Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

S.B. 116
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 116's Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Lang and Romanchuk

Local Impact Statement Procedure Required: No

Suveksha Bhujel, Economist

Highlights

- The bill would in total reduce employer unemployment tax contributions to the Unemployment Compensation Fund by about $4.9 billion from 2023 to 2036, an estimated annual average of $353 million.
- The bill would in total reduce unemployment benefit payments from the Unemployment Compensation Fund by about $7.2 billion from 2023 to 2036, an estimated annual average of $517 million.
- The bill would reduce unemployment benefit payments reimbursed by the state and local governments.

Detailed Analysis

Bill summary

The bill makes the following changes to the Unemployment Compensation Law:

- Raises the taxable wage base used for calculating employer contributions from $9,000 to $9,500, beginning on January 1, 2024;
- Eliminates, for benefit years beginning on or after the bill's effective date, the dependency class caps for weekly unemployment benefit amount determinations and makes the maximum weekly benefit amount an individual may receive 50% of the individual's average weekly wage, up to 50% of the statewide average weekly wage; and
- Reduces, for benefit years beginning on or after the bill's effective date, the maximum number of weeks for which an individual may receive unemployment benefits in a benefit

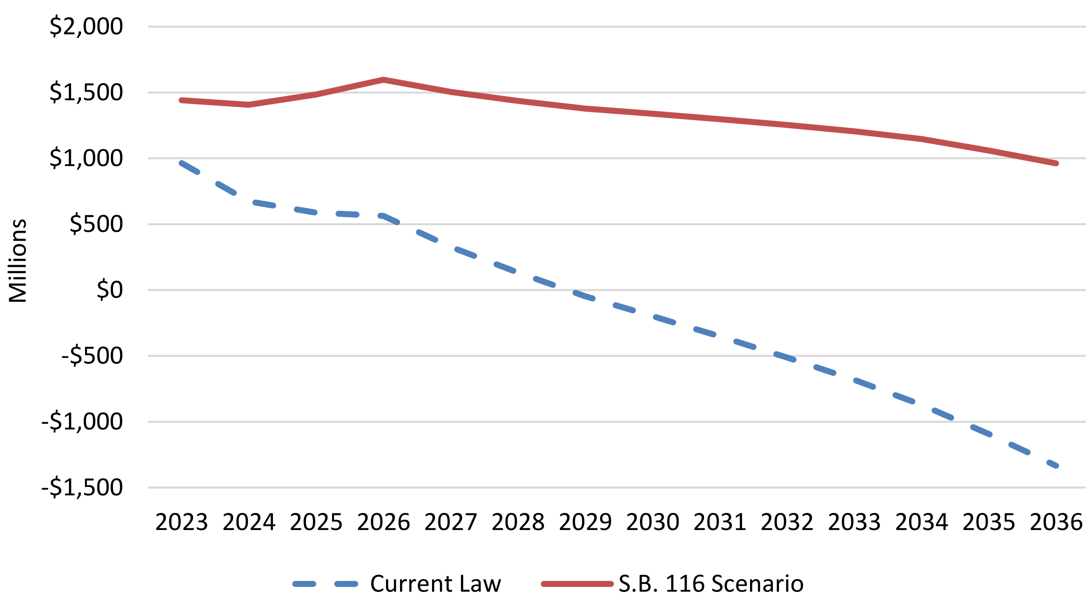
year from 26 weeks to a range of 12 to 20 weeks, based on the unemployment rate in Ohio at the time the initial application is filed.

Fiscal data and projections were provided by the Ohio Department of Job and Family Services (ODJFS), which administers the Unemployment Compensation (UC) Trust Fund. The assumptions ODJFS made were that unemployment rates would range from 4.62% to 5.47% over the years covered by the scenario. ODJFS assumed there would be no recession.

Overall impact to the UC Trust Fund

The overall impact to the Trust Fund resulting from all of S.B. 116 provisions combined (both the taxable wage base expansion and benefit reductions) can be seen in the graph below. Under current law, the UC Trust Fund would have a negative balance in 2029 and the balance would continue to decrease through 2036. Under S.B. 116, the balance would increase to $1,597 million in 2026 then gradually decrease to $962 million in 2036. However, the balance does not reach the minimum safe level (MSL) under current law or the scenario. The MSL is the lowest level of moneys available in the fund that would allow it to remain solvent during a moderate recession.[1] Again, this scenario assumes that there is no recession.

Chart 1: UC Trust Fund Projection



Again, the above information is the overall impact of S.B. 116 provisions as a whole. The following paragraphs will discuss relevant background information then the impacts from S.B. 116 on employer contributions and on benefit payments.

Background information

Ohio's Unemployment Program is funded by two taxes at the federal and state level. The Federal Unemployment Tax Act (FUTA) applies a 6% tax to the first $7,000 in wages paid to covered employees in order to pay for administration costs. If a state's program satisfies federal

[1] ODJFS reports from March 2023 show that the MSL was $2,906,901,916.

requirements, 5.4% of that tax is offset leaving a 0.6% tax for employers. The State Unemployment Tax Act (SUTA) applies a varying tax to the first $9,000 in wages paid to covered employees in order to finance unemployment benefits. The tax rate varies both based on the experience rate of employers as well as changes to the MSL. Information regarding the range of SUTA rates can be found in Table 1 below. The mutualized rate is collected when the mutualized account has a negative balance. The mutualized account is part of the UC Trust Fund. It is used to pay benefits not chargeable to individual employers (e.g., a business has closed).

Table 1. State Unemployment Tax Act (SUTA) Rates, by Fiscal Year			
	2021	2022	2023
Lowest Experience Rate	0.3%	0.3%	0.3%
Highest Experience Rate	9.3%	9.7%	9.8%
Mutualized Rate	0.5%	0.5%	0.5%
New Employer Rate (excludes construction)	2.7%	2.7%	2.7%
New Construction Industry Rate	5.8%	5.5%	5.6%

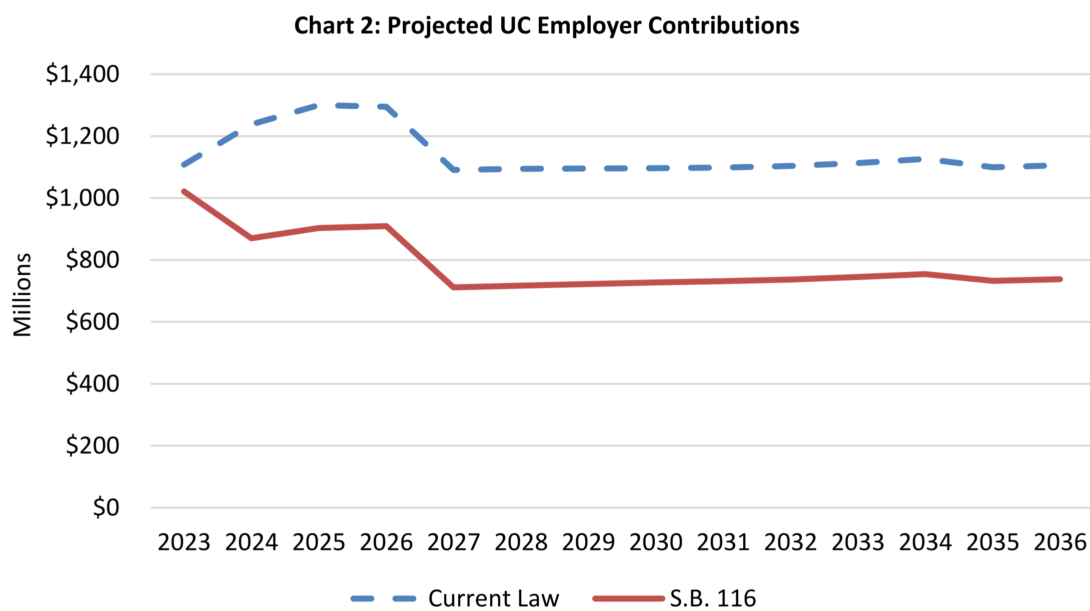
Ohio's unemployment compensation system consists of two types of employers: contributory employers, who are mostly private sector employers who pay contributions into the fund, and reimbursing employers, who are mostly public sector employers and certain nonprofits who reimburse the fund when benefits are paid. While the analysis focuses on contributory, reimbursing would also be impacted by paying less to claimants who qualify.

Taxable wage base

The bill would expand the taxable wage base, which affects employer contributions. However, the bill also reduces benefit payments, which has the effect of reducing the rate at which employers are taxed. Contribution rates are calculated based on the balance of an employer's account as a percentage of the employer's average annual payroll; by reducing benefits paid, employers will likely have more funds in their account which would reduce an employer's contribution rate. The average employer tax rate in 2022 was 2.4%. From 2023 to 2036, ODJFS estimates that the average employer UC tax rate would decrease from 2.3% under current law to 1.6% under the S.B. 116 scenario. In total, the contributions would fall about $4.9 billion through 2036 compared to current projections.

Table 2. Projected Total Employer Contributions by Fiscal Year		
Year	Current Law	S.B. 116
2023	$1,107,695,163	$1,021,312,873
2024	$1,237,957,945	$870,432,495

Table 2. Projected Total Employer Contributions by Fiscal Year		
Year	Current Law	S.B. 116
2025	$1,300,054,651	$902,804,381
2026	$1,295,331,145	$909,231,928
2027	$1,090,784,537	$711,501,496
2028	$1,094,404,791	$717,630,706
2029	$1,095,303,355	$721,932,633
2030	$1,096,684,248	$727,038,332
2031	$1,098,726,180	$731,598,202
2032	$1,103,974,963	$737,213,265
2033	$1,113,063,173	$745,046,439
2034	$1,126,654,918	$754,614,241
2035	$1,099,946,710	$732,557,506
2036	$1,105,322,240	$738,226,927
Total	**$15,965,904,019**	**$11,021,141,424**

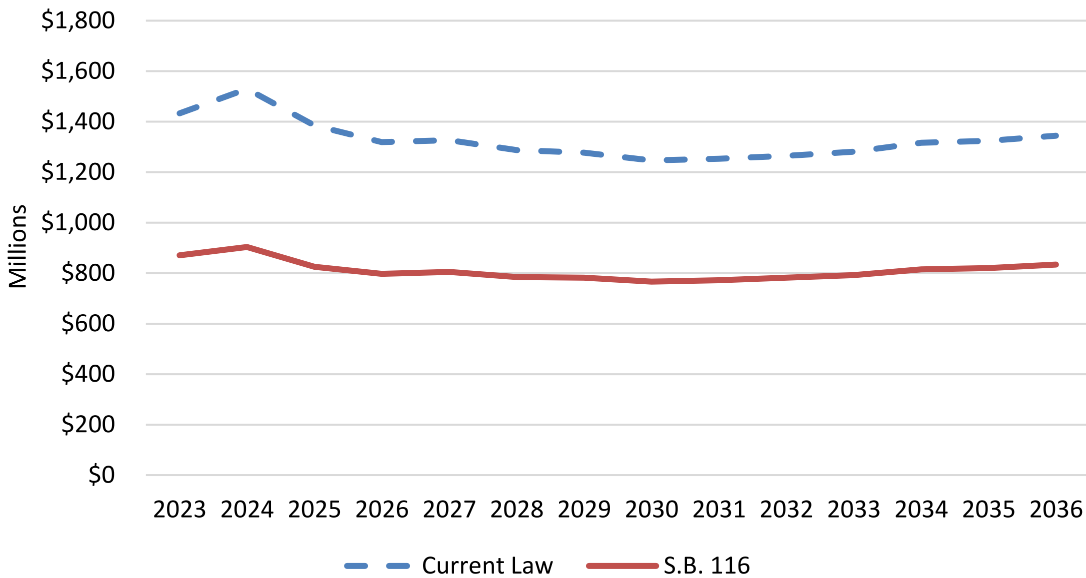


Benefit payouts

In total, the fiscal impact of reducing the number of eligible weeks and eliminating dependency classes will significantly reduce the amount of benefits disbursed. The average number of weeks an individual received benefits in 2022 was 12.1. From 2023 to 2036, ODJFS estimates that the average number of weeks would decrease from 13.7 under current law to 8.8 under the S.B. 116 scenario. Through 2036, benefit payments would decrease by about $7.2 billion.

Table 3. Projected Total Benefit Payments by Fiscal Year		
Year	**Current Law**	**S.B. 116**
2023	$1,433,005,420	$871,057,625
2024	$1,529,788,053	$903,431,253
2025	$1,385,266,773	$825,115,783
2026	$1,319,333,978	$796,658,045
2027	$1,327,080,677	$804,840,057
2028	$1,287,708,629	$783,947,042
2029	$1,277,188,447	$781,850,145
2030	$1,246,424,959	$766,365,006
2031	$1,252,813,097	$771,896,941
2032	$1,264,825,068	$781,779,354
2033	$1,280,935,391	$792,525,550
2034	$1,316,413,346	$814,673,630
2035	$1,323,535,308	$819,732,290
2036	$1,344,695,656	$834,431,955
Total	**$18,589,014,803**	**$11,348,304,677**

Chart 3: Projected UC Benefit Payments



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