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**Testimony of Zach Schiller
On SB 116 before the
Senate Finance & Financial Institutions Committee
April 24, 2007**

Chairman Carey, Ranking Member Miller, other members of the committee: My name is Zach Schiller, and I am research director of Policy Matters Ohio, a nonprofit, nonpartisan research institute with offices in Cleveland and Columbus. I am here today to testify in support of Senate Bill 116.

Many older Ohioans work, and they should get the same benefits if they become unemployed as younger workers do. Unemployment taxes are paid on their wages, as with other workers.

Today, 41 states and the District of Columbia do not have a Social Security offset against unemployment compensation. Another eight states have a 50 percent offset. Ohio is in the company of only Puerto Rico and the Virgin Islands among U.S. jurisdictions that still have a 100 percent offset. We are out of the step with the nation.

The Department of Job & Family Services estimated in 2005 that it would cost \$12.4 million a year to completely eliminate the offset, based on the benefits that an average 2,360 workers who are annually affected would receive. The department further estimated that it could cost a total of \$15 million if others who would be eligible but do not file for benefits decide to do so. Similarly, the AARP estimated the annual cost at \$13 million early last year.

Ohio's unemployment trust fund needs bolstering. However, that is not a good reason to discriminate against older Ohioans who become unemployed. Every other state, including some with weaker trust funds than Ohio's, has concluded that a 100 percent offset is inappropriate. For example, Michigan, Missouri, New York and North Carolina all have no offsets, though their trust funds if anything are in worse shape than Ohio's. West Virginia and Pennsylvania approved the elimination of their offsets in 2005. Every state neighboring Ohio has eliminated the offset altogether. Since the end of 2002, according to the National Employment Law Project, 11 states and the District of Columbia have repealed their offsets and Utah has gone from 100 percent to 50 percent.

Last year, the Ohio system paid out more than \$1 billion in benefits. Thus, the \$13 million to \$15 million annual cost is modest in comparison with total benefits paid. An overhaul of the unemployment tax system to generate more revenue is needed regardless of any change in the offset. Trust fund levels are driven by the state's economy and payroll tax levels, which have been lower than the national average.

It may seem that a 50 percent offset is reasonable. I disagree. If it is unfair to reduce unemployment benefits because a claimant also is receiving Social Security, it remains so at a 50 percent reduction. A 50 percent offset does not mean that claimants will get 50 percent of their unemployment benefits.

Suppose someone, call her Josephine, works at \$8 an hour for 30 hours a week, making \$240. She would be eligible for \$120 in weekly unemployment benefits. However, if she had a monthly Social Security check of \$800, or \$200 a week, a 50 percent offset would reduce unemployment benefits by \$100. She would wind up with just \$20 a week in unemployment compensation. Jobless Ohioans who work at lower wage levels would be especially disadvantaged by a 50 percent offset.

For these reasons, the complete elimination of the offset called for in SB 116 is an appropriate step for Ohio. Thank you for allowing me to testify.