

SC Unemployment Agency Sending Bills For \$542,000

Seanna Adcox, Associated Press

COLUMBIA, S.C. (AP) — Nearly 400 nonprofits and public employers will receive bills totaling more than \$542,000 after South Carolina's unemployment agency mistakenly undercharged employers for three quarters.

The Department of Employment and Workforce is notifying employers this week of a computer programming error that resulted in \$8.6 million worth of paid-out benefits not being properly recorded. However, businesses won't be charged that amount.

The bills are going to so-called "reimbursable" employers — nonprofits, local governments and school districts that choose to be billed after laying people off in a pay-as-you-go system. The recalculations won't affect most businesses that pay unemployment insurance taxes into a trust fund based on their layoff history. But it will boost some into a higher tax rate for 2013, agency spokeswoman Adrienne Fairwell said Wednesday.

Exactly how many is not yet known, though Fairwell said it would be a small number. Tax statements go out in January.

The agency says the error stems from 2008, when a programming change allowed unemployed residents to begin filing for benefits on weekends. However, the software program that generated quarterly statements still operated under business days. So quarters that ended over weekends missed two days' worth of filings.

That first happened Dec. 31, 2011, a Saturday — then again March 31 and June 30 — before an audit in the third quarter caught the mistake, according to the agency.

"We certainly apologize for this error," said agency Director Abraham Turner. "We have since increased both the scope and depth of our audit processes, and have corrected the computer software programming error. ... We strive each day to make DEW a more business-friendly agency."

Sen. Kevin Bryant, who's been critical of the agency, said it's another agency problem burdening businesses.

"Employers are the ones having to pay for it," said Bryant, R-Anderson. "Our employers are trying their best to expand or just stay alive. Now they're hit with this early Christmas present. There's no legislation I can pass to fix incompetency."

But the head of the South Carolina Manufacturers' Alliance said the agency deserves credit for catching the glitch.

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"This was a time bomb," said alliance president and CEO Lewis Gossett. "They're auditing practices caught a problem they inherited. This is exactly what reform was supposed to accomplish."

Gossett helped lead the call to reform the former Employment Security Commission. In 2010, legislators overhauled the agency, changed its name and put it in the governor's Cabinet.

Gossett, who supports Gov. Nikki Haley, said the agency still has a ways to go but is doing much better.

State Chamber of Commerce CEO Otis Rawl called the error unfortunate and noted that businesses don't yet know how it will affect them.

"It's an unexpected liability, but in the big scheme of things, it's not affecting a whole lot of taxpayers," he said.

Under state law, the "reimbursable" employers that will be billed for what they owe have 30 days to pay. But the agency says it will allow them to enter an installment plan for up to a year, due to the circumstances.

The agency projects needing \$515 million in 2013 to pay weekly benefits and stay on track with its loan-repayment schedule to the federal government. The error did not alter that amount, Fairwell said.

The agency had to borrow nearly \$1 billion between December 2008 and spring 2011 to keep sending checks amid chronically high jobless rates. Also contributing to the depleted trust fund were agency management problems and legislative inaction on employers' unemployment insurance tax rates, unchanged from January 2004 through December 2010.

The 2010 reform law included a plan for paying back the federal government by 2015, which increased employers' rates.

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