Ohio workers and businesses would pay more toward unemployment comp system, new bill says

When it comes to fixing Ohio's unemployment compensation fund, state lawmakers have been on the struggle bus for decades. Can they fix it now?

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At the Ohio Statehouse, whoever decides to fix the broken unemployment compensation fund takes on the role of Sisyphus – the character in Greek mythology whose eternal punishment is repeatedly pushing a boulder uphill.

State Rep. Bob Peterson, R-Sabina, said he feels like Ohio's Sisyphus as he tries, once again, to fix to the nearly 95-year-old system.

For years, Ohio's unemployment system has been a giant mess, bogged down by inadequate financing, antiquated computer systems, spikes in claims, customer service issues and rampant fraud and theft.

Business groups, labor leaders and state officials have known about the problems for decades but have failed to muster the political will needed to fix it. Neither side can agree on whether to slash benefits, raise taxes or do a combo of the two.

Details of the latest fix to Ohio's unemployment system

Peterson introduced a bill June 4 that calls for spreading the burden between workers and businesses. The two main elements are:

- Raise the taxable base wage to $9,500, up from $9,000. This would raise $23.8 million a year in additional money.
- Require employees to contribute 0.14% of their paycheck if they work for a company with a "negative" rating, meaning the company takes more out of the system than pays into it. This would raise $25.2 million a year.

About 250,000 employers pay into the system, including about 15,000 who are negatively rated.

Currently, the fund has about $2 billion but it's projected to run out of money by 2033 unless changes are made. Peterson's proposal would extend the solvency of the fund by two years.

"There is more work to do, and I hope to add to this bill in the near future as we work through the committee process and figuratively keep pushing this boulder up the hill," he said in his written testimony.

He said he is open to advancing the stand-alone bill or folding it into the state budget bill, which is expected to win approval by the end of June.

Kevin Shimp, an attorney for the Ohio Chamber of Commerce, urged lawmakers to make even more changes, including reducing the weeks of benefits employees can receive from 26 to 20 and boosting the tax rate for negatively rated employers. Those additional changes would generate $200 million from each side, he said.

Shimp said changes backed by the chamber would extend solvency through 2036.

Labor groups oppose cutting benefit weeks.

ACT Ohio Executive Director Matt Szollosi, a former lawmaker, said cutting benefits would hurt the construction industry and its supply of workers.

What is the unemployment comp fund?

Started in the 1930s, the unemployment system is a state and federal partnership to provide cash to jobless workers. It's funded by a tax that employers pay on their payroll. Also factored in is how many unemployment claims an employer has had over the previous three years.

The tax, though, is applied to the first $9,000 of a worker's pay – a base that hasn't changed since the mid-90s.

Why is the system broken?

When recessions hit and people lose their jobs, the demand on the unemployment system rises. Following recessions in the 1970s, 80s and 90s, Ohio increased taxes to replenish the system. The state made modest increases after the recessions of 2001 and 2007-2008.

Ohio's trust fund, though, hasn't met the generally accepted solvency standards since 1974.

The fund went broke in January 2009, forcing Ohio to borrow $3.4 billion from the federal government and pay interest on the debt. Again, during the economic downturn tied to the COVID-19 pandemic, Ohio had to borrow $1.5 billion to keep issuing unemployment checks.

Decades of boom and bust

Here is a look at key dates in the history of the system:

April 9, 1931: During the Great Depression, state lawmakers created the Ohio Unemployment Insurance Commission to study whether the state should set up a jobless insurance fund.

1935: The Social Security Act provides the framework for states to set up unemployment insurance funds.

December 16, 1936: Ohio enacted the Ohio Unemployment Compensation Law.

January 1950: Jobless benefits hit an all-time high. The Ohio General Assembly raised the maximum payments to $25 for 26 weeks, up from $21 for 22 weeks.

July 1963: Ohio increased employer contributions to the fund, which dwindled from $686 million in 1956 to $108 million. The changes also required workers to work more weeks to qualify for benefits and women who lost their jobs because of pregnancy wouldn't be eligible until they gave birth and only if their old jobs were no longer available.

1980s: The unemployment trust fund went broke, forcing the state to borrow money from the federal government for eight straight years. Ohio borrowed $3.8 billion.

1982: The legislature raised taxes, tightened eligibility rules and froze benefits.

1989: The Ohio Bureau of Employment Services releases a study that warns the fund will be insolvent by 1998 if changes to tax rates or benefits aren't made.

1995: Ohio bumped up the taxable base wage to $9,000. That was the last time it was increased.

July 1, 2000: Ohio merged the department of human services and bureau of unemployment services to create the Ohio Department of Job and Family Services.

July 2008: An economic study commissioned by the state recommends steps to bolster fund solvency, including raising the taxable wage base and indexing future increase to inflation.

Jan. 12, 2009: Ohio's unemployment fund ran out of money, forcing the state to borrow cash from the federal government to keep jobless benefits flowing during the Great Recession. Ohio borrowed $2.6 billion.

December 2016: Business, labor and legislative leaders pledge to find a fix to the chronic insolvency problems by April 1. No fix was announced.

June 2020: Ohio's unemployment fund ran out of money during the COVID-19 pandemic, forcing the state to again borrow from the feds.

May 2021: The DeWine administration disclosed that fraud and overpayments in the system topped $2.1 billion during the COVID-19 pandemic between March 2020 and March 2021.

September 2021: Ohio uses federal grant money to pay back a $1.5 billion federal loan. Gov. Mike DeWine pledges to work with lawmakers to fix the chronic insolvency of the fund.

2023: Senate Bill 116 fails to win passage.