



S.C.'s public debt: First the good news

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At a time when our state and national debts have reached mind-boggling levels, South Carolinians received some encouraging news recently:

The state's unemployment agency recently repaid \$75 million to the federal government ahead of schedule.

The payment by the S.C. Department of Employment and Workforce takes another big bite out of nearly \$1 billion borrowed from the feds for unemployment checks the state disbursed during the Great Recession.

Like many other states, South Carolina borrowed heavily from the federal government to pay greatly extended unemployment benefits during the recession.

We still owe nearly half of what we borrowed. But this recent \$75 million early repayment, on top of another \$144 million early repayment a few months earlier, will save state taxpayers an estimated \$2.4 million in interest costs, according to DEW.

Plus, by making these early payments the state has avoided higher federal unemployment insurance taxes for three consecutive years – good news for employers.

The Department of Employment and Workforce says the state remains on track to repay the remaining balance of the unemployment debt in 2015.

How we got into this mess is an old story: In short, there was sloppy management at the state's unemployment agency, and the unemployment tax rates that businesses paid were not being adjusted to keep up with declines in the economy that increased joblessness, and with federal mandates that greatly extended benefits.

Those were among the conclusions of the General Assembly's Legislative Audit Council.

The Audit Council's findings spurred the Legislature to retool the unemployment agency and restructure the state's unemployment tax rates. And to help offset the new rates, which were higher for some businesses, lawmakers provided \$223 million of combined assistance in fiscal 2012 and 2013.

It's looking like the state's unemployment overhaul worked, and I applaud the Legislature for tackling the heart of this problem like it did.

As the state's chief accountant, however, it's my unhappy duty to inform you that we're still swimming in a sea of red ink.

First there's the national debt. About \$17 trillion, it's truly inconceivable. You can go to usdebtclock.org to see the massive debt accumulating in real time.

But ah, we might tell ourselves, that's Washington's problem – they created this disaster let them deal with it.

I completely understand that sentiment. The truth of the matter is, though, it's going to be everybody's problem when the massive national debt comes due, and that's partly why we're in the midst of another federal government shutdown.

But beyond that, we have our own problems to worry about here at home.

The biggest debt crisis looming in South Carolina is the difference between how much we've accumulated to pay future retirement benefits earned by state and local government employees, including those already retired, and how much we'll be required to pay.

Called an "unfunded liability," it's a shortfall that totals \$15.6 billion in promised retirement checks. You can dress it up with a fancy name, but it's plain old debt. On top of that, we have another unfunded liability, or debt, of \$9.7 billion to cover the state's commitment to provide health insurance benefits for state and local government retirees.

Together, that's more than \$25 billion in retirement benefit payouts we're legally required to make, but we lack the money to cover.

Last year, the General Assembly passed legislation reforming the state retirement system. The changes will help slow down the growth in the debt, and I applaud lawmakers for taking those steps.

But to address the \$25 billion of existing retirement benefit debt, the reality is we must either trim the benefits that produced the debt, or provide more tax dollars to pay it off – or some combination thereof.

This is something I emphasize when I speak to citizens, because I really do believe we're setting ourselves up for a very hard fall. The real tragedy is that we're burdening our children and grandchildren with a crushing load of debt.

That's something we should all remember the next time state retirement benefits are debated. I don't have all the answers, but I know it will require strong medicine and shared sacrifice to deal fairly with this looming financial crisis.

Republican Richard Eckstrom, a CPA, is the comptroller general of South Carolina and commander of the S.C. State Guard.