

STIMULUS FOR OHIO: U.S. UNEMPLOYMENT COMPENSATION AID

Executive Summary

The federal stimulus act is paying extended or extra unemployment compensation benefits to hundreds of thousands of Ohioans and adding \$30 million to the state economy each week. At the same time, it also is saving money for the state and Ohio's employers.

Jobless Ohioans will receive more than \$1 billion in additional unemployment benefits because of the American Recovery and Reinvestment Act, most of it this year. Since April 1, more than 77,000 Ohioans who otherwise would have run out of unemployment compensation have started to receive additional payments under the extensions included in the law. They are also among the 336,000 jobless Ohioans getting an extra \$25 added to their checks each week.

This has bolstered families and communities across Ohio. Maintaining benefits allows jobless workers and their families to continue essential spending and at the same time helps local businesses and communities. Simulations by Moody's Economy.com indicate that each dollar spent on UC benefits generates \$1.63 in near-term Gross Domestic Product. If unemployed workers had no income coming in, they would further reduce their spending, leading to additional job loss and economic decline.

By waiving interest charges on Ohio's borrowings from the U.S. for its unemployment compensation trust fund, the act also helped Ohio employers avoid what likely would have been tens of millions of dollars in additional taxes. Meanwhile, the state trust fund is saving more than \$4 million a week because the federal government is picking up the full cost of another extended benefit program. An estimated 27,000 Ohioans are participating in this program. The act provided administrative funding for Ohio's UC system and for jobless Ohioans to avoid paying income taxes on the first \$2,400 of unemployment benefits.

However, Ohio has not fully taken advantage of the act. The state unemployment trust fund has received \$88.2 million because Ohio counts workers' most recent earnings if they are laid off and apply for UC, a positive reform approved years ago. But if the state enacts additional policies that will provide benefits to some of

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POLICY MATTERS OHIO

3631 PERKINS AVENUE SUITE 4C-EAST, CLEVELAND, OH 44114 • 216/361-9801 • FAX: 216/361-9810
1372 GRANDVIEW AVENUE SUITE 242, COLUMBUS, OH 43212 • 614/486-4601 • FAX: 614/486-4603

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1372 GRANDVIEW AVENUE SUITE 242, COLUMBUS, OH 43212 • 614/486-4601 • FAX: 614/486-4603

those who are currently excluded, such as part-time workers, it can obtain another \$176 million for its trust fund. Twenty-two other states already have taken such steps, which are needed to modernize a system that has not been updated to reflect the realities of today's workplace.

As much as the unemployment compensation benefits under the ARRA have helped hundreds of thousands of Ohioans, the payment of these and other benefits has only blunted the impact of the recession and can't be expected to turn the economy around. The duration and severity of the downturn also mean that many Ohioans will begin running out of UC benefits soon, even with the extended benefits provided by the ARRA. Congress will need to act to provide more help to those who are out of work and also to extend the act's benefits beyond 2009.

Policy Matters Ohio is a nonprofit, nonpartisan research institute dedicated to researching an economy that will work better for all in Ohio. Learn more about Policy Matters Ohio at www.policymattersohio.org.