



**BEFORE THE INSURANCE COMMITTEE
THE OHIO SENATE
SENATOR BOB HACKETT, CHAIR**

**SENATE BILL 116
TESTIMONY OF BILL CREEDON
THE OHIO MANUFACTURERS' ASSOCIATION**

MAY 16, 2023

Chair Hackett, Vice Chair Lang, Ranking Member Craig, and members of the Senate Insurance Committee, thank you for the opportunity to provide testimony on Senate Bill 116, which proposes important reforms to Ohio's unemployment compensation system.

My name is Bill Creedon from the law firm Bricker Graydon, representing The Ohio Manufacturers' Association (OMA). Created in 1910 to advocate for Ohio's manufacturers, the OMA today has approximately 1,300 members statewide. Its mission is to protect and grow Ohio manufacturing.

As you may know, manufacturing is the largest of the state's 20 major industry sectors. As of Q3 2022, manufacturing contributed more than \$130 billion annually to Ohio's economy, accounting for nearly one-fifth of Ohio's private industry GDP.

Our association strongly supports Senate Bill 116 (SB 116).

Ohio's unemployment compensation system is long overdue for reforms to address the system's long-term stability and solvency. The system has continually been under threat of insolvency, placing the fund in jeopardy every time the state faces an economic downturn.

Historically, the state's decades long UI insolvency has produced significant cost burdens on Ohio's employers at times when they can least afford it. Many of our manufacturers remember the difficulties following the 2008 recession when an excess in unemployment claims completely exhausted the fund, forcing the state to borrow nearly 3.4 billion from the federal government.

Ohio employers were the sole contributors responsible for repaying that debt with a cost of over \$250 million in interest payments. Our members and the business community at large had to bear that cost through increased payroll taxes and special tax assessments for several years until the loan was paid off.

S.B. 116 offers three simple changes to protect the system, employers, and taxpayers from exorbitant costs resulting from insolvency.

First, the legislation proposes a sliding scale for eligibility tied to the state's unemployment rate from 12 to 20 weeks. During the pandemic, the average Ohioan received benefits for 14.5 weeks, well below the proposed cap. Additionally a sliding scale provides the benefit of flexibility to cap excessive costs to the system in times of low unemployment, while allowing benefits to be expanded in necessary times of economic downturn.

Second, S.B. 116 eliminates Ohio's dependency clause. Most states do not have this particular benefit. Ohio is one of only 13 states. Moreover, as currently constituted, only higher earners are eligible to utilize this particular benefit. Eliminating the dependency benefit also eases the administrative burden on the system, cutting additional costs.

Finally, S.B. 116 proposes an increase to the taxable wage base from \$9000 to \$9,500. Employers who have the most to lose in times of insolvency understand the need to pay more at the front end to prevent a future insolvency crisis. This modest increase in cost brings Ohio closer to solvency and places our state in line with our neighboring states' taxable wage rates.

The OMA supports S.B. 116 and its sensible reforms. At a time of low unemployment and high job creation, Ohio is presented with the proper conditions to make significant improvements to our unemployment compensation system, allowing our state to avoid tax penalties on businesses in times of economic hardship and put an end to the endless cycle of unnecessary borrowing from the federal government.

Thank you. I am happy to answer any questions at this time.