



SENATE BILL 116 - (REVISE OHIO'S UNEMPLOYMENT COMPENSATION LAW)

PROPONENT TESTIMONY- OHIO SENATE INSURANCE COMMITTEE

MAY 17, 2023

Chairman Hackett, Vice-Chairman Lang, Ranking Member Craig, and members of the Ohio Senate Insurance Committee, thank you for the opportunity to provide proponent testimony on behalf of the nearly 21,000 members of the National Federation of Independent Business in Ohio (NFIB) to lend our support for Senate Bill 116. My name is Cameron Garczyk and I serve as the Member Benefits Program Manager for NFIB in Ohio.

For reference, NFIB is a small business trade association founded 80 years ago that is dedicated to representing the interests of small and independent businesses across our state and nation. NFIB's mission is to promote the right of our members to own, operate and grow their businesses. NFIB members come from all industry sectors and each of the 88 counties across Ohio. Our average member has 20 or fewer employees and has less than \$2 million in annual gross receipts.

SB 116 contains three measures that would collectively contribute to restoring solvency to Ohio's unemployment compensation system. For several decades, Ohio's unemployment insurance trust fund has been bordering on insolvent, meaning a moderate recession or economic downturn would rapidly exhaust the balance of the fund. The fund's insolvency, however, is an issue that only tends to reappear at the forefront every few years when our economy faces an economic downturn. For instance, as a result of the 2008-2009 recession, Ohio employers were faced with years of increased state and federal unemployment taxes and had to pay back millions in loan and interest repayments over several years to the federal government. This money was required to be borrowed as the state's trust fund was quickly depleted to meet our system's high unemployment claim obligations. Seven years went by before the loan was fully paid off in 2016 and that only occurred due to unclaimed fund dollars being used to complete the payment.

More recently, Ohio's employers were once again going to be faced with increased federal unemployment taxes to pay back the loan, plus interest, that was needed to compensate the system's heavy demand during the pandemic. Fortunately, through the good work of the General Assembly, the federal loan was repaid, ironically, using federal American Rescue Plan funds from the federal government, saving Ohio employers roughly \$100 million. With Ohio's unemployment rate at 3.9%, a twenty-two year low, and job demand high, it is time for Ohio to break the cycle of borrowing, tax increases, and eventual loan repayments, and set a course for the state to, at the minimum, be able to repay loans to the federal government within the two year window before penalties kick in and employers have to foot the bill. That is why necessary, meaningful reforms should be instituted that will create certainty for Ohio employers.

The current trajectory is not sustainable for our state and its employers long term, and the provisions contained within SB 116 would go a long way in addressing this systemic issue. First, this legislation would lower the maximum week eligibility for an individual to receive unemployment benefits from a current 26 weeks, or just over six months, to a sliding scale of 12-20 weeks, or three to five months, based on the state's adjusted unemployment rate. According to a recent April NFIB survey of our membership, labor and hiring issues eclipsed inflation as the number one problem facing our members, with 45% saying they had difficulty filling job openings. Our neighbor to the north, Michigan, currently has a 20-week cap on benefit duration and prior to the COVID pandemic, the average Ohioan on unemployment only received benefits for an average of 14.5 weeks. This change in maximum weeks and move to a sliding scale would aim to accelerate the efforts of certain unemployed workers to obtain employment and fill the numerous job opportunities in our state while also retaining a more robust balance in the state's unemployment trust fund.

Next, SB 116 would eliminate the dependency provision currently in law that allows claimants to receive additional, increased benefits if they have dependents. Ohio is one of only 13 states in the nation that has such a provision and is one of the most generous in the amounts provided. Furthermore, only wage earners at the highest level are even eligible for such benefits, so removing this provision would not be to the detriment of those unemployed workers who make the least. Business owners do not determine salary and pay structure based on an employee's family situation, thus, unemployment benefits which are funded exclusively by employer contributions, should not pick winner and losers between Ohioans who have dependents or not. There is also administrative complexity tied to this policy that sometimes results in

erroneous rate calculations when determining benefits for certain claimants which, in turn, increases costs for the state.

Finally, Ohio's employers understand that in order to shore up our system to better prepare for the next economic downturn, they too must share the burden. That is why this legislation would increase the state's taxable wage base, the taxed amount that employers pay on their employee's wages, from the current \$9,000 to \$9,500. This modest increase will keep Ohio competitive with its neighboring states, with West Virginia being the only neighbor with a lower wage base, while also contributing to a healthier unemployment trust fund balance.

NFIB would like to thank the sponsors of SB 116 for starting this necessary dialogue as we believe it provides meaningful solutions to increase solvency in Ohio's unemployment compensation system while also incentivizing individuals to return to the workforce sooner. We appreciate the committee's consideration of this legislation, and I am happy to answer any questions at this time.