SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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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. 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

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