

From: Veldran, Katherine

To: Haley Mottel (HaleyMottel@gov.sc.gov) <HaleyMottel@gov.sc.gov>

Date: 6/11/2015 9:51:47 AM

Subject:

A dramatic increase in unemployment claims during the Great Recession depleted the Unemployment Insurance (UI) Trust Fund in 36 states, including South Carolina.

With the state unemployment rate at 9.3%, South Carolina began borrowing from the federal government in December 2008 in order to continue making benefit payments.

In response, the General Assembly made reforms to both the tax and benefit systems during 2010 and 2011 to put the fund on a path to repay all loans by November 2015. This included:

- A reduction in the maximum weeks of unemployment from 26 weeks to 20 weeks.
- An increase in the penalties for misconduct and being fired for cause.
- An update to the tax system to provide for equitable distribution based on the usage of the unemployment system.

Borrowing continued in South Carolina from 2008 through April 2011. The loan reached its peak of \$977.7 million dollars in March 2011. South Carolina made its first voluntary loan payment in September 2011 for \$115.2 million.

To ensure the lowest possible federal taxes for all businesses and reduce the interest costs associated with the loan, SC has been proactive in making **early** and **voluntary** loan payments between 2011 and 2015.

- A total of 10 voluntary loan payments totaling over \$966 million were made by the state during this time.

The final payoff of the loan commenced with a payment of \$120.5 million dollars on June 10, 2015.

These early payments, including the final payoff yesterday, have saved taxpayers over \$13 million dollars in interest since 2011.

Several factors have helped to ensure the state met its goal of paying off the loan early:

- The pro-business climate that the state offers.
- The creation of thousands of new jobs since the end of the Great Recession.
- The hard work our state employees at DEW and partner agencies have done to reduce waste, combat fraud, improve customer service, and help match job-seekers with employers.

Katherine F. Veldran

Director of Legislative Affairs | Office of Governor Nikki Haley

O: 803-734-5124 | C: 803-767-7583

KatherineVeldran@gov.sc.gov