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Changes to Critical Unemployment Compensation Reform Bill On the Way

Last week in the [House Insurance Committee](#), Rep. Barbara Sears previewed potential amendments that are likely to be offered on Tuesday to House Bill 394, legislation aimed at [fixing Ohio's broke and broken unemployment compensation system](#). Among the proposed amendments are ones that would alter how unemployment benefits are offset against Social Security benefits, address concerns from the construction industry, and clarify how lockouts are treated. Despite these proposed changes, labor and anti-poverty groups continue to [oppose the bill](#). Given the fact that [the only recommendation](#) of these groups is to make no changes to benefits and hike taxes on employers, this continued opposition is unsurprising.

As all employers in the state know firsthand, Ohio still owes the federal government \$770 million dollars from loans obtained to pay benefits during the last recession. This has led to a 400 percent increase in the federal unemployment tax (FUTA) due to penalties assessed on employers for the state not timely repaying the debt. Though HB 394 does not eliminate the outstanding debt, which is scheduled to be paid off in 2017, it does address core issues with the unemployment system to provide for its long-term solvency. In essence, though the bill doesn't ease the short term pain of the higher FUTA, it does attempt to restructure the system to prevent history from repeating itself.

The bill raises the taxable wage base on which employers pay state unemployment tax from \$9,000 to \$11,000 per employee, but only until the fund reaches minimum safe level (MSL), at which time it would drop back to \$9,000. If the fund drops below 50 percent of MSL, the wage base would automatically increase back to \$11,000. This allows the fund to be replenished when necessary but doesn't unnecessarily take more money from businesses than is needed to maintain solvency.

The bill, as currently drafted, also reduces the number of weeks an individual can receive unemployment compensation from 26 to a sliding scale from 12 to 20 weeks, depending upon the current state unemployment rate. This approach modernizes the unemployment compensation system to take into account the current job market in the state when setting length of compensation. This type of sliding scale approach to determining the number of weeks benefits are payable has become common in states looking to address solvency issues. Right now, Florida, Georgia, Kansas, North Carolina, and, most recently, Missouri, have instituted a similar sliding scale approach.

This bill is a balanced approach to fixing Ohio's broken unemployment compensation system. If nothing is done to address the issues with the system, history is likely to repeat itself and the flawed system will at some point become insolvent yet again. The time to act is now, while unemployment is low and before another economic downturn. To do nothing would be irresponsible.

There will be another hearing on HB 394 on Tues., Jan. 19th, where a substitute bill with some of the aforementioned amendments is likely to be introduced.

Ohio Chamber Staff Contact: Don Boyd, dboyd@ohiochamber.com.