

December 5, 2016

New Unemployment Insurance Bill Introduced—Action Expected by Year's End

Last week, two identical bills to fix the systemic problems with the unemployment insurance system in Ohio were introduced—House Bill 620 and Senate Bill 374. These bills are a result of the [joint-committee](#) process that the legislature put together over the summer and early fall to examine the problems with the system and possible solutions after a previous bill, House Bill 394, drew significant opposition. The new bills, though not as expansive as HB 394, still would implement a balanced approach to fixing Ohio's unemployment system by addressing both what is paid in by employers and what is paid out in benefits. The Ohio Chamber [testified in support](#) of both bills last week.

The bills increase by 22 percent, from \$9,000 to \$11,000, the employee wage base on which employers pay taxes. This would be consistent with the trend in other states that have recently addressed solvency concerns, and would make Ohio's tax base higher than all surrounding states except West Virginia. Further, the bills raise additional revenue by increasing the minimum safe level (MSL) tax from 0.2 to 0.3 in the rate calculation. The MSL tax is collected at varying levels based on where unemployment insurance trust fund balance is in relation to the minimum safe level. It is multiplied by an employer's base rate, which is experience-rated, to come up with, in essence, an effective rate for the state unemployment tax. This tax increase would be removed, just as the MSL tax under current law would be removed, once solvency is reached. It would also resume if the fund would get in trouble in the future. Thus, it raises revenue when necessary but does not take more from employers, and out of the economy, than needed.

To balance these provisions requiring employers to pay more, there are three adjustments to benefits. Because Ohio is an outlier both in having a dependency benefit and in how it is calculated, the bills would alter the law to be more in line with other states. The bills would also adjust the number of weeks an individual is able to receive unemployment compensation benefits, reducing the maximum from 26 weeks to a sliding scale of between 20 and 26 weeks, depending upon the current unemployment rate in the state. The higher the unemployment rate, the more weeks individuals would be eligible to receive unemployment benefits. Finally, the bills would temporarily freeze benefits at their current levels until the minimum safe level is reached. This is a critical part of the balanced approach of the bill. Benefits will be frozen during the same time period that employers are paying higher contributions due to the MSL tax. This creates give and take on both sides to address solvency. Once MSL is reached, benefits will unfreeze and the MSL tax will come off.

These bills are a fair fix to Ohio's broken unemployment insurance legislation and will help achieve long-term solvency. Action on this important issue must be taken now. If it is not, we are just pushing off the problem for another day—another day when the system will be in even worse shape and the potential solutions will be even more difficult to achieve.

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