

Unemployment compensation solvency plan offered Proposal would avoid benefit cuts, make system financially sound by 2025

Policy Matters Ohio today outlined a balanced plan to make the state's unemployment compensation (UC) trust fund solvent while also modernizing the system to allow more low-wage, part-time workers to qualify. That distinguishes it from pending legislation, House Bill 394.

In testimony to the Unemployment Compensation Reform Joint Committee, Research Director Zach Schiller and Workforce Researcher Hannah Halbert noted that House Bill 394 is a "up-side-down non-solution to our solvency problem." HB 394 was based entirely on extreme cuts in benefits, provides a major tax cut to employers, and according to its sponsor's own estimates, leaves the fund far short of solvency even by 2025.

"HB 394 and the framework on which it was built should be scrapped," Schiller testified.

Instead, the nonprofit research organization offered a proposal that it developed with the help of analysis from Dr. Wayne Vroman of the Urban Institute, a leading authority on UC financing.

Today, Ohio's UC system is paid for through a tax on employers. The proposal would raise the amount of wages that employers pay taxes on, as well as the top tax rate, while fixing a flaw in the tax system to make it respond more effectively when the fund is not fully solvent. It would reduce Ohio's earnings requirement to qualify for benefits, now one of the nation's most stringent, which contributes to the low share of jobless Ohioans who receive UC benefits. And it would institute a new, low-rate employee tax. That would cost a worker making \$40,000 a year less than a dollar a week.

"An employee tax offers a way for workers to contribute to the solvency of the trust fund without imposing benefit cuts on Ohioans when they are unemployed," Schiller said. Employers would remain the major funders of the system, and would pay more than they do now, since the low level of employer taxes is the primary reason Ohio's UC trust fund went broke. The plan was submitted to members of the joint legislative committee reviewing the UC system and the Kasich administration last month.

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