Fix jobless fund

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As one of every 11 Ohio workers remains jobless, it's essential that the state operate a solvent, efficient system of unemployment compensation. Timely payment of jobless benefits helps keep families out of poverty and injects needed cash into the state's economy.

But a new report warns that Ohio's unemployment insurance trust fund is broke, leaving the state critically vulnerable to a prolonged recession. Unless state officials act now to shore up the system, the nonpartisan research group Policy Matters Ohio says, the state and private employers will owe the federal government nearly a half-billion dollars in taxes and interest by 2013.

That money needs to stay in Ohio. And it can if the state replenishes its unemployment insurance fund adequately, to limit further borrowing from Washington. That starts with raising the ceiling on workers' wages that are subject to business taxes to support the fund.

Employers pay taxes on the first $9,000 of their workers' annual wages. Policy Matters Ohio notes that this wage ceiling has not risen since 1995, and is below the national average. For 11 of the past 12 years, the report says, Ohio has collected less in unemployment taxes from employers than it has paid out in benefits.

The typical Ohio employer now pays less than a cent in unemployment tax for each dollar of wages he or she pays, the report adds. Because tax revenue has been inadequate to pay jobless benefits, especially as unemployment has spiked in Ohio, the state has had to borrow from Washington to make up the difference.

Even then, only 22 percent of jobless Ohio workers collect benefits; that rate is at a 25-year low. Those benefits are hardly generous: The typical payment is less than $300 a week -- below the national average, lower than in 2008, and not enough to keep a family out of poverty.

The Policy Matters report pegs the state's debt to the federal government for jobless costs at $2.3 billion. That money is not a grant; it must be repaid with interest. Starting next year, Ohio businesses will pay $21 more in unemployment taxes for every worker who makes more than $7,000 a year -- a disincentive to hiring.

These taxes will rise each year to help retire the debt. Even so, the report estimates that the federal bill borne by employers and the state for taxes and, wastefully, interest on the debt will amount to $473 billion by the end of 2013.

Legislation before the U.S. Senate would provide a two-year moratorium on such debt and interest payments. But there's no guarantee Congress will offer such breathing room, any more than it will agree to extend federal benefits for long-term unemployed workers. Without an extension, more than 57,000 Ohioans stand to lose their benefits in January.

Meanwhile, Ohio's system is perilously close to insolvency. That could force the state to cut benefits or eligibility or both -- measures that would create hardships not only for jobless workers and their families, but also for the state economy.

There's a better way. The Policy Matters report notes that if the state had indexed the wage base for unemployment-compensation taxes to inflation the last time that base was increased in 1995, today the first $13,330 of each worker's annual wages would be subject to taxation.

Raising the taxable wage base would be more efficient for businesses and fairer to workers than lurching from crisis to crisis. Taxes still would be levied on barely one-third of wages paid in the state.

Last summer, Gov. John Kasich's administration and lawmakers ignored an opportunity to get $176 million in federal aid by modernizing Ohio's unemployment system and expanding benefit eligibility. Such neglect cannot continue.

The report concludes the threat to Ohio's unemployment insurance system "is not so much a product of the poor economy as it is the result of poor policy." State officials have an opportunity, and a responsibility, to correct that policy.