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Less than one year left until Ohio loses $176 million for unemployment compensation

Ohio now has less than one year to take steps to modernize its unemployment compensation, or it will forfeit $176.3 million in federal funds.

The American Recovery and Reinvestment Act set aside $7 billion for states that take steps to bring their unemployment compensation systems into the 21st century. Ohio's full share of these funds is $265.5 million. So far, we have received $88.2 million – a third of the total – because Ohio counts workers' most recent earnings when they apply for benefits, a reform we enacted many years ago. Many states never did so before ARRA.

However, Ohio has not taken the steps necessary to qualify for the remaining $176.3 million. The act provides that states must approve two of four additional steps to qualify for the additional funds. The steps include:

1. Benefits to those seeking part-time work;
2. Extended benefits to individuals in approved training;
3. Benefits to individuals who leave work for compelling family reasons (domestic violence, transfer of a spouse, illness of an immediate relative); or
4. A minimum $15/week dependent allowance, up to $50 a week

Thirty-two states and the District of Columbia now have adopted at least two of these policies.[1] The proposals have won bipartisan backing in states all over the country – this year, for instance, Republican legislatures in South Carolina, Nebraska and South Dakota approved modernization bills taking full advantage of the available U.S. funds, with support from Republican governors. Maryland and the District of Columbia, where Democrats are in control, also approved such bills this year. So did Alaska and Rhode Island, where no party holds full sway. In South Carolina, the legislature approved eligibility for those seeking part-time work and coverage for workers who leave work due to compelling family circumstances such as domestic violence.[2]

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[1] National Employment Law Project, "Recovery Act's Unemployment Insurance Modernization Incentives Produce Bipartisan State Reforms in Seven States in 2010," July 28, 2010, available at http://www.nelp.org/page/-/UI/2010/modernization.update.pdf?nocdn=1. Since the NELP report was published, Rhode Island has also qualified for full funding. Email from Rebecca Dixon, NELP, August 17, 2010.

[2] The legislature there also approved the "alternate base period," under which applicants' most recent earnings are counted.

Altogether, 28 states now have adopted part-time eligibility. Ohio has more than a million part-time workers, who make up more than a fifth of the workforce. Two-thirds of Ohio's part-time workers are women.[3] Employers pay unemployment taxes on the first $9,000 in wages of these workers each year, even though they would not qualify for benefits if they were laid off and sought a job with the same hours as the one they had lost.

Under another option, the state would extend unemployment compensation to jobless workers for up to an additional 26 weeks if they were in approved training programs. Sixteen states have adopted this practice. This would square with recent changes in Ohio state policy that expanded the kinds of training in which unemployed workers could participate while receiving regular state UC benefits. The U.S. Department of Labor says:

> "Everyone, including employers, benefits from a trained workforce. Unemployed workers often do not enter into a course of training because they lack wage replacement during the period of the training. Also, some workers may drop out of training when their regular UC expires. Providing for additional training benefits helps these workers to complete their training and find a good job."[4]

Two dozen states have approved allowing workers to receive unemployment benefits if they are caring for a sick immediate relative, while larger numbers offer benefits to victims of domestic violence (32) and those following a spouse to a job elsewhere (26).[5] Eight states have adopted the $15/week dependency benefit.

The $176.3 million would reduce Ohio's unemployment trust-fund debt to the federal government, which stood at $2.3 billion as of Aug. 24. This also would save millions in dollars in interest on that debt that will be incurred beginning in January, when a federal waiver on interest payments expires.

The cost of these additional benefits is not great compared to existing benefit levels. Dr. Wayne Vroman of the Urban Institute, one of the nation's leading experts on unemployment compensation, has made preliminary estimates for the Ohio Department of Job & Family Services.[6] Vroman estimated roughly that liberalized training benefits would cost $18.7 million a year, while permitting those seeking part-time work to qualify would cost between $15 million and $38 million (the increase is 1.33 percent of the total benefit payout, but the range varies based on overall benefit payouts between 2007 and 2009). Even using the $38 million figure, which is based on a high level of unemployment claims, the federal money would pay for the benefits for part-timers and those in training for more than three years.[7]

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[3] U.S. Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, Table 16, Employed and unemployed persons by full- and part-time status, sex, age, race, and Hispanic or Latino ethnicity http://www.bls.gov/opub/gp/pdf/gp09_16.pdf

[4] U.S. Department of Labor, Employment and Training Administration, Training and Employment Notice No. 27-09, Jan. 29, 2010, available at http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2851

[5] Numbers provided by Rebecca Dixon of the National Employment Law Project, Aug. 23, 2010.

[6] Vroman emphasized that the estimates may contain a sizeable margin of error, and asked that ODJFS review them. However, department officials have not been able to do so yet. See Memo from Wayne Vroman, "Cost Estimates of 'UI Modernization' – Update," Revised April 21, 2010, and email from Laura Abu-Absi, ODJFS, Aug. 24, 2010

[7] Vroman also estimated the annual cost of benefits for covering quits for compelling family reasons at $33 million a year. He calculated that converting Ohio's dependency benefits to $15 per dependent per week, as in the federal law, would save the trust fund money, while adding it on top of the existing dependency system would cost $35 million annually based on 2009 payouts (an increase of 1.2 percent).

The U.S. Department of Labor, which oversees the program, will not consider applications received after August 22, 2011.[8] Thus, Ohio now has less than one year to act. However, as long as the state approves the necessary provisions and applies by that date, they could take effect as late as September 2012.

Congress expected that states would make these changes for more than a brief, temporary period, and forbids states from writing a sunset into their laws.[9] However, states are allowed to modify or repeal the provisions if they are not meeting state needs. If it is concerned about the cost of the provisions, the Ohio General Assembly could write into the authorizing bill that benefits supplied under it are to be tracked, and a committee could review the performance of the program.

Ohio needs to update its unemployment compensation system for today's workplace. The state has persistently paid unemployment compensation to a smaller share of jobless workers than other states; in the year ended March 31, Ohio ranked 43rd in the country in the proportion of unemployed getting regular state benefits.[10] Ohio should include more of its workers who meet all the other qualifying criteria and whose employers have paid taxes to insure them. We should aid jobless workers to get the training they need. And we should not forfeit $176 million in federal funds that will disappear less than a year from now.

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[8] U.S. Department of Labor, Employment & Training Administration, Unemployment Insurance Program Letter No. 14-09, Feb. 26, 2009, available at http://wdr.doleta.gov/directives/attach/UIPL/UIPL14-09a.pdf

[9] "Each state's application for incentive payments must contain a certification that the application is submitted in good faith with the intention of providing benefits to unemployed workers who meet the eligibility provisions on which the application is based," the DOL said in describing the program. See U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Program Letter No. 14-09, Change 1, March 19, 2009, available at http://wdr.doleta.gov/directives/attach/UIPL/UIPL14-09c1a1.pdf

[10] See U.S. Department of Labor, Employment and Training Administration, UI Data Summary, 1st Quarter 2010, available at http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum10/DataSum_2010_1.pdf