OHIO CHAMBER of COMMERCE LEGISLATIVE UPDATE

December 12, 2016

Stopgap Unemployment Insurance Compromise Passes Legislature

A temporary solution to Ohio's broken unemployment insurance system was agreed to by business and labor last week and subsequently rolled into Senate Bill 235. While everyone agrees the system is broken, there are extremely different views on how to fix it. Numerous solutions were proposed throughout this General Assembly that were supported by the Ohio Chamber. Organized labor opposed all of them and, ultimately, there was not the political will necessary to pass the measures over labor's opposition.

In the end, business groups, including the Ohio Chamber, and labor reached a compromise – though not one that resolves the problems with the system. The agreement includes one big win for Ohio's employers and two items done as a show of good faith to express intent on the part of both business and labor to continue negotiations towards a long-term solution.

The big win is the repeal of an existing surcharge penalty that would have been imposed on employers if the fund became insolvent and the state was forced to borrow federal funds to pay benefits. At up to 0.5 percent, the surcharge, when factored into the rate formula, could have as much as tripled rates for some employers at the worst possible time – during a recession or its early recovery stages.

Both sides made small concessions that may never even take effect if a comprehensive solution is passed next year as hoped. First, the taxable wage base on which employer contributions are based will be raised from its current $9,000 to $9,500 for two years, beginning in 2018. Second, employee benefits, which are pegged to the state's average weekly wage and typically increase annually, will be frozen for the same two-year period. These changes represent give and take on both sides, which is what it will take to craft a solution that will truly fix Ohio's broken system.

In addition to the statutory changes detailed above, both sides have committed to working towards a long-term resolution and to help craft a proposal to be ready for legislative action by April 1, 2017. Further, both sides are going to jointly hire a third-party actuary to analyze and provide expertise during deliberations next year.

While the Ohio Chamber is disappointed that a long-term fix has been delayed yet again, this is the first true action that has been taken on this important issue in more than a decade. We will continue next year to advocate for a balanced fix to this important issue that addresses both sides of the equation – employer contributions and benefit payouts.

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