

June 11, 2025
Bailey Sandin

Testimony to the House Public Insurance and Pensions Committee on HB 321

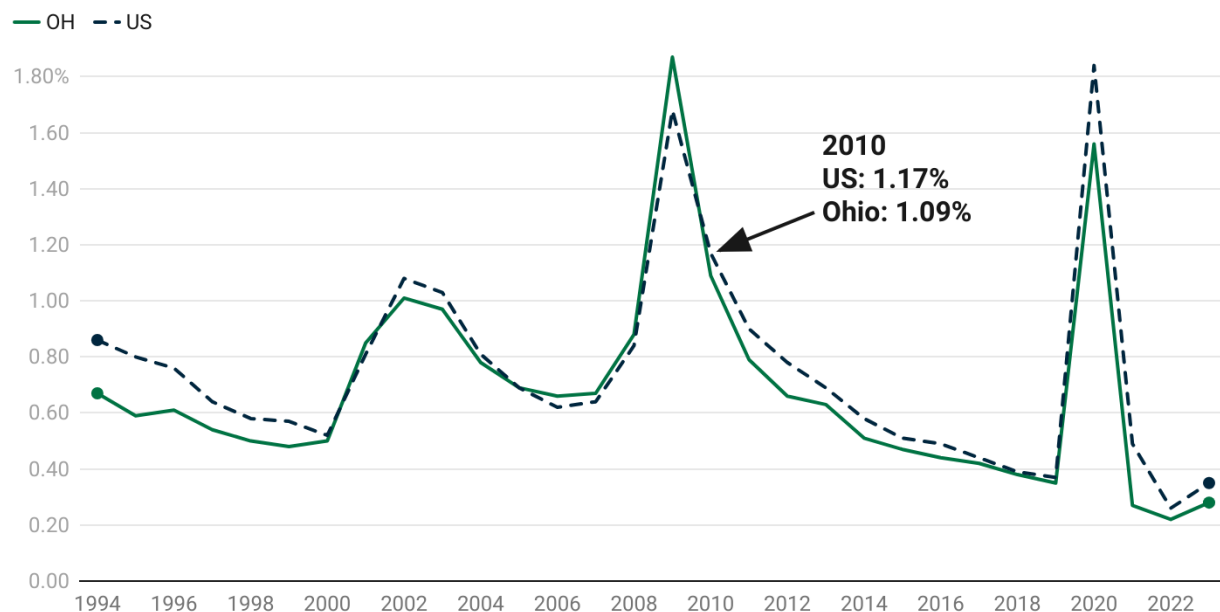
Chair Peterson, Ranking Member Brennan and members of the House Public Insurance and Pensions Committee. My name is Bailey Sandin and I am the work and wages fellow at Policy Matters Ohio, a nonprofit, nonpartisan research institute with the mission of creating a more equitable, inclusive, sustainable, and vibrant Ohio. Thank you for the opportunity to testify on House Bill 321.

We are glad that efforts are under way to strengthen the financing of Ohio's unemployment compensation (UC) system. The UC system is crucial not only for unemployed Ohioans and their families, but also for employers, as it allows jobless Ohioans to find jobs that match their skills and sets a floor on purchasing power that keeps businesses afloat in hard times. Workers and businesses alike have an interest in a strong UC system.

UC benefits in Ohio are well in line with those across the nation. In fact, as a share of wages, Ohio UC benefits have been below the national average since 2010:

Ohio UC benefits have been below the national average since 2010

Unemployment compensation benefits as a share of wages, Ohio vs. US, 1994-2023.



As in most states, benefits keep up with wages, but remain modest. The average benefit in Ohio would amount to \$25,428 a year on an annual basis, which is below the poverty line for a family of three.

Ohio for many years has had among the most stringent UC earnings requirements of any state in the country. You must earn 27.5% of the average wage over at least 20 weeks. This year, that amounts to \$338 a week – more than a minimum-wage worker makes working 30 hours a week. This means hundreds of thousands of Ohio workers will never be eligible for benefits if they are laid off. This is a scandal that should be addressed.

It also helps explain why a smaller share of unemployed people in our state receive benefits than in other states. In the most recent quarter, just 21.1% of jobless Ohioans got UC benefits, ranking us 32nd in the nation.

At the same time, those Ohioans who do get benefits don't use them for as long as unemployed workers do nationally. And just 25.7% of Ohioans receiving unemployment benefits use up the full amount to which they are entitled. That is among the 10 lowest in the country.

This illustrates that the Chamber of Commerce's proposal to reduce the maximum number of weeks of benefits lacks a basis in fact. It is simply punitive. Thirty-seven states provide 26 weeks of benefits. One other, Montana, permits more than that. All of Ohio's neighbors except Kentucky provide for up to 26 weeks; that includes Michigan, which recently restored that maximum.¹

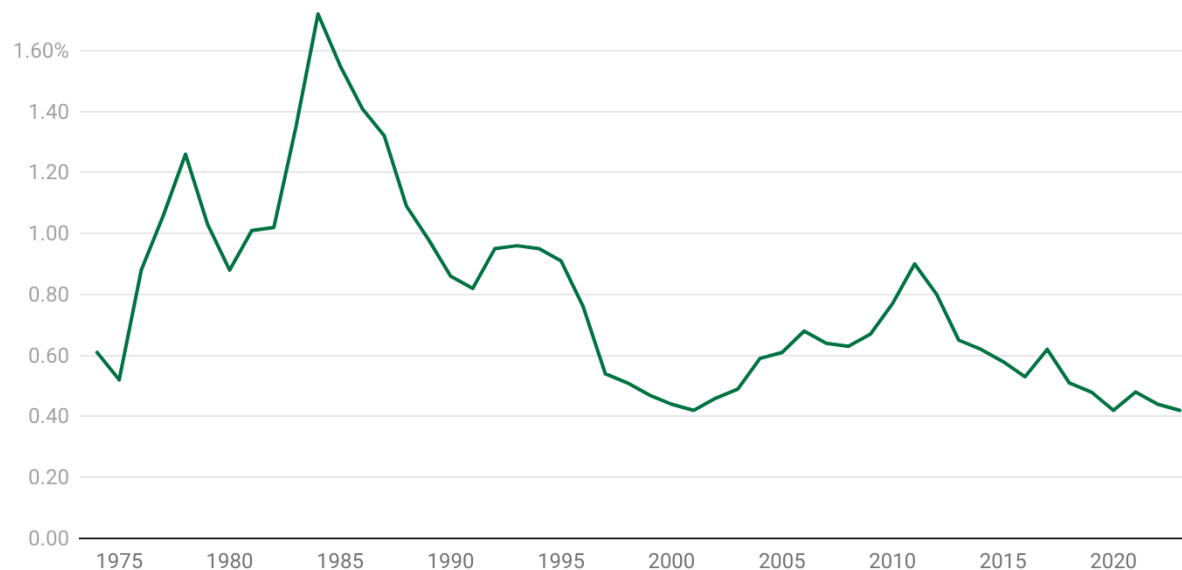
The reason our fund is insufficiently financed is because the tax system is out of whack. Any tax expert — liberal or conservative — will tell you that taxes should have a broad base. But with the exception of a temporary two-year period, Ohio has left its taxable wage base at the same \$9,000 for the past 30 years. If it had increased with inflation since then, it would now be over \$16,000. The average taxable wage base across the country is also over \$16,000. When the UC system originated under the Social Security Act of 1935, both UC and Social Security were taxed on the same earnings. Now, the tax base for Social Security is \$176,100. While it's helpful that H.B. 321 would increase the taxable wage base, \$9,500 is way too low. We urge that you significantly boost that amount.

¹ Center on Budget and Policy Priorities. [Policy Basics: How Many Weeks of Unemployment Compensation Are Available?](#) Updated May 30, 2025.

In fact, Ohio UC taxes as a share of wages are near the lowest level they have been in 50 years. On average, they amount to about half a penny on each dollar of wages.

Ohio UC taxes as a share of wages are near the lowest they have been in 50 years

Ohio employment taxes as a share of wages, 1974-2023



Several flaws in the workings of the tax system also contribute to this. This year, employers experienced a reduction in what's called the mutualized rate. That account is supposed to cover benefits that should be paid, but which no employer is individually responsible for (for example, for laid-off workers of a company that has gone out of business). Yet the mutualized account benefits from a variety of factors that have nothing to do with its purpose. When the state used more than \$1.4 billion of it funds from the American Rescue Plan Act to bolster the fund, the money – on a bookkeeping basis – was put in the mutualized account. Even our calculation of a portion of the minimum safe level rate, which is supposed to help system solvency, is flawed – perversely, it reduces tax rates whenever average experience ratings are increasing, the exact opposite of what you would expect. A real overhaul of our system of UC financing would remedy such flaws, in addition to fixing the taxable wage base.

The second element of HB 321 is a new contribution by employees of negative-balance employers. We applaud the open-mindedness of the sponsor, business and labor for your willingness to entertain an employee contribution. As you may know, Policy Matters Ohio proposed an employee

contribution as part of an overall solvency plan in 2016.² We believe this can be an important element in a strong UC system, assuming it is appropriately defined, that it averts benefit cuts and that the major source of the fund's weakness — low taxes on employers — is also addressed.

As described earlier, a significant number of Ohio workers are ineligible for unemployment benefits because they earn too little to qualify, even though many would do so in other states. We believe that workers who are asked to contribute should be able to receive benefits if they are laid off. As a result, we urge you to amend the bill so that the employee contribution only begins on wages over the minimum qualifying amount — \$6,760 this year — and adjust that annually based on the minimum.³

We also question the structure of the employee contribution as laid out in the bill. While it may be true that workers at many negative-balance employers are regular users of the UC system, others may unfortunately be victims of circumstance — say, of a cyclical downturn in their industry or a tariff policy that suddenly causes their company to dramatically curtail production. Why should they be required to contribute compared to others who do not?

In addition, the bill would have the employee contribution go into the mutualized account. This has nothing to do with benefit charges that no individual employer is responsible for. Employee contributions should go into the overall trust fund, not the mutualized account.

We agree that an employee contribution should be levied on all wages over a minimum amount. There is an irony there, in that employers are only agreeing to a modest and insufficient increase in the wage base they pay taxes on. It's worth remembering that employers put forward a \$10,000 wage base as part of a solvency proposal in 2008 — an amount that, based on inflation since then, would be worth about \$15,000 now.⁴

A broader worker contribution than the one outlined in the bill may be reasonable, if it is accompanied by changes in the employer tax that are badly needed, not punitive benefit cuts. Increasing tax rates on negative-balance employers could be a part of the solution, but substantially raising the taxable wage base and fixing the basic flaws in our financing system are essential.

² Policy Matters Ohio. [Testimony: Better plan needed for unemployment compensation system](#). Updated September 15, 2016.

³ A small number of workers might make more than that and still not qualify for benefits, if they work more than 20 weeks and their average wage during the time worked falls below \$338 a week.

⁴ Policy Matters Ohio. [Courting Crisis: Ohio Policy has Undermined Unemployment Compensation Fund](#). Updated October 31, 2011

Another issue that should be reviewed is the large share of Ohio employers who are not providing current or complete information to the Department of Job & Family Services to receive an experience rating and, hence, are responsible for paying a penalty rate. According to ODJFS, some 44,000 employers fell into this group last year, or more than one in six employers. We are seeking more information from the agency, but why are so many employers deficient? What is the status of collection efforts from these non-compliant employers? Are they sufficient? Is the 25% penalty rate high enough?

To summarize: Benefits go up with wages, as they should and do in most states. Taxes do not and should. The solution to Ohio's underfinancing of its system lies heavily in modernizing our tax system.

We look forward to additional conversation on strengthening Ohio's unemployment compensation system. Thank you for the opportunity to testify.