Policy Matters Ohio

TESTIMONY
May 9, 2023

State budget | Unemployment

Testimony on HB 33 before the Senate Health Committee

Michael Shields

Good morning, Chair Huffman, Vice Chair Johnson, Ranking Member Antonio and members of the Subcommittee. My name is Michael Shields and I am a senior researcher at Policy Matters Ohio, a nonprofit, nonpartisan research organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to submit testimony on the biennial state budget, House Bill 33.

I will limit my comments to four provisions dealing with the administration of Unemployment Compensation (UC) benefits.

Unemployment benefits were first implemented by states as part of the Social Security Act in response to the crisis workers faced in the Great Depression. They protect displaced workers and their families against the immediate hardship of job loss; sustain the consumer spending that prevents an economic downturn from becoming a deeper and more prolonged recession; and preserve a pool of skilled workers for businesses to tap when they can grow again. To be effective, UC benefits must reach the workers who need them and be of sufficient amount and duration to enable those workers to navigate a period of joblessness long enough to find a new job that fully utilizes their skills and pays a livable wage. If benefits are inadequate, it leaves workers to scramble for the first job available. That not only hurts individual Ohio workers, but it also wastes potential to maximize economic output by fully tapping workers' skills.

Four of the UC provisions in HB 33 would hamper recovery by making it more difficult for Ohioans who lose their jobs through no fault of their own to access benefits; or by deducting money earned by workers at the time they need it most. These are 1) redundant and potentially conflicting new ID requirements; 2) slowing or blocking emergency federal benefits to jobless Ohioans in times of crisis by barring the governor from accepting them, 3) using workers' earned bonus, vacation, or holiday pay as an offset to UC benefits owed to them and 4) eliminating General Revenue funding for UC administration.

Identification Requirements

House Bill 33 would direct the head of the Ohio Department of Job and Family Services to create new identification requirements for claimants. However, stringent identification requirements already exist in Ohio law and administrative policy. They include requirements that claimants submit their Social Security number and driver's license or state ID number; and input personally identifying information into the OH|ID portal. These requirements were further enhanced by Senate Bill 302 of the last legislative session, based on work by the Unemployment Compensation Modernization and Improvement Council.

Creating a further mandate that the ODJFS director should enact ID requirements is not simply redundant: It has the possibility to create a conflicting set of rules that can change frequently with each new administration. Most importantly, more stringent ID requirements may delay the processing of claims for Ohioans laid off through no fault of their own and desperately in need of income to support their families as they seek new work. Having a set of standards that could change with each administration may even lead to mistaken denials of benefits for claimants who are eligible to receive them.

ODJFS Director Damschroder stated in his testimony on March 7 that the intent of the provision was to allow the director to stipulate alternative ID verification forms which officials at local employment offices could accept. Broadening the range of acceptable identifications would be a wise policy that could enable Ohioans lacking some ID forms to prove their eligibility to receive benefits. If this is the intent of the provision, then it should be modified to clarify this.

Protocol for accepting emergency federal aid

Ohioans need and deserve all the benefits available to help them through a crisis. This principle is embraced in current law. O.R.C. 4141.43.I states that:

> The director shall cooperate with the United States department of labor to the fullest extent consistent with this chapter, and shall take such action, through the adoption of appropriate rules, regulations, and administrative methods and standards, as may be necessary to secure to this state and its citizens all advantages available under the provisions of the "Social Security Act" that relate to unemployment compensation.

The General Assembly has empowered and required the ODJFS director to accept such benefits out of recognition that Ohio must have a mechanism to rapidly disburse such emergency funds to Ohioans in a time of crisis. In the most recent recession, Ohio failed to rapidly begin disbursing federal Pandemic Unemployment Assistance (PUA) benefits to the more than 1 million jobless workers who needed and would ultimately qualify for them because they were left out of Ohio's regular benefits system. Those benefits did not begin until mid-May 2020, even though Gov. DeWine signed an agreement with the U.S. Department of Labor to enable Ohioans to receive the benefits on March 28, 2020, immediately after Congress approved them.

When benefits did arrive, they were a lifeline to Ohioans displaced from work by COVID-19. ODJFS reported that more than 2.3 million Ohioans ultimately received nearly $24 billion in UC benefits between March 15, 2020, and September 26, 2021, more than four-fifths of it paid by the federal government. Besides PUA, those benefits also included supplements to the usual amount and extensions of the duration of benefits. Those federal supports helped Ohioans put food on the table and pay the mortgage in a time of crisis, and thereby sustained the consumer spending that kept countless Ohio businesses afloat. They also ensured that once the stay-at-home order lifted, laid-off Ohioans would have a job to go back to. Former Federal Reserve Board vice chair Alan Blinder and economist Mark Zandi of Moody's Analytics found that during the Great Recession, every dollar of unemployment insurance resulted in a $1.61 increase in economic output.[1] The Economic Policy Institute found that consumer spending from enhanced federal UC benefits supported nearly 130,000 jobs in the early recovery from the COVID recession.[2] ODJFS was clear on the matter in a 2014 filing: "When the unemployed cut back on spending, the business owners that serve them lose. By cushioning the fall in these families' incomes, unemployment insurance not only helps the families that receive it, but also prevents further production cuts and layoffs."[3]

---

[1] *Blinder, Alan and Mark Zandi, The Financial Crisis: Lessons for the Next One (Oct. 15, 2015), https://bit.ly/3s3NL8g*

[2] *Bivens, Josh, "Cutting off the $600 boost to unemployment benefits would be both cruel and bad economics," the Economic Policy Institute, June 26, 2020, https://www.epi.org/blog/cutting-off-the-600-boost-to-unemployment-benefits-would-be-both-cruel-and-bad-economics-new-personal-income-data-show-just-how-steep-the-coming-fiscal-cliff-will-be/*

[3] *Ohio Department of Job & Family Services, Business Impact Analysis under the Common Sense Initiative, Regulation/Package Title 41421-15 Contribution Rates, Rule Numbers 4141-15-01, 4141-15-07, April 29, 2014. ODJFS also noted that, "Generally, the rules in Chapter 4141 of the Ohio Administrative Code help to support an Unemployment Insurance (UI) system that has been found to have a net positive impact on the economy, with substantial benefits to the business community as a whole."*

When Gov. DeWine joined with the half of the states that cut off $300 weekly Pandemic Unemployment Compensation payments early, he opted Ohio into the cohort that restored jobs more slowly than the states that retained them, according to Associated Press analysis.[4]

Enhanced federal benefits were especially vital in this most recent recession because Ohio law excludes so many low-paid Ohioans from ever receiving benefits under the state system, including the very workers most displaced from work due to COVID-19. Some 800,000 Ohioans are excluded from regular Ohio UC benefits primarily due to low pay. As of 2022, a minimum wage worker working up to 32 hours per week would never qualify for benefits under Ohio's system.

When the next recession arrives and Congress extends additional benefits, unemployed Ohio workers will need the help and should receive it immediately, as Ohio law currently recognizes and provides for.

Bonus, Vacation and Holiday pay

House Bill 33 contains a provision that would offset bonus and vacation pay owed to the worker by deducting it from unemployment benefits paid. Bonus, vacation and holiday pay are earned income that workers have qualified for during the time they were employed. Deducting them from UC benefits is not only unfair, but it also exacerbates the hardship of joblessness by taking away earned income at the time the worker needs it most.

General Revenue funding for UC Administration

A well-functioning UC administration system requires adequate funding from the state. When COVID-19 caused the most recent recession, thousands of Ohioans waited weeks or months to receive their benefits. Gov. DeWine has sought $60 million in both FY2024 and FY2025 in the executive budget, but the House has zeroed out this line item (600445). ODJFS has projected using $53 million in FY2023 on UC administration including $40 million from this line item and $13 million from American Rescue Plan dollars.[5] It is vital that the Senate restore dedicated funding to administer the system that distributes income to Ohioans who have lost their jobs through no fault of their own.

Conclusion

House Bill 33 provisions that would create additional ID verification mandates and take away the existing mandate to accept emergency federal funds on behalf of the Ohioans who need them could delay or block critical benefits to Ohio workers in a time of crisis. Benefit reductions for bonus, vacation and holiday pay would take money out of the pockets of Ohioans who have earned it, at the time they need it most. I urge you to remove these provisions.

Thank you.

---

[4] Associated Press, "States that cut off oc jobless aid see no surge in job seekers," Oct. 22, 2021, https://www.pbs.org/newshour/economy/states-that-cutoff-of-jobless-aid-see-no-surge-of-job-seekers

[5] Suveksha Bhujel and Ryan Sherrock, "Redbook: LBO Analysis of Executive Budget Proposal, Department of Job and Family Services," Legislative Budget Office, March 2023, https://www.lsc.ohio.gov/assets/legislation/135/hb33/in/files/hb33-jfs-redbook-as-introduced-135th-general-assembly.pdf