

South Carolina Department of Employment and Workforce

News Release

New UI Legislation Aimed at Trust Fund Solvency and Improving Fairness to Employers

For Immediate Release

June 4, 2010

Governor Mark Sanford has signed legislation aimed at addressing the deficit in the state's Unemployment Insurance Trust Fund.

The state has been borrowing from the federal government to pay unemployment benefits since December 2008 and currently owes nearly \$890 million.

This legislation addresses the need to restore the trust fund to solvency, while meeting the state's obligations to repay the loans and interest due to the federal government. These measures are necessary to avoid a reduction in the credit that South Carolina employers currently receive on their Federal Unemployment Tax.

"We are currently analyzing computations to determine revenue structures or revenue generations to ensure solvency of the Trust Fund, and to make it as fair and equitable to the state's employers as possible," said John Finan, Executive Director of the S.C. Department of Employment and Workforce. "Calculating the rates under the new law will likely take some time. We'll be working with the State Chamber of Commerce and other business groups to be sure that employers are adequately prepared to adjust to these changes."

The new tax law, which is similar to systems in effect in 11 other states, is much more responsive to recent employment history and more sensitive to increases in unemployment.

Under the bill, the state's businesses will be divided into 20 categories, based on each company's layoff activity compared with that of other companies.

Projected contributions to be raised in each year will change to reflect the needs of the system including benefit charges, loan repayments, interest payments, and trust fund rebuilding. Loan repayment will be spread over six years followed by a five year trust fund rebuilding process.

As South Carolina pays down the outstanding debt and moves towards solvency, unemployment insurance costs will begin to decline; however, in the short run

many employers may see an increase in their costs due to the large volume of benefit payouts that have occurred during the current recession.

Tax rate notices will continue to be sent to each business in the last quarter of 2010 or the first quarter of 2011, as usual. The calculations needed to compute the tax rates for the year will be estimated based on data through the second quarter of 2010 along with estimates of loan and interest repayment estimated by the U.S. Department of Labor.

Earlier this year, the S.C. General Assembly acted to curtail unemployment benefits to workers fired for theft, insubordination, drug use, fighting, and similar types of misconduct on the job. This should dramatically decrease non-charged benefits to the Unemployment Trust Fund and ultimately lower the level of contributions necessary.

The new tax law goes into effect January 1, 2011. The SC Department of Employment and Workforce will continue to update employers to inform them of how changes may affect individual accounts as data becomes available.