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Senate Joint Resolution 4
Sponsor Testimony
Senate Finance Committee
May 13, 2020

Chairman Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Senate Finance Committee, thank you for the opportunity to give sponsor testimony on Senate Joint Resolution 4. This resolution asks voters in the November general election to approve the issuance of bonds to repay any federal borrowing in support of Ohio's unemployment compensation program.

The State of Ohio in the past two months has faced unprecedented challenges as a result of the current COVID-19 crisis. The pandemic and the associated containment measures taken by the state have resulted in over 1.1 million Ohioans filing initial unemployment claims with the Ohio Department of Job and Family Services—about one fifth of the state's workforce. In comparison, approximately 1.1 million claims were filed by Ohioans in the past three years combined. The spike in unemployment claims has put a significant strain on the state's unemployment compensation fund.

Senate Joint Resolution 4 proposes enacting Section 18 of Article VIII of the Ohio Constitution, which would allow the General Assembly to ask Ohioans at the November 3, 2020 general election to approve obligations to repay a loan from the federal government to the unemployment compensation fund. Texas and other states have used this type of unemployment model for years. These bonds will be retired by fees paid by employers

subject to Ohio's unemployment laws. If the majority of voters support this proposal at the general election in November, the proposal will take effect immediately. The passage of this resolution will allow the General Assembly to be prepared when the state borrows money from the federal government for Ohio's unemployment compensation program. This authority will only be used if the state can get a lower interest rate than the federal government offers. Typically, the federal government will loan the unemployment funds interest-free for 12 months or more before interest is charged. These bonds are not general obligations and are not backed by the full faith and credit of the taxpayers, hence the 5% debt limit does not apply.

The resolution doesn't solve the unemployment compensation issue, but it does implement a mechanism to make sure any borrowing is done at the lowest possible cost to Ohio businesses. I believe that this is a reasonable first step and starts the process of reforming our unemployment compensation system. This is the beginning of our work on this important issue.

Chairman Dolan and members of the committee, thank you for the opportunity to present sponsor testimony on Senate Joint Resolution 4. I am happy to answer any questions that the committee may have at this time.