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Ohio Underfunded Unemployment Compensation Report examines why state owes more than \$1 billion to the U.S.

Ohio's unemployment compensation system is more than \$1 billion dollars in debt to the federal government primarily because it was underfunded for years, according to a new Policy Matters Ohio report issued today.

"Taxes for unemployment compensation in Ohio are lower than average, and come to less than a penny per dollar of wages," noted Zach Schiller, Policy Matters Ohio research director and report author. "Ohio did not put enough money into its fund to prepare for bad times; we entered the last recession tied for the third-lowest solvency of any state in the country."

The small share of employee earnings that is taxed is a key weakness in the system: Ohio employers pay tax on just the first \$9,000 in each employee's wages each year. This tax base is well below the national average of \$13,259. It is also below the level it would be – \$14,070 – if it had been adjusted for inflation since it was last changed in 1995. "This amount needs to be raised and indexed," Schiller said. The report also recommended eliminating requirements in Ohio law that have led to cuts to employer tax rates even while we have a billion-dollar debt.

Big increases in the number of unemployed and in long-term unemployment during the recession increased the benefit payout and contributed to our debt, the report found. However, benefit levels – and share of jobless Ohioans who get benefits – are not high. The average weekly benefit in the year ended June 30 was \$322.97, which is not enough to keep a family of three above the official poverty line. "Ohio has a very high earnings requirement to qualify for unemployment benefits, and fewer unemployed qualify here than across the country," Schiller noted.

An Ohio House committee has held hearings on the unemployment debt issue across the state in the past few months. After years of underfunding this crucial system, Ohio must face the need for more adequate financing and a higher taxable wage base.

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