



*BEFORE THE SENATE INSURANCE COMMITTEE  
PROPONENT TESTIMONY ON SENATE BILL 116*

Chairman Hackett, Vice Chair Lang, Ranking Member Craig, and members of the Senate Insurance Committee, thank you for the opportunity to provide proponent testimony on Senate Bill 116 (SB 116). My name is Kevin Shimp and I am an associate attorney at the law firm Dickinson Wright testifying on behalf of the Ohio Chamber of Commerce.

The Ohio Chamber is the state's leading business advocate. The organization represents over 8,000 companies that do business in Ohio and their mission is to aggressively champion free enterprise, economic competitiveness and growth for the benefit of all Ohioans.

In the Ohio Chamber's efforts to champion economic competitiveness, we support SB 116 because it aims to make pro-business reforms to Ohio's unemployment compensation system that will help put our state's trust fund on a path towards solvency.

Ohio's unemployment compensation system also known as unemployment insurance, is an employer paid benefit provided to Ohioans who find themselves without a job through no fault of their own. Currently, Ohioans receive up to the statewide average weekly wage for a maximum of 26 weeks. Moreover, high income Ohioans with dependents are eligible to receive an additional weekly allowance of up to \$196.

Ohio employers pay into the state's unemployment trust fund to assure unemployed Ohioans have income available to them when there is a downturn in the economy or when their employer must make the difficult decision to layoff members of their workforce.

Unfortunately, Ohio's unemployment trust fund is quickly depleted whenever there is a recession. For instance, following the 2008 recession, Ohio's unemployment trust fund went insolvent which resulted in the state taking a loan from the federal

government to cover the cost of unemployment benefits. That loan was not paid off until 2016 and employers paid more than \$3.4 billion in principal and more than \$257.7 million in interest on the loan.

This same scenario played out again in 2020 when the coronavirus pandemic caused Ohio's unemployment trust fund to become insolvent. This time around, Ohio's trust fund had a negative balance of approximately \$1.5 billion. Fortunately, Governor DeWine and the legislature with bi-partisan majorities used a portion of the state's American Rescue Plan dollars to bring the state's unemployment trust fund back to solvency.

However, to help avoid the continuous cycle of insolvency when there is a downturn in the economy, the legislature can act and make structural changes to Ohio's unemployment system.

Senate Bill 116 makes structural changes to Ohio's unemployment system by raising the taxable wage base to \$9,500, eliminating dependency benefits for high wage earners, and tying the maximum duration of benefits with the state's unemployment rate. These changes help put Ohio's trust fund on a path towards solvency and can help bolster Ohio's business climate and economic competitiveness.

Tying the maximum duration of unemployment benefits to the state's unemployment rate is designed to account for the labor market an individual who becomes unemployed will experience when looking for a job. Under SB 116, an individual will receive unemployment benefits for three months if the state's unemployment rate is 5.5% or lower and the person can receive up to 20 weeks of benefits if the unemployment rate is greater than 9%.

Also, under SB 116, dependency benefits for high wage earners will no longer be available. This change aligns Ohio law with the majority of other states since only thirteen states across the country offer this type of benefit. Moreover, of the thirteen states that provide dependency benefits only Illinois, Maine, Massachusetts, and Michigan provide more generous benefits.

Finally, SB 116 also increases the taxable wage base for Ohio employers from \$9,000 to \$9,500. As a result of this increase, employers will pay unemployment taxes on an additional \$1.1 billion in wages.

Taken together, these structural changes to Ohio's unemployment system will put Ohio's unemployment trust fund on more solid financial footing and reduce the potential for insolvency over the next decade.

In closing, the Ohio Chamber asks for your support of SB 116 because legislative inaction will only result in an insolvent trust fund at the next economic downturn.

Thank you for the opportunity to testify today, and I welcome any questions from the committee.