Policy Matters Ohio

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Unemployment bill not the fix we need

Bill improved, but still whacks benefits, uses iffy numbers

Ohio Rep. Kirk Schuring has introduced a bill aimed at bringing financial stability to the Ohio unemployment compensation system. But an initial review of House Bill 382 shows that it is not a real solvency plan, although it has some improvements over previous bills. HB 382 would lower the standard for measuring solvency – and then wouldn't meet it even in 2030, according to an analysis by the Legislative Service Commission (LSC).

The bill doesn't go as far in slashing benefits as previous solvency bills, a notable advance, but there are cuts. It would freeze maximum benefits for an additional nine years beyond the two-year freeze already in place. According to the LSC, this means that by 2028 the maximum weekly benefit for most workers would be close to a third lower than it would be otherwise. It also would cut the maximum benefit for most workers to 24 weeks from the current 26, the standard in place in most states. Such benefit cuts would harm jobless workers and go beyond what is needed.

Ohio's fund is among the weakest in the country mainly because we undertax employers. Employer taxes remain below average, as they have been for all but a couple of last 20 years. Though the bill takes some positive steps to boost employer taxes, it increases the share of wages that is taxed to just $11,000, well under the national average of $13,782. This means the system will continue to struggle to generate the revenue needed to pay benefits. It also leaves in place flaws in the financing system that sap the fund of needed revenue.

Though the LSC analysis pegs the employer and employee contributions to the plan as nearly the same, that is based on several assumptions that bear more scrutiny. For instance, it includes a new employee premium that would only kick in once employees have worked enough to qualify for benefits should they be laid off. However, the fiscal estimates of the plan leave out this condition, overstating the premiums that would be paid. Estimates of the relative contributions by employees and employers also depend on the time period assessed; the employee share would be higher, for instance, if the analysis extended just to 2028 instead of 2030. An independent analyst should review the numbers.

The plan contains a number of provisions that are incompletely described, cumbersome and likely costly to administer, and will leave key decisions up to rules set by the Ohio Department of Job & Family Services (ODJFS). For example, the bill would allow the ODJFS director to reduce extra benefits paid to claimants with dependents "if the director finds that additional sources of household income reduce or eliminate the individual's need to receive up to the maximum weekly benefit for that dependency class." Another provision allows a full 26 weeks of benefits to those individuals who are laid off "because the individual's ability to perform the work depended on weather conditions." Ohioans who meet the already stringent conditions to qualify for unemployment benefits should be able to do so regardless of the weather.

"Including a new employee premium is a positive step, as Policy Matters Ohio has previously proposed, though this new form of one needs careful examination," said Zach Schiller, research director for Policy Matters Ohio. "Rep. Schuring has shifted the plan so it is a little closer to the true solvency bill that Ohio needs, but it cuts benefits too much, has provisions that aren't workable and it is not clear what the real split of its costs would be." Policy Matters Ohio will take a closer look at the 208-page bill and provide additional analysis.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.