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**House Bill 321**

**Ohio AFL-CIO - Interested Party**

Chairman Peterson, Vice-Chair Teska, Ranking Member Brennan, and members of the House Public Insurance and Pensions Committee, thank you for giving me the opportunity to testify as an interested party on House Bill 321. My name is Matt Smith and I serve as the Legislative Director for the Ohio AFL-CIO, which represents over 600,000 union members and their families across this state. On behalf of our affiliated unions and the workers we represent, I appreciate the chance to weigh in on Ohio's unemployment compensation system — an issue that directly impacts the economic stability of Ohio's working families and the overall strength of our economy.

The insolvency of our Unemployment Compensation trust fund is not a new issue. The state federation has been calling for reforms to the system for decades. We continue to be fully engaged in this process in the hope we can help build a fairer, more stable system so that future generations of workers have a sufficient safety net in place if they lose a job through no fault of their own.

The Unemployment Insurance program was created in 1935 in the wake of the Great Depression as an economic stabilizer. Unemployment Compensation provides a temporary cash benefit to assist laid off workers and their families during periods of unemployment. These modest benefits also support the local economy by providing some preservation of purchasing power during the displacement. The first Unemployment Insurance program and subsequent changes were negotiated by business and labor and implemented by the legislature in the best interest of all stakeholders.

At its core, unemployment compensation is a promise that when workers lose their jobs through no fault of their own, there is a basic safety net to help them get by while they search for new employment. This is not charity. This is a benefit earned by the worker and paid for by the employer.

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Too often, when this issue comes up, we hear arguments that the system is somehow too generous, or that workers are to blame for solvency issues. That is simply not supported by the facts. If we are serious about strengthening the system, we need to start by acknowledging the real problem: Ohio's unemployment trust fund is underfunded because employer contributions have failed to keep pace with the modern economy.

Let's look at the numbers. In Ohio, employers still pay state unemployment taxes on only the first \$9,000 of an employee's wages — a figure that hasn't been updated in over 30 years (except for a brief increase to \$9,500 in 2018 and 2019). Nationally, the average taxable wage base is now well over \$16,000. In 2007, then Governor Strickland contracted with Dr. Wayne Vroman, a well-respected economist and expert on state UC systems from the Urban Institute, to look for policy solutions that would protect the system from the next economic downturn. His major finding was that Ohio's taxable wage base was insufficiently low, that it should be permanently raised and indexed to inflation. The proposed increase in HB 321 to \$9,500 is way too low if the legislature wants to reach solvency.

Ohio employer taxes are about as low as they've been in the last 50 years according to statistics from the Department of Labor. Their taxes amount to about half a penny on each dollar of wages. In fact, with the way our tax structure stands today, UC tax rates fell this year, with the mutualized rate decreasing from 0.5% to 0.01%. This is the opposite of how the system should work. A strong system replenishes itself when unemployment is low for an extended period- it should not reduce taxes meant to fund the system. Failing to fix the UC tax structure leaves us vulnerable to the next economic downturn.

Now, let's talk about benefits. Ohio's unemployment benefits are modest and well within national norms. We rank 25th in the percentage of average weekly wages provided based on unadjusted data from the Department of Labor. These are not excessive payments. They are barely enough to cover rent, utilities, and groceries — basic needs that keep families afloat. Further, Ohioans want to work. Only about 25.7% of claimants in our state exhaust their 26 weeks of benefits. Ohio workers receive benefits for an average of 13.8 weeks per claim, again below the national average of 15.3 weeks. The overwhelming majority of unemployed Ohioans want to get back to work as quickly as possible. There is simply no reason to cut weeks in Ohio.

Fewer Ohioans receive benefits today than at any time in the last 40 years. Only about 21.1% of unemployed workers in Ohio currently receive unemployment benefits — far below the national average. Why? Because we've made it unnecessarily hard to qualify for benefits. Ohio has one of the most stringent monetary eligibility standards in the country. A worker

must earn an average of \$338 a week for at least 20 weeks to qualify. This means that a minimum wage worker working 30 hours a week for an entire year would not qualify for benefits.

That is not a system that's too generous. That is a system that leaves far too many working Ohioans behind.

So, here's where we are: Employer contributions are too low, benefits are modest, and too many low-wage and part-time workers can't even access the system. The real problem is not workers. It is an outdated, underfunded tax structure that needs to be modernized.

Ohio workers are watching closely. We will not support any plan that balances the trust fund on the backs of working people through harsh cuts to eligibility or benefits. What we will support — and what we have been working toward with other stakeholders including the business community — is a balanced, bipartisan approach that makes our system stronger for future generations of displaced workers. That is the responsible path forward. That is the path that will ensure Ohio's unemployment system is sustainable, fair, and ready for the next economic downturn.

We want to thank you, Chairman Peterson, for the pragmatic approach you have taken on this issue. As someone who has been part of various negotiations, workgroups, and study committees on Unemployment Compensation solvency over the last 15 years, I can say these have been the most productive stakeholder conversations to date. I also want to take this opportunity to publicly thank Director Damschroder and his team over at ODJFS for all the time and effort they have given to this process.

Please give us just a little more time to complete our stakeholder work and we may find a compromise that everyone can live with. Chairman Peterson, Vice-chair Teska, ranking member Brennan and members of the committee, thank you for your time and I will try to answer any questions you may have.