



MANAGEMENT AND
TRUST FUND REVIEW
REPORT

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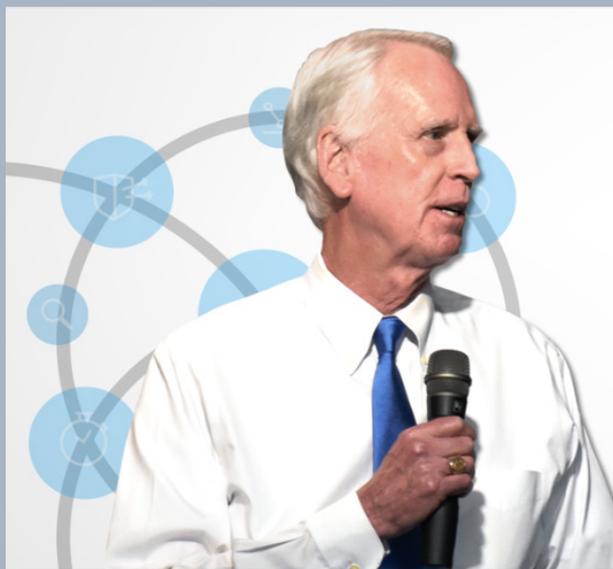
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AGENCY

INTRODUCTION

MISSION AND VISION



The S.C. Department of Employment and Workforce continues to successfully serve the State of South Carolina in its mission to promote and support an effective, customer-driven workforce system that facilitates financial stability and economic prosperity for employers, individuals and communities.

As the state's lead workforce development agency, our primary goals are to provide short-term economic relief to our state's valuable workforce and to ensure that jobseekers are matched with employers quickly, efficiently and effectively. As one of 17 cabinet agencies for South Carolina, we deliver critical assistance, support and resolution

to all Unemployment Insurance (UI) stakeholders and recipients by effectively managing the integrity of South Carolina's UI Trust Fund and by providing excellent resources to our constituents through more than 12 operations centers strategically located throughout the state. These offices are an extension of our central tax and benefits departments. As a partner in the state's workforce system that includes SC Works centers, satellite offices and Connection Points located throughout the state's 12 local workforce development areas, we are also committed to meeting the needs of the state's businesses, jobseekers and others looking to further their careers.

The agency's 2018-2019 strategic plan includes five key goals in support of this mission:

- Protect and safeguard the security, privacy and confidentiality of stakeholder data.
- Facilitate a workforce system that fosters financial stability and economic prosperity.
- Become an employer of choice in the state of South Carolina.
- Provide excellent customer service to all internal and external stakeholders.
- Achieve optimal value from available resources and funding to increase public trust.

By identifying and implementing key strategies in support of the above goals, the agency will continue to serve South Carolinians as an efficient, transparent, customer-friendly partner in providing quality workforce solutions.

PRIMARY PRODUCTS AND SERVICES

AGENCY DEPARTMENTS AND DIVISIONS



UNEMPLOYMENT INSURANCE

.....
A federally mandated program that provides financial assistance to eligible workers who become unemployed through no fault of their own.



EMPLOYMENT SERVICES

.....
This division works to bring employers and jobseekers together through hiring events, specialized training and pilot projects to name a few examples.



WORKFORCE DEVELOPMENT

.....
Focuses on innovative approaches to workforce development.



BUSINESS INTELLIGENCE

.....
BI, also known as Labor Market Information, gathers employment statistics, job forecasts, wages, demographics and other data to help various stakeholders understand today's complex workforce.



POLICIES & PROCEDURES

.....
Policies & Procedures is responsible for fulfilling performance and reporting requirements for workforce programs under the Workforce Innovation and Opportunity Act.

AGENCY EMPLOYEE COUNTS

In order to successfully execute the mission and goals of the S.C. Department of Employment and Workforce, the agency, as of June 30, 2019, had a total of 628 employees:

- 6 Unclassified Employees
- 575 Full-Time Employees
- 26 Temporary Grant Employees
- 27 Temporary Employees

These employees staff the Unemployment Insurance, Employment Services, Workforce Development, and Business Intelligence/Labor Market Information divisions, as well as other departments that provide support to those divisions.

UI DIVISION

The agency's Unemployment Insurance (UI) Division is responsible for the operational administration of the state's UI Program, providing timely and accurate payment of unemployment benefits, reemployment services and effective collection mechanisms for employer tax contributions.

In coordination with the U.S. Department of Labor, UI is a state-administered federal program designed to provide unemployment benefits to eligible workers who become unemployed through no fault of their own while they actively search for suitable work. In accordance to S.C. Code of Laws, Title 41, and S.C. Code of Regulations, Chapter 47, South Carolina employers are responsible for financing the UI program through quarterly tax contributions, payable to the state's UI Trust Fund. The program allows UI recipients to maintain purchasing power, thereby easing the serious effects of unemployment on individual households, the community and the state.

• TRUST FUND

During Fiscal Year 2019 (July 1, 2018 to June 30, 2019) the UI Trust Fund reached its recommended solvency standard, as defined by the U.S. Department of Labor, and as a result the 2020 Tax Rate calculations do not include a solvency surcharge.

For a detailed assessment of the health of the state's UI Trust Fund, the Agency's "FY 2019 Trust Fund Annual Assessment" Report, is made available as Appendix A.



SOUTH CAROLINA
Department of Employment and Workforce

SOUTH CAROLINA
UNEMPLOYMENT INSURANCE

FY2019
TRUST FUND
ANNUAL
ASSESSMENT

Current Unemployment Insurance Trust Fund Status

During the FY19 reporting period, DEW paid out a total of \$159,788,245¹ in unemployment benefits to recipients determined eligible in accordance with S.C. Code of Laws. Employer contributions collected to fund the state's UI program (including benefit outlays and trust fund rebalancing) totaled \$32,977,548².

As of June 30, 2019, the UI Trust Fund reached an unadjusted balance of \$1,050,622,227³. The agency has reached its recommended solvency standard, as defined by USDL, with the Trust Fund rebuilt in accordance with S.C. Code of Laws and Regulations; all federal loans were repaid as of June 11, 2019. As a result, the agency's CY2020 tax rate calculations will not include a solvency surcharge.

Unemployment Insurance Trust Fund Review

The components of the Trust Fund are defined as follows:

- **Contributions** – Contributions received from employers as of June 30⁴.
- **Interest** – Federal Treasury interest posted to each state's Trust Fund account quarterly.⁵
- **Benefits** – State funded 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.

COMPONENT	FY2015	FY2016	FY2017	FY2018	FY2019
Contributions	428,886,783	408,702,921	355,337,119	322,013,056	322,977,548
Earned Interest	N/A	7,392,500	12,208,042	16,935,578	22,086,514
Benefits	193,065,875	176,496,176	171,057,281	175,724,192	159,788,245
Fund Balance ⁶	175,177,187	461,637,676	678,148,439	\$870,156,660	\$1,050,622,227
Total Wages ⁷	\$1.7 billion	\$5.6 billion	70.0 billion	72.6 billion	77.0 billion

Note: Certain adjustments have been made to correctly carry forward prior year balance.

¹ Draft Annual Trust Fund Report-Finance Department

² Ibid

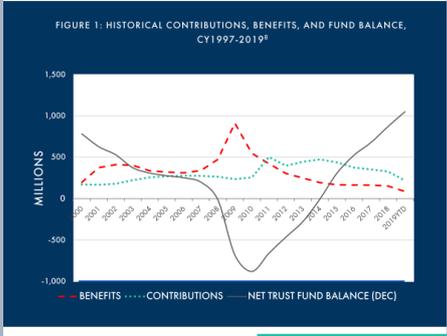
³ Treasury Direct Account Statements: Jun 2019

⁴ No interest is due to the state Trust Fund account from the Federal Treasury when federal advances remain outstanding.

⁵ Treasury Direct Account Statements Jun 2015-Jun 2019, Unadjusted

⁶ Internal estimates August 11, 2019

FIGURE 1: HISTORICAL CONTRIBUTIONS, BENEFITS, AND FUND BALANCE, CY1997-2019⁸



⁸ US Department of Labor: Financial Handbook 394 <http://www.dhs.gov/xlibrary/html/h394a.pdf> (Information from USDL excludes all federal advances and other fiscal year ending adjustments) and ET&I12 Reports

EMPLOYMENT SERVICES

The newly named Employment Services Division has great responsibilities and great opportunities. In this climate of low unemployment and record number of individuals employed, the work of bringing employers and job seekers together becomes granular and personal.

With approximately 70,000 open jobs and 60,000 individuals that are unemployed, traditional best practices such as programs and services, training, job fairs and hiring events must be accompanied by efforts that include personalized and customizable business services. Some examples include events in rural counties, specialized training to prepare a specific population with job skills, and pilot projects to find employees among the underemployed.

• WAGNER-PEYSER

Wagner-Peyser establishes the One Stop delivery system to give South Carolinians access to employment services. The chart below shows Program Year outcomes from July 1, 2018 to June 30, 2019 (PY '18):

Wagner-Peyser Quarterly Report:

	Goal for PY '18	Statewide	Percent of Goal-State
Employment Q2	64.0%	69.0%	107.8%
Employment Q4	64.2%	66.3%	103.3%
Median Earnings	\$4,338	\$5,208	120.1%

• JOB FAIRS AND HIRING EVENTS

In PY '18 there were 2,386 hiring events held statewide. More than 30,000 jobseekers and 1,174 employers attended these events. Additionally, there were individual hiring events for specific companies that are typically held in local SC Works centers.

• BACK TO WORK

In 2015, the agency began piloting the Back to Work program in Columbia, SC, to help homeless individuals enter the workforce through an intensive six-week employment boot camp. This program provides participants assistance with transitioning to housing, as well as the necessary career guidance and soft skills training to maintain gainful employment and independence, creating a comprehensive approach for long-term success. The department works with multiple community and faith-based organizations across the state to help these individuals prepare for and find employment. This program has been successful in helping individuals gain self-sufficiency who were formerly homeless, drug-addicted or had other significant barriers to employment.

In PY '18, the Back to Work program expanded to nine new locations across the state, serving a total of 93 individuals. Overall, 65% of Back to Work participants became employed or enrolled in training upon completion of the program.



• SECOND CHANCE

In partnership with the S.C. Department of Corrections, the Second Chance initiative was created to help returning citizens learn a skill and understand how to successfully search for a job. Helping individuals prepare for employment allows them to gain confidence, purpose and direction, helping to reduce the rate of recidivism. Through this initiative, the S.C. Department of Employment and Workforce provides a full-time employee, acting as a coach, and other materials necessary to assist returning citizens in work-skills training.

Ninety days prior to release, ex-offenders are taught employment and soft skills in a classroom setting for one hour each day. During the last 30 days, participants work directly with a Department of Employment and Workforce counselor to become registered in SC Works Online Services and craft a resume in order to apply for jobs online prior to being released. A critical component of the success of this initiative is the Federal Bonding Program and the Work Opportunity Tax Credit, which give businesses the tools to confidently employ this underutilized workforce.

In PY '18, 2,206 individuals were enrolled in the Second Chance Program. Approximately 1,790 or 81% of enrollees completed the program and roughly 72% of program completers entered employment upon release from prison.

• VETERANS PROGRAM

SC Works centers across the state have staff— Disabled Veterans Outreach Program (DVOP) representatives and Local Veterans' Employment Representatives (LVER)— who are specifically trained to assist military jobseekers and their families to find civilian employment.

Through the support and assistance from our DVOPs and LVERs, veterans are able to receive priority employment services.

- **SC FY '19 Veterans Training Conference**
 - DVOP training; Career Coaching for Special Populations (CCSP)
 - LVER training; Advanced Business Services (ABS)
 - Regional Manager training: Leadership for the Integration of Veteran Services (LIVS)
- The S.C. Department of Employment and Workforce is a part of a 35-partner steering committee that worked together to serve 357 veterans and family members at the Charles A. Judge Upstate Stand Down.



• RAPID RESPONSE

In the instances where a layoff or closure cannot be avoided, the following resources and services are available to businesses and their employees:

- Introduction to Unemployment Insurance Benefits,
- Personalized job search assistance and job referrals,
- Resume writing/updating,
- Computer literacy workshops,
- Individual school and training opportunities, and
- Work readiness assessments.

During the program year there were 413 Rapid Response services provided to a total of 208 companies. A breakdown of these services are below.

Rapid Response Services Provided
196 Management Meetings
192 Group Informational Sessions
25 Individualized On-Site Sessions

CAREER COACH

The SC Career Coach has been on the road since March 2019 and is a mobile extension of our SC Works centers. The primary purpose of the mobile unit is to respond to layoff and closure events and to provide on-the-ground services following a disaster. The mobile unit is also being used to serve rural communities with limited access to internet. The SC Career Coach is staffed by a full-time Workforce Consultant and is equipped with 10 work stations for job-seeking activities and WiFi and printer capabilities. Approximately 424 people have been served from March to June 2019.

RURAL OUTREACH	 WiFi and Printer Capabilities	 10 Work Stations For job-seeking activities.
759 Services Provided to Individuals From March to June 2019 with a 33+% increase projected for 2019-2020.		DISASTER RELIEF
 Wheelchair Accessible	LAYOFF AND CLOSURE EVENTS	 On-site Assistance By a trained staff person.

• BUSINESS SERVICES

Helping identify potential employees for South Carolina employers is an important service the agency performs for businesses. There are many programs designed specifically to help them with their needs and to give them the workforce tools to operate effectively.

- **WOTC** – The Work Opportunity Tax Credit is an incentive to businesses for hiring individuals with barriers to employment. In PY '18, the Department of Employment and Workforce issued certifications for \$105,477,200 potential federal tax incentives to those businesses. Additionally, the agency partnered with the S.C. Department of Corrections to automate the WOTC verification process, matching SCDC information with business hire information.
- **Federal Bonding Program** – The Federal Bonding Program is an insurance program that helps employers confidently hire jobseekers who are considered “at-risk.” Bonds are issued for \$5,000 for the first six months of employment at no cost to the employer or employee.

WORKFORCE DEVELOPMENT

The Workforce Development Division focuses on innovative and collaborative approaches to workforce development through partnerships with state and local boards, as well as other agencies and organizations throughout the state.

• SWDB HIGHLIGHTS



The State Workforce Development Board (SWDB) provides direction to the S.C. Department of Employment and Workforce and the workforce system on workforce development issues, particularly those pertaining to the Workforce Innovation and Opportunity Act. In addition to providing direction about workforce development, SWDB identifies, invests in and supports promising and proven workforce strategies to build a skilled workforce for current and emerging jobs. The newly appointed SWDB Chair, Don Tomlin, instilled new priorities for the workforce system, to include:

- Public/private partnerships,
- Strengthening collaboration among workforce and educational stakeholders, and
- Increased accountability.

• ROI ANALYSIS

The State Workforce Development Board is acutely aware that the shortage in skilled workers is potentially hindering business growth. While the board maintains oversight of SC Works performance with federal measures, it commissioned a Return-On-Investment (ROI) evaluation to assess the effectiveness of the WIOA program in increasing the employment outcomes, wage obtainment and reducing social benefit costs of program participants. The University Of South Carolina Darla Moore School Of Business was procured to conduct the analysis with the understanding that the evaluation would highlight strengths as well as areas for future improvement. During the five-year analysis period from July 2012 to June 2017, the estimated five-year ROI generated across the Wagner-Peyser, Workforce Innovation Opportunity Act, and Trade Adjustment Assistance workforce programs was \$14.21 for the average program exiter. This implies that for every \$1 in workforce program expenditures, approximately \$14.21 in social gains is realized. These social gains include new income tax revenue from individual wage increases as well as lower expenses from fewer public assistance programs being utilized.

- The WIOA workforce program generated a positive five-year ROI for the average program exiter of \$2.80 during this time period
- The Wagner-Peyser workforce program generated a positive five-year ROI for the average program exiter of \$29.81 during this time period.
- Participation in WIOA raised average participant earnings \$4,643 per year post-exit.

• SC WORKS HIGHLIGHTS



SC Works took deliberate actions to increase awareness of the services available through the public workforce system. The Department of Employment and Workforce and other workforce stakeholders collaborated to enhance the image and service delivery of SC Works by:

- The SC Works centers received technology upgrades, including kiosk check in and workflow systems.
- Funded by the SWDB, the “Your Next Step” outreach campaign introduced (and reintroduced) South Carolinians to our robust workforce support system.
- The SCWorks.org website is the statewide portal to workforce services. To improve visibility and utilization, it was redesigned in collaboration with state and local workforce partners. The initial analytics indicate an 59.68% increase in visits.
- Development of a cross-agency curriculum for frontline staff in partnership with Midlands Technical College.

• SECTOR PARTNERSHIP HIGHLIGHTS



South Carolina adopted sector strategies as a promising approach for aligning partners and their resources to the needs of business and industry. A number of steps were taken in PY '18 to evolve sector strategies to a model that is sustainable and system-driven at both the state and regional levels:

- The 2018 State Workforce Gap Analysis, which identified a shortage of workers in critical occupations, was developed and issued to workforce stakeholders.
- Sector Strategies was included as part of the Education and Economic Development Act Coordinating Council's (EEDA) strategic priorities.
- Two industry-led sector partnerships were launched. The first manufacturing partnership launched was in the Greater Upstate Region, followed by a second manufacturing partnership in the Central Region.

• JOBS FOR AMERICA'S GRADUATES HIGHLIGHTS



Jobs for America's Graduates is a program to serve youth considered at-risk of dropping out of school. More than 13,000 youth have successfully participated in the South Carolina program, for which JAG-SC was recognized with the 5-of-5 award for meeting or exceeding the national program outcomes. In addition to the in-school model, the JAG-SC program added an out-of-school (OOS) model to serve youth that have exited the traditional school system and are interested in earning their GED or high school equivalency. To assist in piloting this program, Trident Literacy and the Department of Vocational Rehabilitation were awarded JAG OOS grants by the State Workforce Development Board. In addition to the high school programs throughout the state, JAG-SC also operated two middle school programs in Anderson School District 2.

2018 Program Outcomes:

- Graduation Rate 98.33%
- Civilian Military Placement 72.20%
- Total Positive Outcome 88.47%
- Total Full-Time Placement 94.37%
- Total Full-Time Jobs 78.87%
- Further Education Rate 52.20%

*Note: Program outcomes are reported one year after graduation and close of follow-up period.

RESULTS

Performance Measures	Goals	Percent of Goals	Actual	
WIOA TITLE I ADULTS				
Employment (Q2 after Exit)	76.8%	104.4%	80.2%	
Employment (Q4 after Exit)	73.0%	107.8%	78.7%	
Median Earnings	\$4,908	117.4%	\$5,761	
Credential Attainment Rate	51.9%	123.1%	63.9%	
Measurable Skill Gains	Baseline	N/A	52.1%	
WIOA TITLE I DISLOCATED WORKERS				
Employment (Q2 after Exit)	80.1%	102.2%	81.9%	
Employment (Q4 after Exit)	76.0%	109.9%	83.5%	
Median Earnings	\$6,405	122.0%	\$7,816	
Credential Attainment Rate	48.6%	132.7%	64.5%	
Measurable Skill Gains	Baseline	N/A	45.9%	
WIOA TITLE I YOUTH				
Employment (Q2 after Exit)	76.6%	101.8%	78.0%	
Employment (Q4 after Exit)	69.0%	111.2%	76.7%	
Median Earnings	Baseline	N/A	\$3,359	
Credential Attainment Rate	68.1%	101.0%	68.8%	
Measurable Skill Gains	Baseline	N/A	54.5%	
WAGNER-PEYSER				
Employment (Q2 after Exit)	67.5%	104.4%	70.5%	
Employment (Q4 after Exit)	67.0%	102.9%	69.0%	
Median Earnings	\$4,300	120.3%	\$5,175	
VETERANS				
Employment (Q2 after Exit)	53.1%	108.0%	57.4%	
Employment (Q4 after Exit)	53.6%	106.5%	57.1%	
Median Earnings	\$5,160	115.5%	\$5,962	
Effectiveness in Serving Employers				
PILOT APPROACH	PY 2017		PY 2018	
	Numerator/ Denominator	Rate	Numerator/ Denominator	Rate
Employer Penetration Rate	15,388/133,644	11.5%	19,441/138,167	14.1%
Repeat Business Customer Rate	7,450/15,844	47.0%	10,908/28,882	37.8%

BUSINESS INTELLIGENCE

Labor Market Information is employment statistics, job forecasts, wages, demographics and other data to help public and private organizations, researchers and others better understand today's complex workforce. The Business Intelligence Department (BID) collects, analyzes and disseminates this data in cooperation with the U.S. Department of Labor's Bureau of Labor Statistics. Not only does BID provide assistance through trainings, unique requests and speaking engagements centered on the state's workforce, but it also has publications for public consumption and reports that include frequently requested data.

FY '19 ACCOMPLISHMENTS

COMPREHENSIVE TRAINING AT ALL 12 LOCAL WORKFORCE DEVELOPMENT AREAS

Training through an individualized approach that educated agency staff and partners on the uses of the Labor Market Information website to accomplish their jobs more effectively.

MEETING ALL QUARTERLY DELIVERABLES OVER THE LAST YEAR

All Bureau of Labor Statistics Performance Measures were met last year.

RECOGNITION FROM THE WORKFORCE INNOVATION GRANT

The Workforce Innovation Grant is used to support research, analysis, reporting, and training. These activities are monitored and were recognized by the U.S. Department of Labor as a best practice in FY '19.

COMPLETION/DISSEMINATION OF COMMUTING PATTERN ANALYSIS

Though not required, the Business Intelligence Department provided this information to allow for better planning for workforce development activities throughout the state.

COMPLETION/DISSEMINATION OF THE 2019 SOUTH CAROLINA ECONOMIC ANALYSIS

The U.S. Department of Labor recognized the high-quality of this analysis as a best practice.

POLICES AND PROCEDURES

Policies and Procedures is responsible for reporting performance requirements and writing policies that adhere to federal and state laws and regulations governing unemployment, workforce development and employment services. Additionally, reporting architect employees are responsible for providing ad hoc reports to support operations and program management for Workforce Development, Employment Services and UI Divisions. Policies and Procedures staff also provide technical expertise in the operation of the Employment Services system, SC Works Online Services, the Unemployment Benefits online system and the State Unemployment Insurance Tax System.

FY '19 ACCOMPLISHMENTS

Trainings	Trainings were available to staff to allow for them to perform their jobs more efficiently.
Requests	In FY '19 there were 4,188 questions/requests from jobseekers as Policy and Procedures continues to better communications with stakeholders.
Collections	In prior years, this was a manual process that has since been automated. This improvement has converted to a system driven process, which frees staff to focus on other areas, work more efficiently, cut down on errors, delays, etc.
SUITS	The State Unemployment Tax System now has a two-factor token password security to reduce fraud risk and better protect a user's credential and the resources the user can access.
Wage Garnishment	The wage garnishment process in the online benefits system has had significant impacts. Between November 18 and December 1, the UI Debt Collection Department was able to send out over 500 garnishment notices representing over \$2 million in outstanding debt to be collected.
Case Management	The enhancement to the case management process in the online benefits system resolves cases quicker.
Data Validation	The agency passed 10 of the 12 Benefit Data Validation for 2019.

FY '20 STRATEGIES



The year to come will be filled with many exciting programs that, while supporting the requirements needed for federal compliance, will touch jobseekers and employers in new and hopefully more effective ways. These programs will address the specific needs of employers, rural areas and small employers in particular.

Employers: As mentioned earlier, our state enjoys record low unemployment. While that is great news for our employees, it places a strain on employers who have difficulty finding qualified jobseekers to reach their businesses' full capacity. In an effort to address this issue, the S.C. Department of Employment and Workforce is working to tap into the job pools made up of the underemployed, those working non-traditional shifts and individuals currently not in the workforce.

Rural Initiative: Almost immediately upon my arrival, our department implemented a Rural Initiative. This initiative was aimed at providing services and training for rural residents that will allow them to fill openings with employers in their communities. To bring our services to these individuals, we began implementing the following efforts:

- An overhaul of the 135 Connections Points in the state.
- Expansion of the current Community Outreach Locations that are within community centers, mayor's offices and other locations.
- Having our SC Career Coach, a mobile unit with computers, WiFi and staff assistance similar to that found in our brick and mortar work centers, on the road every work day that it is available.
- Pilot programs aimed at conducting training for specific employers that have openings and are hiring.

Small Employers: While larger employers extensively utilize the services of our department, many small employers do not because they are not aware of the services. To overcome this problem, and better serve small South Carolina employers, the following efforts are being conducted throughout the state:

- Industry-specific job fairs in rural areas aimed at small employers.
- System Fairs to teach small employers how they can utilize the workforce system to gain qualified employees.
- Personal visits to small employers to educate the owners and managers of the free services.

We are taking on the exciting challenge of low unemployment and doing great things in South Carolina. All of this and more will be included in next year's report, which will cover my first full year as executive director, and we look forward to sharing that with you.

G. Daniel Ellzey
Executive Director, S.C. Department of Employment and Workforce

RECOMMENDATIONS

The agency suggests that the UI Trust Fund Report and the Management and Trust Fund Report be consolidated to one annual report submitted in a month of its choice. This would require action by the General Assembly to amend state law.



SOUTH CAROLINA
Department of Employment and Workforce

SOUTH CAROLINA
UNEMPLOYMENT INSURANCE

FY2019

**TRUST
FUND
ANNUAL
ASSESSMENT**

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EXECUTIVE SUMMARY

In accordance with South Carolina (SC) Code of Laws § 41-33-45, the Department of Employment and Workforce (DEW) is required to submit an annual report to the General Assembly, the Review Committee, and the Governor’s Office detailing the applicable funds available in the Unemployment Insurance (UI) Trust Fund, as well as make an assessment of its funding level. This report will outline DEW’s benefit expenditures and SC employer contributions collected for FY19, as well as assess the overall health of the State’s UI Trust Fund to withstand one (1) year of economic downturn as defined by US Department of Labor (USDOL) program recommendations. In addition, it will provide for requirements as outlined in the FY2019-20 Appropriations Act Proviso 83.3.

CY2020 PROJECTIONS

Based on historical analysis and current economic conditions, DEW projects that approximately \$195.0 million in CY2020 employer contributions will be needed to cover its anticipated \$195.0 million in UI benefit costs¹.

¹ CY2020 tax rates will be finalized the first week of November 2019. These values are subject to change.

Current Unemployment Insurance Trust Fund Status

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

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TABLE 1: UI TRUST FUND COMPONENTS, FY2015-2019

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Total Wages⁷	61.7 billion	65.6 billion	70.0 billion	72.6 billion	77.0 billion

Note: Certain adjustments have been made to correctly carry-forward prior year balance.

² Draft Annual Trust Fund Report-Finance Department

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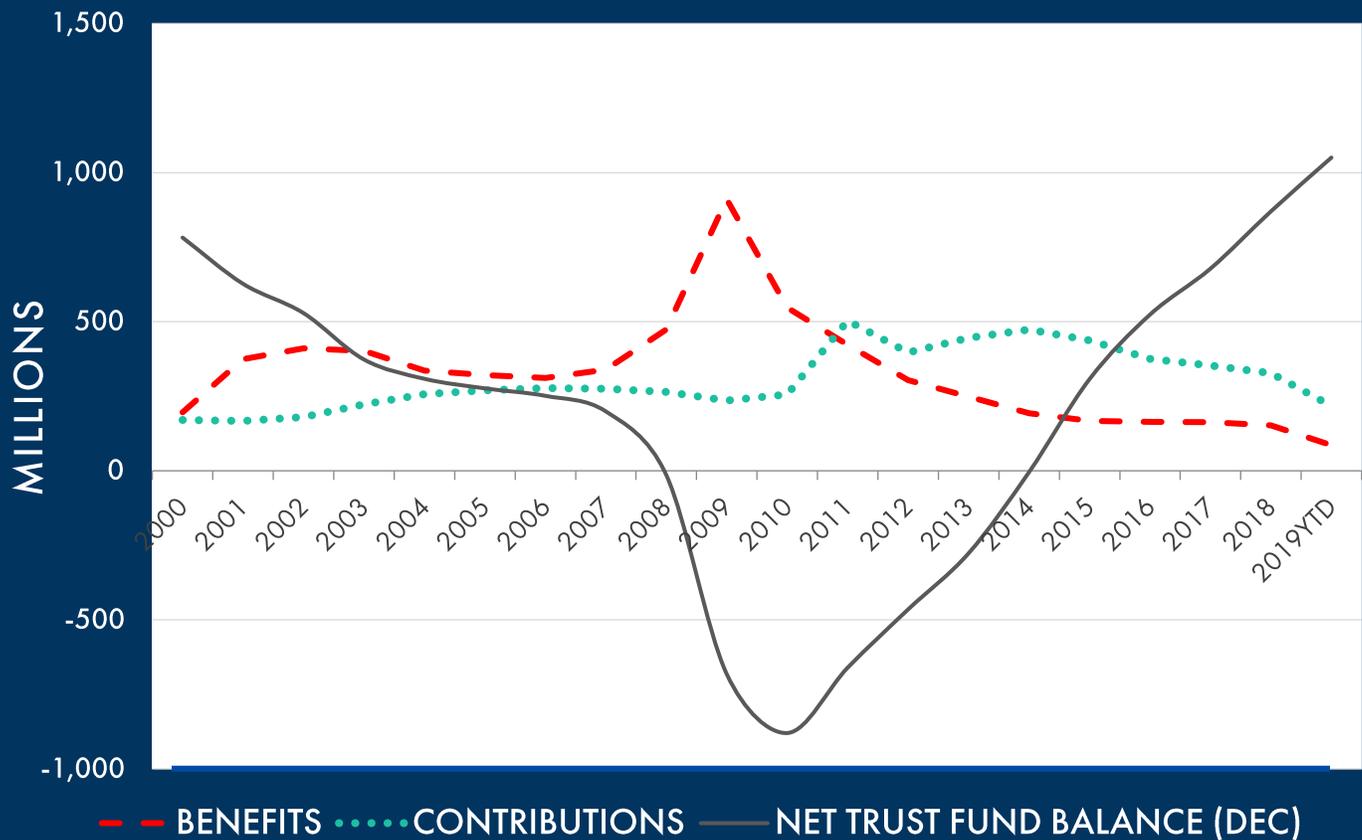
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⁷ Internal estimates August 12, 2019

FIGURE 1: HISTORICAL CONTRIBUTIONS, BENEFITS, AND FUND BALANCE, CY1997-2019⁸



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

Solvency Standards

South Carolina has adopted the most widely accepted measure of trust fund solvency, known as the Average High Cost Multiple (AHCM) – See S.C. Code Ann. § 41-31-45(A). This measure of whether a state has enough money to cover unemployment claims during an economic downturn was devised in 1995 by the federal Advisory Council on Unemployment Compensation. The AHCM is calculated by taking the trust fund balance as a percent of estimated wages for the most recent 12 months (also known as the reserve ratio) and dividing it by the Average High Cost Rate, which is the average of the three highest calendar year benefit cost rates, in the last 20 years or a period including three recessions, whichever is longer. Benefit cost rates are benefits paid as a percent of total wages in taxable employment.

The SC General Assembly has adopted USDOL’s recommendation that a state have an AHCM of 1.0, which means that the state has enough funds to pay one year of benefits at the Average High Cost. This should be sufficient to fund benefits during a moderate recession. Pursuant to state law, the agency promulgated regulations, 47-500 and 47-501, to return the trust fund to an adequate balance within 5 years. As of June 30, 2019, the state trust fund on deposit with the US Treasury had a positive, unadjusted balance of \$1,050.7 million.⁹

Table 2 shows South Carolina’s three highest benefit cost rate years, the state’s actual (or projected) total wages, and the trust fund balance that would be required to achieve the recommended solvency level of 1.0.

TABLE 2: SOLVENCY STANDARDS AND PROJECTIONS¹⁰

CALENDAR YEAR	HIGH COST YEARS	AVERAGE HIGH COST RATE	TOTAL WAGES ¹¹ 2 YEARS PRIOR (BILLIONS\$)	TARGET BALANCE (AHCM=1.0) (MILLIONS\$)
2015	1991, 2009, 2010	1.30	\$57.0	\$743.7
2016	1991, 2009, 2010	1.30	\$60.2	\$785.3
2017	1991, 2009, 2010	1.30	\$63.9	\$834.2
2018	1991, 2009, 2010	1.30	\$67.3	\$877.7
2019	1991, 2009, 2010	1.30	\$71.1	\$928.2
2020	1991, 2009, 2010	1.30	\$75.1	\$980.2
2021	<i>1991, 2009, 2010</i>	<i>1.30</i>	<i>\$78.1</i>	<i>\$1,019.4</i>
2022	<i>1991, 2009, 2010</i>	<i>1.30</i>	<i>\$81.3</i>	<i>\$1,060.1</i>

Projections in italics

For CY2020, the fund balance has exceeded the adequate target balance as of June 30, 2019. As a result, the agency’s CY2020 tax rate calculations will not include a solvency surcharge.

It should be noted that this is the first year that the state will not have a solvency surcharge in over a decade.

⁹ Treasury Direct Account Statement: Jun 2019

¹⁰ US Department of Labor: Financial Handbook 394 and Agency calculations

¹¹ Assumes 4% wage growth 2019 through 2021. The wages are based on calendar year data while the wages in Table 1 are based on fiscal year information.

Transparency of Funding (Proviso 83.3)

In accordance with FY2019-20 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) number and dollar value of improper unemployment benefits paid; 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.

Tax Collections by Tax Rate Class

South Carolina's employer tax rates are set on a calendar year basis in the late fall of each calendar year; i.e. Tax Rates for CY2018 were set in October 2017.

In CY2018, a total of \$321.8 million was paid into the UI Trust Fund from employer contributions to account for the payout of UI benefits and continue to assist with the Trust Fund rebuild to reach an acceptable solvency level¹³. Further, in addition to the base tax rate for benefit and trust fund rebuild surcharge, all businesses in the state are required to pay a 0.06% administrative contingency assessment, totaling approximately \$14.8 million for 2018.

Table 3 shows the estimated contributions paid for CY2018 by each tax rate class.

There are a large number of businesses operating in South Carolina that have an earned experience rating of tax class 1 due to their relative size and lack of layoffs over the preceding three fiscal years. Further, businesses with less than 12 months of liability are assigned a new business tax rate of class 12. This accounts for the large volume of businesses in that category in Table 3.

Note that any business with a delinquent contribution report or unpaid unemployment taxes is assigned to rate class 20, which accounts for the larger volume of businesses in that category.

TABLE 3: CONTRIBUTIONS BY TAX RATE CLASS, 2018¹²

TAX RATE CLASS	# OF EMPLOYER ACCOUNTS	BASE + REBUILD CONTRIBUTIONS	CONTINGENCY CONTRIBUTIONS	% OF TOTAL CONTRIBUTIONS
1	62,551	\$35,793	\$3,182,597	1.0%
2	556	\$3,719,703	\$596,749	1.3%
3	434	\$3,955,300	\$584,388	1.3%
4	595	\$4,156,570	\$543,972	1.4%
5	454	\$4,744,614	\$571,343	1.6%
6	307	\$5,366,504	\$577,222	1.8%
7	450	\$6,128,882	\$581,711	2.0%
8	541	\$6,374,142	\$562,169	2.1%
9	585	\$7,489,060	\$587,781	2.4%
10	691	\$7,702,550	\$536,947	2.4%
11	650	\$8,935,675	\$569,520	2.8%
12	28,614	\$26,605,683	\$1,403,458	8.3%
13	907	\$12,087,362	\$569,700	3.8%
14	992	\$19,810,837	\$536,699	6.0%
15	998	\$20,480,958	\$494,306	6.2%
16	1,150	\$24,381,378	\$529,839	7.4%
17	1,190	\$28,394,102	\$565,108	8.6%
18	1,755	\$28,539,017	\$497,633	8.6%
19	1,948	\$31,996,474	\$515,282	9.7%
20	8,519	\$70,943,556	\$752,025	21.3%
TOTAL	113,887	\$321,848,160	\$14,758,446	

¹² CY2018 internal reports as of August 12, 2019

¹³ Taxes for CY2018 are collected from Apr 2018 through Mar 2019.

State Unemployment Benefits Paid

In accordance with SC Code of Laws and Regulations, DEW administers the state's Unemployment Insurance program with a maximum weekly benefit amount of \$326, for up to 20 weeks.

Figure 2 shows the benefits paid by month from January 2008 through July 2019. Monthly benefit payments reached a peak in March 2009 at over \$98 million.

FIGURE 2: MONTHLY UNEMPLOYMENT BENEFIT PAYMENTS, JAN 2008 – JUL 2019¹⁴



¹⁴ United States Department of Labor, <http://workforcesecurity.doleta.gov/unemploy/claimssum.asp>

Unemployment Insurance Improper Payments

DEW maintains a Benefit Payment Control (BPC) function that is responsible for the prevention, detection, investigation, and initiation of legal proceedings of improper payments to claimants from the UI program. Table 4 provides information on the number of fraud and non-fraud overpayment cases detected by the agency for the period FY2018 through FY2019, as well as the dollar amounts associated with the overpayments.

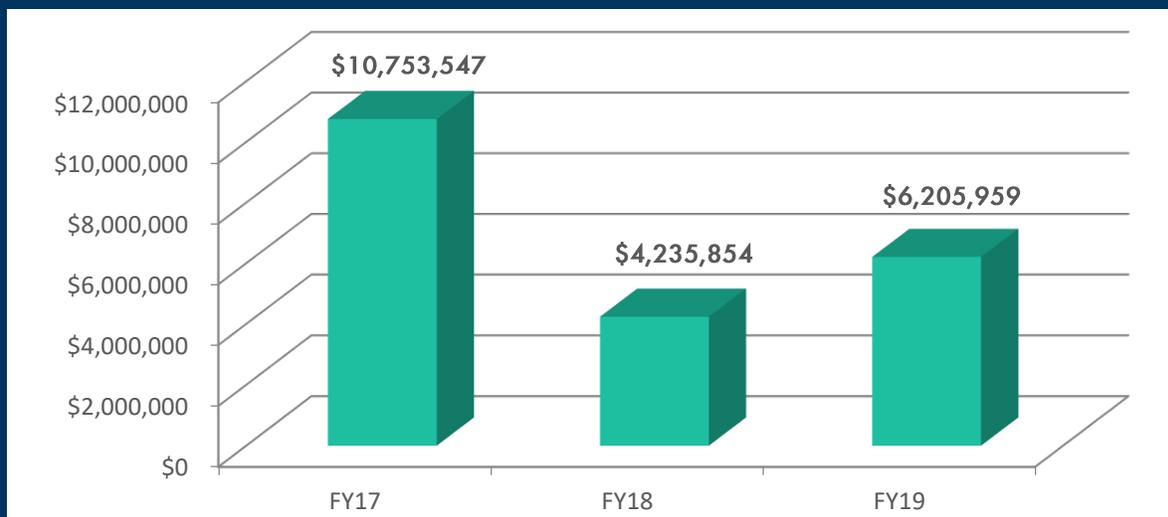
TABLE 4: IMPROPER PAYMENTS ESTIMATES, FY2017 - FY2018¹⁵

	FRAUD		NON-FRAUD		TOTAL	
	FY18	FY19	FY18	FY19	FY18	FY19
Cases	949	1,161	7,179	8,564	8,128	9,725
Dollars	\$1.3m	\$1.7m	\$4.3m	\$4.8m	\$5.6m	\$6.5m

Overall the dollars overpaid increased slightly between FY18 and FY19 by approximately 15.1 percent. The largest source of improper payments is claimants continuing to file for benefits after they return to work and failing to properly report their earnings.

The agency has several means of recouping 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. As overpayments decline, overpayment collections also tend to decline.

FIGURE 3: OVERPAYMENT COLLECTIONS FY2017-FY2019¹⁶



¹⁵ ETA227 overpayment detections for fraud and non-fraud

¹⁶ ETA227 overpayment recoveries for fraud and non-fraud

Unemployment Insurance Loan Payments

Between December 2008 and April 2011, the state of South Carolina borrowed approximately \$1 billion from the federal government to continue paying unemployment insurance benefits after the depletion of the UI Trust Fund. In coordination with the General Assembly, in 2011, the state restructured the unemployment tax laws in order to establish a loan repayment plan and rebuild the trust fund. In September 2011, South Carolina made its first voluntary repayment to the federal government.

As of June 11, 2015, all loans were repaid to the federal government through a combination of a one-time increase in federal taxes for tax year 2010 and ten voluntary payments made between 2011 and 2015. Table 5 provides detailed repayment information.

**TABLE 5: SOUTH CAROLINA UI LOAN PAYMENTS,
APR 2011 – SEP 2015¹⁷**

DATE	PAYMENT (MILLIONS)	REASON
Apr-Aug 2011	\$35.30	Increased federal tax required in 2010 ¹⁸
Sep-11	\$115.2	Voluntary Payment
Nov-11	\$68.8	Voluntary Payment
Mar-Jun 2012	\$0.3	Increased federal tax required in 2010
Aug-12	\$106.5	Voluntary Payment
Dec-12	\$0.004	Increased federal tax required in 2010
Mar-13	\$0.01	Increased federal tax required in 2010
May-13	\$144.02	Voluntary Payment
Jun- July 2013	\$0.0034	Increased federal tax required in 2010
Oct-13	\$75	Voluntary Payment
Nov-Dec 2013	\$0.012	Increased federal tax required in 2010
Apr-14	\$60	Voluntary Payment
May-Aug 2014	\$0.024	Increased federal tax required in 2010
Sep-14	\$126	Voluntary Payment
Nov-14	\$0.001	Increased federal tax required in 2010
Dec-14	\$75.00	Voluntary Payment
Jan-15	\$0.013	Increased federal tax required in 2010
Mar-15	\$75.00	Voluntary Payment
Jun-15	\$120.50	Voluntary Payment
TOTAL	\$1,001.70	

¹⁷ Treasury Direct Monthly Statements

¹⁸ For tax year 2010, SC employers experienced a 0.3% point increase in their federal unemployment taxes due to the outstanding federal loan. This additional tax collection was sent from the IRS to the federal Treasury to be applied to the state's outstanding loan balance. Due to amended returns, the state occasionally still receives some funding due to this 2010 tax increase.

Unemployment Insurance Trust Fund Balance

As of June 30, 2019 there was an unadjusted balance of \$1,050,622,227¹⁹ in the state’s UI trust fund held at the US Treasury in Washington DC. As shown in Figure 4, the balance in the UI Trust Fund declined steadily between June 30, 2002 and June 30, 2011 but has begun to recover over the past eight years. 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.

FIGURE 4: UI TRUST FUND BALANCE AS OF JUNE 30, 2002-2019



Conclusion

FY2019 was an important year for the South Carolina UI Trust Fund. The agency has restored the Trust Fund to a level that is considered adequate to withstand a moderate recession per state regulations and federal recommendations. Benefit payments continue to remain at historic lows as the state’s economy has continued to expand. Tax year 2020 will be the first year that no solvency surcharge will be imposed on the state’s businesses in over a decade.

¹⁹ Account Statement June 2019: http://www.treasurydirect.gov/govt/reports/tfmp/tfmp_utf.htm



SOUTH CAROLINA

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