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Bill to make unemployment compensation system solvent misses its target

Big benefit cuts would put Ohio out of step, Policy Matters testifies

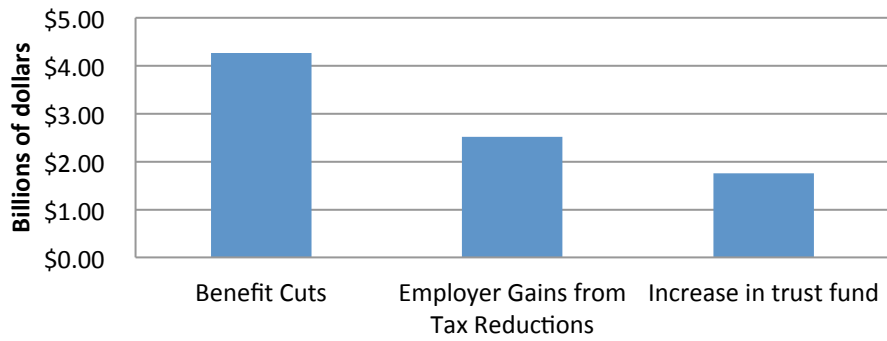
A bill in the Ohio House that would overhaul Ohio's unemployment compensation system would not make the system truly solvent even while it would impose barriers to benefits that go beyond what any other state has done. That was the gist of testimony prepared for delivery today at the Ohio House Insurance Committee by Policy Matters Ohio Research Director Zach Schiller.

House Bill 394 is not a balanced package, Schiller noted. Unemployed workers will shoulder the entire cost of the bill. According Ohio Department of Job & Family Services estimates, the bill would cut nearly \$4.3 billion in benefits from unemployed workers between 2017 and 2025. But most of this – \$2.5 billion – would provide tax cuts to employers, not an improvement in solvency (see chart below). Schiller also said that:

- It is not a true solvency package. According to information provided by the bill sponsor, the system will remain more than \$1.3 billion short of the new minimum safe level in 2025 – and that relies on the unrealistic assumption that there will be no recession for another 10 years.
- It misdiagnoses the reasons for Ohio's solvency problem. The key reason why our fund went broke is that it was underfunded for many years. Employer taxes in Ohio have been below the national average. Yet the bill would not produce more revenue, but less – considerably less.
- The bill's reductions in benefits, and access to benefits, would take Ohio well outside the mainstream. They would make our UC program among the most restrictive in the country. No other state has imposed the barriers to access contained in the bill. These changes would disproportionately impact regions with higher levels of unemployment and slower job growth, such as our Appalachian counties and many of our cities.

“Ohio needs to come up with a solution to adequately finance its unemployment compensation (UC) system. Unfortunately, House Bill 394 is not the right solution,” Schiller said.

HB 394 Funding Changes to the Unemployment Compensation System, 2017-2025



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