



**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.*

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<b>Bill Number:</b>	S. 0347	Introduced on January 12, 2021
<b>Author:</b>	McLeod	
<b>Subject:</b>	Unemployment Benefit	
<b>Requestor:</b>	Senate Labor, Commerce, and Industry	
<b>RFA Analyst(s):</b>	Miller	
<b>Impact Date:</b>	March 5, 2021	

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### **Fiscal Impact Summary**

This bill will result in an increase in Other Funds expenditures due to the estimated added cost to the Unemployment Trust Fund. Additionally, RFA anticipates this bill may result in an undetermined expenditure increase to the General Fund, Other Funds, and/or Federal Funds, to maintain the actuarial full funding level of the Unemployment Trust Fund with the additional cost created by this bill beginning in January of FY 2021-22.

This bill will have no expenditure impact on the Department of Employment and Workforce (DEW), because cost of recoding the benefit system is within the scope of the current contract DEW has with its vendor.

Also, this bill will result in an undetermined Other Funds revenue impact, dependent upon the amount needed to maintain the actuarial full funding level of the Unemployment Trust Fund with the additional cost created by this bill beginning in January of FY 2021-22.

### **Explanation of Fiscal Impact**

#### **Introduced on January 12, 2021**

##### **State Expenditure**

Section 1 of this bill limits an insured worker's weekly unemployment benefit amount to no more than \$401. Currently, an insured worker's weekly unemployment benefit amount may be no less than \$42 nor greater than 66.66 percent of the statewide average weekly wage most recently computed before the beginning of the individual's benefit year, which is \$326 a week currently. This bill eliminates the minimum limit and sets the maximum limit for an insured worker's weekly unemployment benefit amount to \$401.

Section 2 of this bill repeals §41-35-50. Currently, this section sets a maximum potential unemployment benefits in a benefit year for any insured for a maximum of twenty weeks and after this twenty-week period, does not allow that person to establish a new claim until he has performed insured work and earn wages of at least eight times the weekly benefit amount. By repealing this code section, this bill removes the annual maximum potential unemployment benefits and the required additional work to establish a new claim. According to DEW, removal of this required additional work to establish a new claim is out of compliance with Federal law.

The Unemployment Trust Fund is over 99 percent federally funded. Being out of compliance with federal law could result in a withholding of federal funding. This bill takes effect on January 1, 2022.

According to DEW, raising the weekly maximum unemployment benefit to \$401, will add approximately 10-15 percent to annual benefit costs. The monetary impact to the Unemployment Trust Fund will depend on the economic conditions in a given year and the number of claims paid. DEW stated in 2019 an additional 10-15 percent would total an additional \$15,100,000 to \$22,700,000, where the same percentage increase in 2020 would total an additional \$111,100,000 to \$166,700,000. Additionally, despite the removal of a minimum boundary for weekly unemployment benefits, there are other requirements to monetarily qualify for unemployment benefits. DEW estimates the elimination of only the weekly unemployment benefits floor could potential increase the Unemployment Trust Fund costs by 1-2 percent, annually. As discussed above, relative to the increase due to increasing the maximum weekly benefit, the monetary impact of 1-2 percent to the Unemployment Trust Fund would depend on the economic conditions and number of claims paid in a given year. Therefore, this bill will result in an undetermined expenditure impact to Other Funds beginning in January of FY 2021-22.

RFA anticipates the Unemployment Trust Fund will receive additional funding to maintain its actuarial full funding level after taking into account the provisions of this bill, either from the General Fund or from increases in employer contribution rates. The expenditure impact to the General Fund and Other Funds will depend upon how the Unemployment Trust Fund is funded. Therefore, this bill will result in an undetermined expenditure impact for the General Fund, Other Funds, and Federal Funds beginning in January of FY 2021-2022.

Further, DEW will work with it's the vendor to recode the benefits system. DEW anticipates the cost to recode the benefits system for the change required in this bill is within the existing bounds of the current contract and therefore and will result in no expenditure impact.

### **State Revenue**

This bill raises the maximum unemployment benefit to \$401, a \$75 increase from the current maximum of \$326. As discussed above, this will be undetermined impact to the Unemployment Trust Fund to cover the approximate increase of 10-15 percent to annual benefits costs. RFA anticipates the Unemployment Trust Fund will receive additional funding to maintain its actuarial full funding level, with the additional 10-15 percent cost, either from the General Fund or increases in employer contribution rates. However, the amount needed to maintain the actuarial full funding level will be dependent upon the additional cost placed on the Fund. Therefore, this bill will result in an undetermined increase in Unemployment Trust Fund revenue, beginning in January of FY 2021-22.

### **Local Expenditure & Revenue**

N/A



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Frank A. Rainwater, Executive Director