 2025, of 2,608,887, a maximum weekly benefit amount of \$350, and a maximum of 20 weeks of benefits. The adequate fund balance will continue to increase as the state's economy continues to expand and may reach over \$1.6 billion by 2031. Actual future target balances may be higher or lower than shown in Table 2 based on actual growth of the state's labor force.

⁹ Local Area Unemployment Statistics, NSA Annual Average; 2.5 percent projected labor force growth.

¹⁰ Estimates are rounded.

TRANSPARENCY OF FUNDING (PROVISO 83.3)

In accordance with FY2026-27 Appropriations Act Proviso 83.3 this report also provides information on (1) state unemployment taxes collected by tax rate class, (2) unemployment benefit claims paid, (3) how many unemployment claims were made in error, (4) payments made to the federal government for outstanding unemployment benefit loans, and (5) the balance in the state's UI Trust Fund at fiscal year's end.

TABLE 3: CONTRIBUTIONS BY TAX RATE CLASS, 2025

TAX RATE CLASS	# OF EMPLOYER ACCOUNTS	BASE CONTRIBUTIONS	CONTINGENCY CONTRIBUTIONS	% OF TOTAL CONTRIBUTIONS
1	87,891	\$0	\$4,937,918	2.2%
2	374	\$1,037,177	\$597,197	0.7%
3	449	\$1,229,281	\$634,582	0.8%
4	435	\$1,114,834	\$511,418	0.7%
5	444	\$1,682,711	\$710,234	1.1%
6	256	\$1,323,347	\$513,067	0.8%
7	255	\$1,836,469	\$626,845	1.1%
8	469	\$2,268,527	\$670,385	1.3%
9	532	\$2,286,610	\$636,949	1.3%
10	431	\$2,395,215	\$545,187	1.3%
11	460	\$2,608,572	\$585,878	1.4%
12	23,629	\$6,233,482	\$1,254,490	3.4%
13	627	\$3,613,839	\$607,883	1.9%
14	811	\$8,284,734	\$555,257	4.0%
15	874	\$9,192,267	\$552,233	4.4%
16	982	\$10,105,899	\$543,316	4.8%
17	1,145	\$12,151,874	\$598,552	5.7%
18	1,292	\$12,570,432	\$546,401	5.9%
19	1,830	\$14,145,099	\$562,813	6.6%
20	20,451	\$103,686,746	\$1,408,870	47.2%
New Emp	18,554	\$6,767,614	\$327,101	3.2%
TOTAL	162,191	\$204,534,730	\$17,926,575	

TAX COLLECTIONS BY TAX RATE CLASS

Tax rates are set on a calendar year basis in the fall of each year. Tax rates for CY2026 were set in November 2025.

In CY2025, a total of \$204.5 million was collected in the form of total state unemployment taxes based on employer-submitted wage reports. These funds were used to pay unemployment benefits to eligible individuals who were separated through no fault of their own. In addition to the base tax rate for benefits, all businesses in the state are also responsible for paying a 0.06% administrative contingency assessment which totaled over \$17.9 million for 2025.

Table 3 shows the estimated contributions paid for CY2025 by each tax rate class.

There are a large number of businesses in tax rate class 1 due to the relatively short three-year look back period used to compute a business' experience rating.¹¹ A majority of businesses in tax rate class 1 are relatively small in size. Approximately 5 percent of the state's taxable wages (excluding new businesses and delinquent accounts) are assigned to each category. Businesses with less than 12 months of liability are assigned a new business tax rate of class 12 or a tax rate of 1%, whichever is higher. This accounts for the large volume of businesses in that category in Table 3. Any business with a delinquent wage and contribution report or delinquent unemployment taxes is assigned to rate class 20, which accounts for the larger volume of businesses in that category.

¹¹ The lookback period will change to four years for tax year 2027 and five years for tax year 2028 in accordance with legislation passed in the spring of 2026. This will likely result in a smaller number of businesses in tax class one in the coming years.

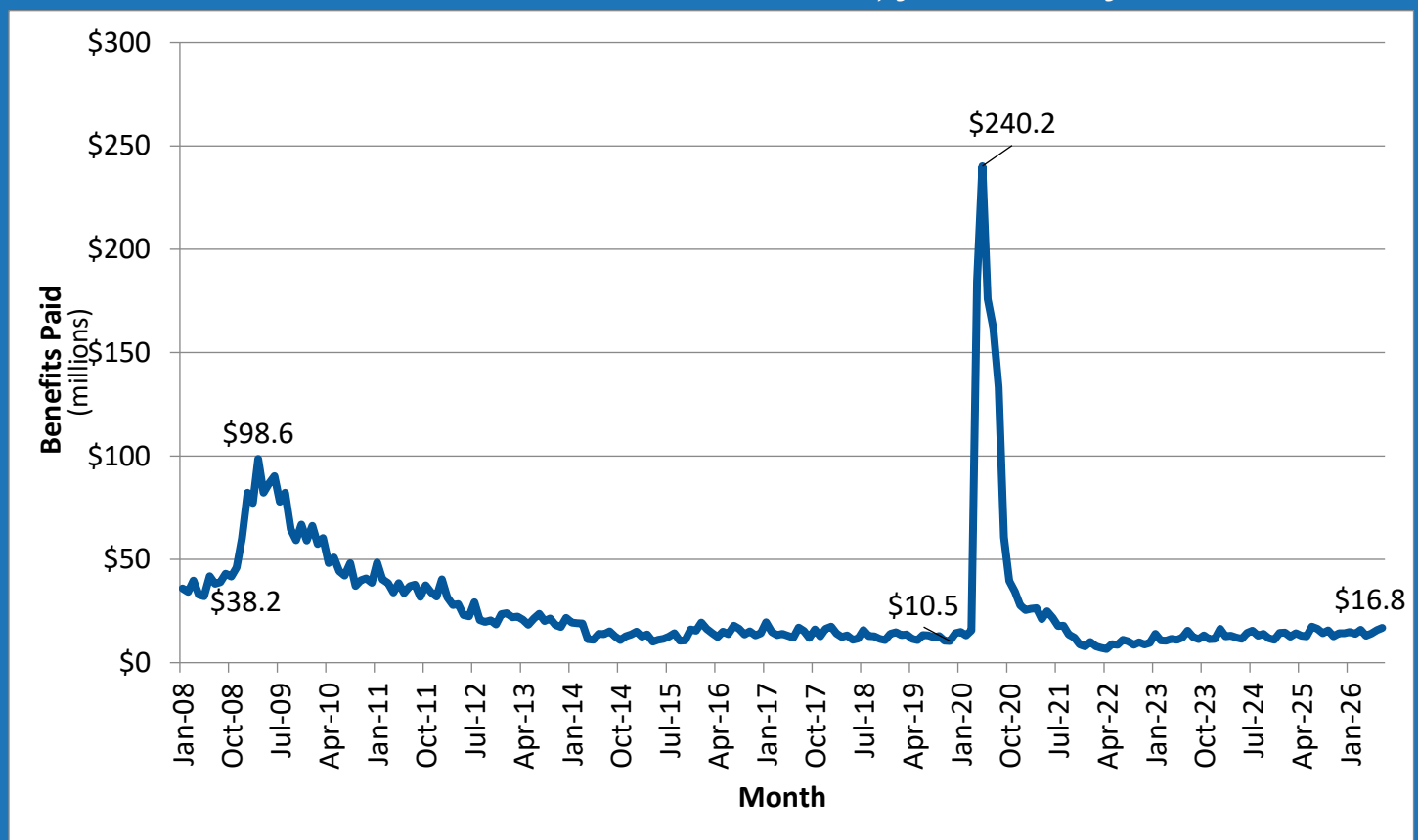
STATE UNEMPLOYMENT BENEFITS PAID

State unemployment taxes fund up to 20 weeks of unemployment benefits to individuals who are out of work through no fault of their own. Prior to June 2011, the state unemployment taxes funded up to 26 weeks of unemployment benefits. Due to the reduction in the number of weeks available, continued job growth, economic improvement in the state, and stricter disqualification

penalties being implemented, benefit payments have come down substantially from their height in 2009.

Figure 2 shows the benefits paid by month from January 2008 through June 2026. Monthly benefit payments reached a peak in the Great Recession in March 2009 at over \$98 million. Benefit payments reached over \$240 million in the month of May 2020 as pandemic-related shutdowns of certain types of businesses had their most significant impact. As of June 2026 that number had fallen to \$16.8 million. Figure 2 does not include any federal unemployment benefit payments.

FIGURE 2: MONTHLY UI BENEFIT PAYMENTS, JAN 2008 – JUN 2026¹²



¹² US Department of Labor, <https://oui.doleta.gov/unemploy/claimssum.asp>.

UNEMPLOYMENT INSURANCE IMPROPER PAYMENTS

IMPROPER PAYMENTS

The Integrity Unit is responsible for preventing, detecting and recouping any improper payments to claimants from the UI program. These improper payments include both overpayments and underpayments. They also include both fraud and non-fraud overpayments.

Historically, a majority of improper UI payments result from claimants who do not report wages earned when they file for UI benefits. DEW discovers the vast majority of these overpayments by cross-matching claims data against the wage reports South Carolina employers submit each quarter and by cross-matching data from the State Directory of New Hires. These tools, however, alert DEW of the improper payment after it has occurred. Further, DEW is required by federal law and due process standards to investigate each potential improper payment and afford the claimant a reasonable amount of time to respond before determining the payments were improper. The amount of time between the start of the improper payment and DEW's discovery, investigation, and adjudication of the improper payment will increase the amount of the improper payment.

RECOUPMENT

DEW has several means of collecting any overpayments made to claimants. Some of the most successful include the federal and state income tax refund intercept programs (TOPs and SOD). Involuntary wage withholding after the claimant returns to work is another avenue for collection for those who do not repay their overpayments or fail to enter into repayment agreements. Overpaid individuals have the option to repay their benefits securely and easily online. As overpayments increase, overpayment collections also tend to rise as there are more overpayments that are collectable. Note that collection efforts for overpayments detected in CY2020-CY2022 will continue to occur in future years, which may result in larger recoupment values in the coming years relative to the amount of benefits paid.

FY2025-FY2026

Table 4 provides information on the number of fraud and non-fraud overpayment cases detected by the unit for the period FY2025 through FY2026 as well as the dollar amounts associated with the overpayments. The higher recoupment numbers are largely the result of the recovery of overpayments made during the pandemic, a period of high benefit payments.

TABLE 4: OVERPAYMENTS, FY2025 – FY2026¹³

	Fraud		Non-Fraud		Total	
	FY25	FY26	FY25	FY26	FY25	FY26
Cases	1,096	1,285	9,330	10,385	10,426	11,670
Dollars	\$2.3m	\$2.7m	\$5.0m	\$5.4m	\$7.3m	\$8.1m
Recouped	\$5.0m	\$4.0m	\$9.9m	\$7.2m	\$14.9m	\$11.3m
NET	-\$2.6m	-\$1.3m	-\$4.9m	-\$1.8m	-\$7.5m	-\$3.2m

UNEMPLOYMENT INSURANCE LOAN PAYMENTS

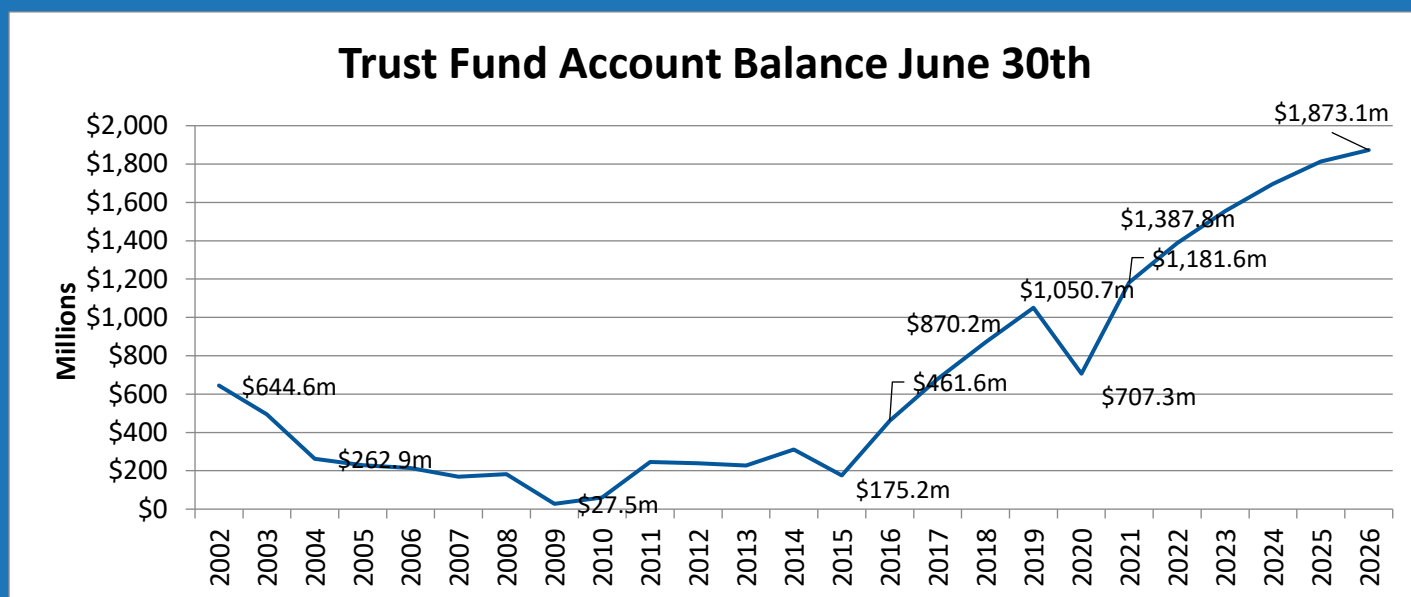
No federal loans were required or repaid during FY2025.

¹³ ETA227 overpayment detections for fraud and non-fraud.

UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of June 30, 2026, there was an unadjusted balance of \$1,873,095,860¹⁴ in the state's UI Trust Fund held at the US Treasury in Washington, DC. As shown in Figure 3, the balance in the UI Trust Fund declined steadily between June 30, 2002 and June 30, 2011 but has recovered over the past decade. Not shown is that these balances include loans between 2009 and 2015. The Trust Fund balance as of June 30, 2015 does not include any outstanding loans as they were repaid in full on June 11, 2015. The timing of the last loan payment accounts for the lower Trust Fund total in 2015 compared to 2014. The onset of the COVID-19 pandemic accounts for the significant dip in the Trust Fund balance in 2020. The addition of \$836.4 million in CARES Act funding restored the Trust Fund balance to pre-pandemic levels.

FIGURE 3: UI TRUST FUND BALANCE AS OF JUNE 30, 2002–2026



AGENCY RECOMMENDATIONS

The legislative recommendations made in the FY2025 Unemployment Insurance Trust Fund Annual Assessment were enacted in Act No. 243 of 2026 (S. 688). The agency has no additional legislative recommendations regarding the trust fund at this time.

CONCLUSION

The state's Trust Fund remains fully funded at the end of FY2026. This funding allows South Carolina to maintain an adequate fund balance and avoid the need to borrow money from the federal government, as was done between 2008 and 2011. The balance in the Trust Fund has attained a funding level sufficient to meet all statutory solvency requirements. Tax Year 2027 will be the first year of implementing several new statutory changes, including the lookback period for tax rate setting and the new solvency standard. The impact of these changes will be explored more fully in the FY2027 report.

¹⁴ Account Statement June 2026: <https://www.treasurydirect.gov/govt/reports/tbp/account-statement/report.html>.



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