Testimony from Tony Fiore
On behalf of
The Ohio Society of CPAs and the Ohio SHRM State Council
Regarding
Reforms to Ohio's Unemployment Compensation System
Before the
Unemployment Compensation Reform Joint Committee
On
November 3, 2016

Chairmen Peterson and Schuring, and members of the Unemployment Compensation Reform Joint Committee, thank you for the opportunity to testify on reforms to Ohio's Unemployment system. My name is Tony Fiore and I am an attorney with the Columbus based law firm of Kegler Brown Hill + Ritter. I have tracked unemployment compensation legislation in all 50 states for a national trade association for over 8 years and advocated on behalf of business in Ohio regarding UI for over 16 years. In addition, I helped spearhead a small team to help provide similar recommendations to the North Carolina business community and political leaders when they reformed their system in 2012-13.

I am here today on behalf of two statewide professional associations: The Ohio Society of CPAs and the Ohio SHRM State Council. I hope that my testimony will provide further support on why comprehensive reforms to Ohio's unemployment compensation system are now necessary before the next economic downturn hits the state.

The Ohio Society of CPAs (OSCPA) is a leading partner and influential voice for a thriving business environment. The OSCPA is a community of 22,000 members and an industry of 85,000 CPAs and accounting professionals statewide, leading important initiatives that protect the public and create a healthy and sustainable business climate in Ohio. Membership is comprised of CPAs and other financial experts working in a wide range of Ohio businesses and industries, CPA firms, government and education.

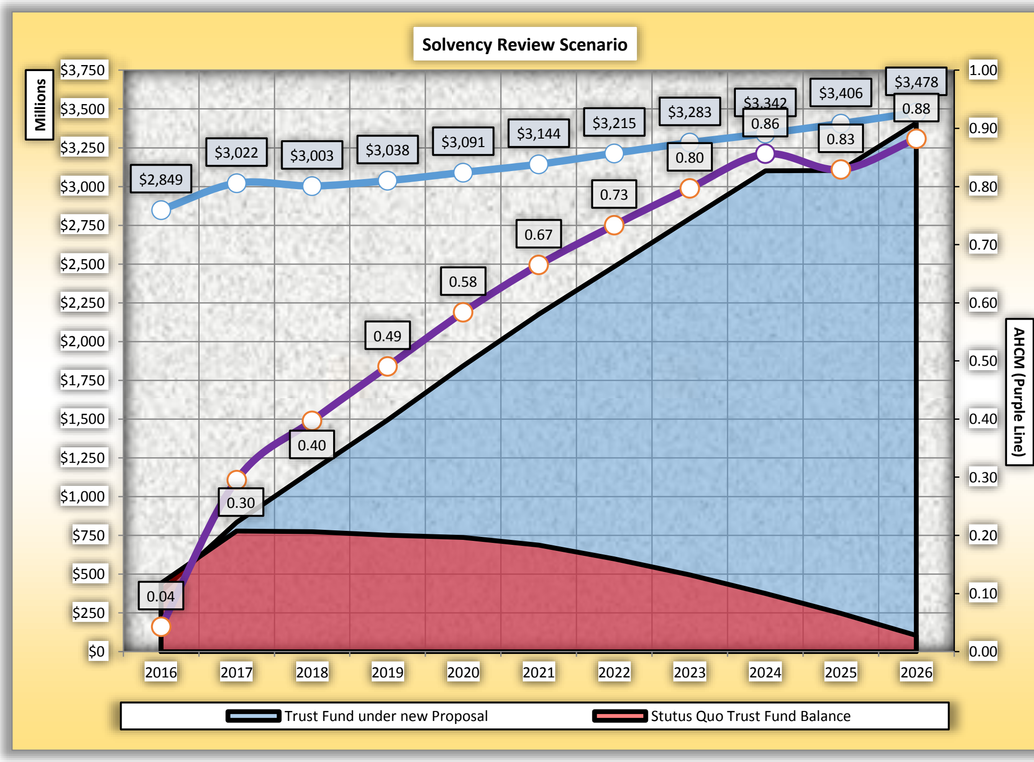
The Society for Human Resources Management ("SHRM") was founded in 1948 in Berea, Ohio. SHRM is the world's largest HR membership organization devoted to human resources management. Representing more than 275,000 members in over 160 countries, the Society is the leading provider of resources to serve the needs of HR professionals and advance the professional practice of human resource management. SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China, India and United Arab Emirates. In Ohio, the Ohio SHRM State Council represents over 25 local chapters and more than 12,000 members.

I've been around long enough to remember the recommendations from the Unemployment Compensation Advisory Council (UCAC) back in the 2000s. Those solvency changes advocated by both business and labor included: (1) increasing taxes on employers gradually; (2) reducing benefit payouts by freezing automatic increases in future benefits; and (3) eliminating the dependency allowance. I'll touch on these and other recommended changes throughout my testimony.

The CPAs and HR managers of this state want the UI system to be solvent, affordable, predictable, and provide a seamless pathway for claimants to quickly return to the workforce. There are several options available to the Ohio General Assembly. I'll try to focus on providing statistics when possible and alternatives regarding 1) solvency, 2) re-employment/workforce training, 3) system integrity, 4) taxes, and 5) benefits.

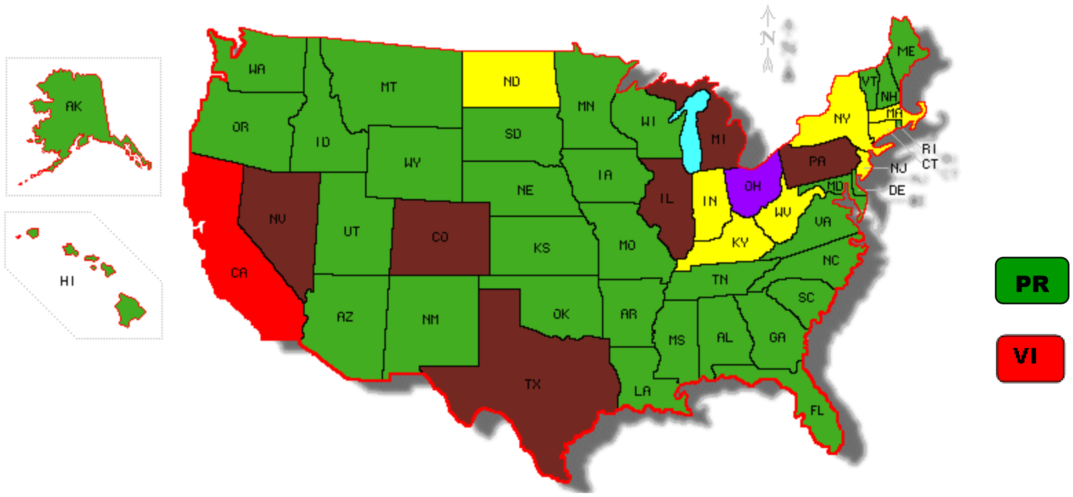
Why reform the system now?

The purpose of all the recommendations that follow are to help return Ohio's Unemployment Insurance (UI) Trust Fund to a position of solvency now and assure continued solvency into the future. A solvent UI Trust Fund serves to strengthen the state's position in an increasingly competitive global marketplace. My testimony describes a balanced approach, with shared sacrifice and opportunity for unemployed workers and for employers seeking to not only survive, but to thrive. We worked with the ODJFS staff on the following graphic that statistically provides a road to solvency, but all elements of comprehensive reform are necessary to achieve this goal. I'll go through each of the recommendations and summarize at the end.



It is important to note that <u>none</u> of the changes contained in my testimony affect benefits currently being paid to unemployed individuals, meaning these changes are not retroactive. It should also be noted that no change will interrupt the payment of unemployment benefits to eligible UI claimants. Even if the UI Trust Fund becomes insolvent again in the future no eligible claimant will go without receiving a benefit check. The most critical observation of my testimony is that anything less than making the comprehensive reforms will only produce marginal results and likely lead to a series of ongoing reforms or "Band-Aids" in an attempt to fix the current UI system. This testimony is largely based off the premise that asking employers to continuously pay more for a system (one they already fully fund) without greater oversight and continuous improvement is simply unsustainable.

Solvency



The U.S. Map[1] above depicts the status of state trust fund solvency as of October 31, 2016.

- **RED** states are those that were borrowing as of October 31, 2016 (including the Virgin Islands).
- **BROWN** states are those that are currently using employer financed bonds or other state financing to repay Title XII loans.
- **Purple** represents Ohio since we have repaid the UI loan, but have the 2017 surcharge to repay the unclaimed funds account.
- **YELLOW** states are those with positive balances of less than six months of benefits in the state trust fund.
- **GREEN** states are those with more than six months of benefits in the state trust fund (including Puerto Rico).

Ohio's unemployment insurance system was running a deficit of between $62 million up to $2 billion (in 2009). This deficit led to Ohio borrowing upwards of $3.4 billion from the federal government, placing Ohio's debt as the top 5 highest in the country for most of the recession.

There were two provisions included in HB 390[2] (effective September 28, 2016) related to outstanding Federal Unemployment Account (FUA) loans as well as interest on such loans. One provision requires the Director of ODJFS to increase all contributory employers' taxes up to five-tenths of one percent (0.5%) for the purpose of eliminating the principal on any outstanding debt from the federal advance. The other requires the Director to require each employer to pay a surcharge in an amount sufficient to repay any interest on FUA loans paid from the newly created UC Interest Contingency Fund. However, if Ohio experiences the type of unemployment like it experienced between 2008 and 2010, the state needs more than just the ability to increase taxes and apply surcharges to employers. We fully agree with the Office of Budget and Management Director Tim Keen's comment in testifying on the UI provisions to HB 390 that "it does not tackle

[1] www.uwcstrategy.org – 2016 Highlights of State Unemployment Compensation Laws
[2] https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-390

the most important long-term challenge – the ongoing structural imbalance between revenues and benefits in Ohio's unemployment compensation system."

<u>When will we have enough in the UI Trust Fund?</u>

Ohio should have in place some measurement that establishes when the fund is strong and solvent. Each state determines its own definition of an adequate reserve. Ohio law calls the adequate reserve the "minimum safe level (MSL)". The MSL is the amount of funds the state determines it needs to sustain the UI Trust Fund through a historically typical recession without borrowing. The current MSL is nearly $2.85 billion according to ODJFS. The US DOL uses a measurement called the average high cost multiple (AHCM). As you can see from the map above and the AHCM from our surrounding states they all have some work to do in creating a more solvent state UI Trust Fund. If Ohio defined the MSL at a 1.0% AHCM as proposed in <u>HB 394</u> it would require a balance of $2.574 billion that would increase to over $3 Billion. That level may be too high of a threshold to set for the trust fund. This standard would require close to or exceeding $3 billion or nearly 3x annual premium collection. As of October 14, 2016 we had a fund balance of $530.5 million.

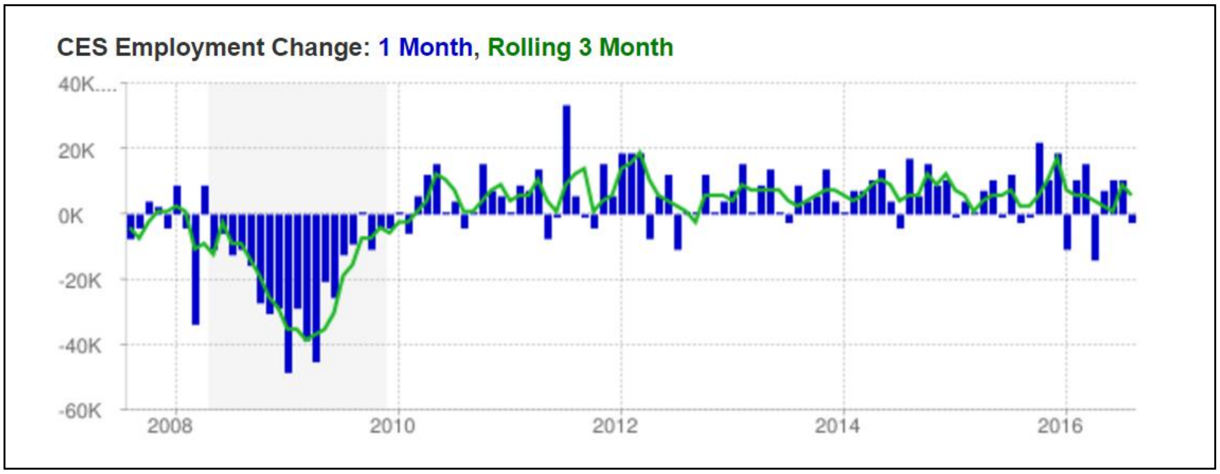
State	AHCM
Indiana	0.02
Kentucky	0.01
Michigan	N.A.
Ohio	N.A. (MSL definition)
Pennsylvania	N.A.
West Virginia	0.25

<u>Recommendation</u>: define the minimum safe level (MSL) at between 0.5% and 0.8%. The chart at the end of my testimony states that if certain changes are made, such a standard would place the state UI trust fund between $2.5 and $2.8 billion in the next 8 to 10 years. Once the fund reaches this threshold, employers should experience some relief in the form of a lower taxable wage base, rates or a combination of both. There is no rationale for overtaxing employers.

Re-Employment and Workforce Training/Education

The most important goal of the unemployment compensation system is to help claimants return to work. States across the country have begun to turn the focus of UI systems to reemployment, and Ohio is in a position to adopt the best practices from other states in developing a set of performance measures and a delivery system that may serve as a model. There are currently millions of dollars budgeted for workforce development programs throughout the state. Improvements and integration of systems are needed to focus on reemployment through performance based standards. Such measures should focus on individuals actually getting jobs rather than the completion of a program by the individual. Employment should be given greater weight when determining the success of workforce development, adult education and training programs, whether they are funded by the federal, state or local government.

The Bureau of Labor Statistics (BLS) has two monthly surveys that measure employment levels and trends: the Current Population Survey (CPS), also known as the household survey, and the Current Employment Statistics (CES) survey, also known as the payroll or establishment survey.



The state has been on an astounding record of creating jobs over the last 6 years. The CES chart[3] below depicts job growth over the past 8 years.

Employment should not be the only metric used to determine if publicly funded resources are being utilized in the most effective manner. Retention rates are also critically important in determining if education and training programs are meeting the needs of Ohio employers as well as jobseekers. Employing UI claimants, whether in permanent full-time jobs or part-time jobs while they complete an education or training program, helps replenish the UI Trust Fund by reducing benefit pay-out and increasing unemployment tax revenue. In addition to UI tax revenue, employment saves the state in reduced payout for public assistance and support payments while increasing state income tax revenue and increasing spendable cash to bolster the local economy.

> **<u>Recommendation</u>: Narrow the job search skills gap across the state**. Job search skills training is rarely a formal component of high school or college curriculum. Therefore, job seekers rely primarily on college and government career centers and self-study options to fill this gap. The resulting job search skill gap not only impacts unemployment rates, but also impacts the ability of workers to identify their transferrable skills and bring them to the attention of employers. Ohio law requires a machine-generated resume to be posted to OhioMeansJobs.com (OMJ) upon UI claimant registration based upon their work history. It must be replaced or amended by an individualized resume by the 8th week of benefit receipt. In an era where most communication and job searches can be done in a matter of minutes on a smartphone, claimants should be required to upload their resume

[3] http://www.deptofnumbers.com/employment/ohio/ using U.S. Bureau of Labor Statistics data.

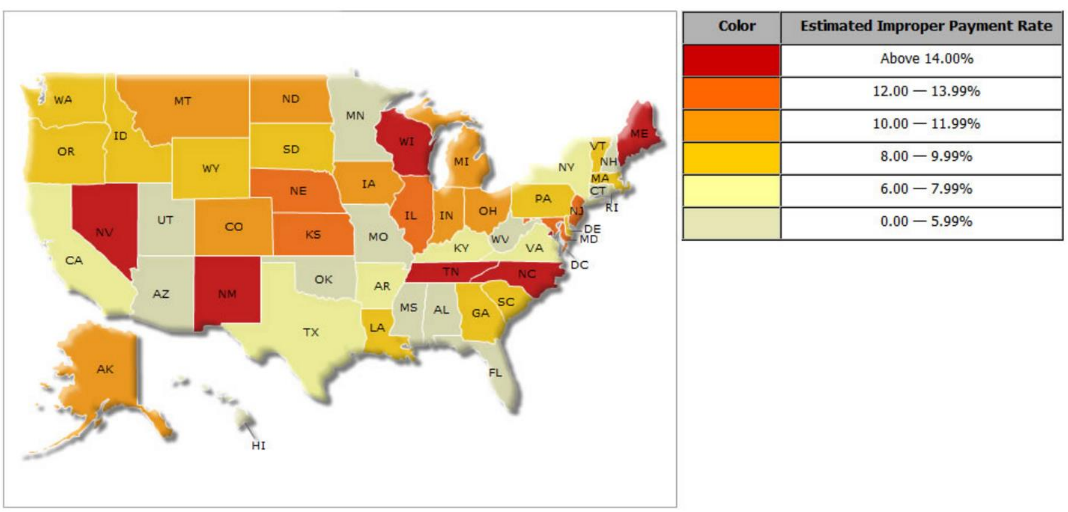
within the same week they file for benefits. Their next employer may have been waiting several weeks or months for a jobseeker with their specific skills, but until the employer knows the claimant is looking the match will never be made.

There are approximately 250,000 unemployed Ohioans. Assuming no changes are made to the system, the average 2017 tax collected per employee will be $228 (2.53% x $9,000) according to ODJFS. This assumes an average weekly benefit amount of $350 and the average claim duration of 15 weeks which suggests a savings of $5,250 per claimant ($350 x 15). Therefore, the average tax revenue for reemploying varying levels of unemployed workers will result in the following revenue for the state UI Trust Fund:

Reemploying 100 UI Claimants	$547,800	Employing 100 new workers	$22,800
Reemploying 1,000 UI Claimants	$5,478,000	Employing 1,000 new workers	$228,000
Reemploying 10,000 UI Claimants	$54,780,000	Employing 10,000 new workers	$2,280,000
Reemploying 50,000 UI Claimants	$273,900,000	Employing 50,000 new workers	$11,400,000
Reemploying 100,000 UI Claimants	$547,800,000	Employing 100,000 new workers	$22,800,000
$5,250 + $228 = $ 5,478 per claimant		2.53%Avg. employer tax rate * $9,000 = $228 Avg. per employee	

Integrity

The American Institute for Full Employment ("AIFE") cites work search integrity as the leading cause of improper payments in the UI system. According to the U.S. Department of Labor this accounted for 4.5% of claims nationally totaling over $1.5 billion. The AIFE's research suggest the largest problem occurs when: 1) a state requires a claimant to contact two to three employers per week; 2) the claimant self-certifies that the contacts were made and 3) the state is unable or fails to catch claimants who are intentionally or unintentionally reporting activity that never occurred.



The U.S. Department of Labor tracks data on fraud, waste and abuse in the Unemployment Insurance System. Ohio experiences an improper payment rate of between 10 to 11.99% as depicted on the map[4] above. Figures displayed are **not** actual improper payment rate and dollars but an estimate based on results of the State Benefit Accuracy Measurement (BAM) survey sample (random audits) of paid and denied claims in three major UI programs: (1) State UI, (2) Unemployment Compensation for Federal Employees (UCFE), and (3) Unemployment Compensation for Ex-Service Members (UCX).

Ohio and many other states have limited administrative resources to ensure federal conformity with U.S. Department of Labor requirements. One integrity issue is to reduce the likelihood of improper payments by collecting overpayments. DOL does also track UI overpayment recovery. The average UI overpayment collection rate is 78.18% throughout the U.S., and Ohio nearly hits this mark at 77.23%.

The recovery rate[5] is the ratio of the amount of improper overpayments recovered to the amount of improper overpayments established. The chart below depicts the most recent data available, showing we still have just under $7 million annually that is not recovered. If ODJFS is unable to recover this amount, the cost gets mutualized and every employer ends up paying more.

The state UI agency needs the tools to focus on integrity in benefit determinations, identification of fraud and overpayments, and the collection of overpayment amounts.

State Total Overpayments Established and Recovered July 2015 to June 2016						
ST		UI + EB + EUC Overpayments Established	UI + EB + EUC Overpayments Waived	UI + EB + EUC Adjusted OPs Established +	UI + EB + EUC Overpayments Recovered	Not Recovered
OH		30,749,614	$417,935	$30,331,679	$23,424,824 77.23% recovered	$6,906,855 22.77%

<u>**Recommendation**</u>**: Provide additional time for ODJFS to collect overpayments.** There are 26 states that do not limit the amount of time to collect an overpayment. Ohio should extend the statute of limitations for recovering overpayments for claims involving non-fraud from 3 years to between 4 and 10 years. This would make it consistent with the Ohio Department of Taxation's statute of limitations for tax assessments found in Ohio Revised Code 5747.13(A) at four (4) years or up to the plenary restriction on collection in ORC 5703.58 of 10 years for most taxes or 7 years for use tax. In addition, the state should eliminate the statute of limitations on collection of overpayments involving fraud. If benefits were improperly paid, the state should have more time to collect instead of placing the burden of millions of dollars in uncollected overpayments on the backs of Ohio employers. This provision will also help ensure employers do not pick up the cost of uncollectable overpayments in the mutualized tax.

[4] https://www.dol.gov/general/maps
[5] http://oui.doleta.gov/unemploy/overpay_recovery.asp

Affordability/Benefits

No qualified UI claimant will ever suffer without an unemployment compensation check because the state UI Trust Fund is insolvent. The only question is whether the state has enough in its account or needs to borrow from the Federal Unemployment Account (FUA). During the most recent recession benefits significantly overshadowed the revenues – simply put, the checkbook was unbalanced. It is a very reasonable approach to look at both raising revenues and mitigating expenses in the UI system similar to addressing personal finances or a company's budget. The benefit payout overhang in many states continued longer than previous recessions due to the lack of significant job growth and the continuation of benefit payment provisions. In many states, including Ohio, extended benefits and emergency unemployment compensation amounted to 99 potential weeks of benefits. A number of states across the country have taken action to reduce benefit payout through the reduction of the potential number of weeks of benefits, changes in the determination of the weekly benefit amount, and requiring a waiting week.

Exempting UI benefits from state income tax

We also researched the idea of exempting UI from state income tax as proposed by the Ohio Manufacturers' Association in their testimony on October 20. There are 41 states that tax wage income. Of the remaining states, six states completely exempt unemployment benefits from tax (California, New Jersey, Oregon, Montana, Pennsylvania, and Virginia). Two states (Indiana and Wisconsin) partially exempt a fixed dollar amount of benefits from state income tax but tax the rest. The remaining states fully tax unemployment benefits.

Weekly Benefit Amount

Ohio's current maximum weekly benefit amount is higher than the national average and higher than any surrounding state except Pennsylvania. Ohio's maximum benefit amount is 10th highest in the nation. Using 4th quarter 2015 data from US DOL, the average weekly benefit of $345.92 is higher than the national average of $335.17 and ranks 17th highest.

State	Average Weekly Benefit Amount
Indiana	$260.80
Kentucky	$312.91
Michigan	$292.69
Ohio	$345.92
Pennsylvania	$392.28
West Virginia	$308.52

Recommendation: Freeze Ohio's weekly benefit amount until the trust fund is solvent. First, this was part of the UCAC's original recommendations agreed to by business and labor. Second, nineteen states, including Michigan and Indiana, do not have automatic increases in the maximum weekly benefit amount. Freezing the weekly benefit amount does not take benefits away from UI claimants; it simply does not permit the amount to increase each year while the fund is rebuilding.

Dependency Allowance

Like many other states, Ohio provides alternative safety nets for individuals that need assistance when they are out of work. These programs include food and cash assistance, TANF (work eligible individuals), child care as well as healthcare for the Medicaid eligible. Ohio recently expanded Medicaid to help all Ohioans, but that comes with a taxpayers' price tag of 5% of that expansion starting in 2017 and 10% starting in 2020. Fourteen state laws, including Ohio, provide for the payment of dependents' allowances. Those states include Alaska, Connecticut, D.C., Illinois, Iowa, Maine, Maryland, Massachusetts, Michigan, New Mexico, New Jersey, Pennsylvania and Rhode Island. Out of these states, Ohio has the **second highest** maximum benefit allowance.

State	Maximum Weekly Benefit Amount
Indiana	$390
Kentucky	$415
Michigan	$362 (even with dependents)
Ohio	Claimants receive no more than 50% of their previous weekly wage, up to a maximum of: • $435 for an individual with no dependents • $527 for an individual with one or two dependents • $587 for an individual with three or more dependents
Pennsylvania	$573-$581
West Virginia	$424

<u>Recommendation</u>: Eliminate the dependency allowance. This was part of the UCAC's original recommendations agreed to by business and labor. A maximum weekly benefit amount of $435 is in line with our surrounding states, and it eliminates an inequity between two identical UI claimants, one with dependents and the other without dependents.

Maximum Number of Weeks

As ODJFS Director Cynthia C. Dungey stated in her August 5, 2014 testimony to a previous UC Study Committee, the maximum number of weeks for most state programs increased from 16 to 26 over the last 75 years since the UI program was established in 1935. Over the past decade, a number of states reduced the number of potential weeks of unemployment based on the total unemployment rate. More recently states began lowering the maximum weeks based on a sliding scale or reducing the maximum number of weeks from 26 to 20, or created a sliding scale depending on the unemployment rate.

State	Maximum Number of Weeks of UI
Florida	12 to 23
Georgia	14 to 20
Kansas	16 to 26
Michigan	20
Missouri	13 to 20
North Carolina	12 to 20
South Carolina	20

<u>Recommendation</u>: Consider reducing the maximum number of weeks from 26 to 20. Other states have utilized this approach to address solvency. Since there was opposition to moving toward a sliding scale of 12 to 20, reducing the maximum weeks to 20 would be a compromise.

Taxes

Ohio employers *fully fund* the state's unemployment insurance program and pay over $1.1 billion in annual state UI tax. Employees make no contribution into the unemployment trust fund. There has been no trend or significant benefit when imposing an employee tax in the three states that have done so: Alaska, New Jersey and Pennsylvania. Therefore, I would not recommend implementing such a tax here in Ohio.

Ohio employers pay a significant amount of required overhead costs for local, state and federal taxes. Both OSCPA and SHRM members' labor costs range between 30 to 75% for members in industries such as restaurants, hotels, manufacturing, construction as well as the financial and legal service industries. Any increase in government mandated expenses takes away from providing additional benefits to an employee's 401K, retirement, healthcare or other fringe benefits provided by the employer.

I've provided a sample breakdown from one business in the restaurant and hospitality industry below. These percentages over several hundred or thousands of employees add up quickly. We are talking about hundreds of thousands and some cases millions of dollars in payroll taxes. NOTE: Businesses have other types of significant human resource (HR) costs, including recruitment and retention, as well as operational costs such as property, equipment, office, marketing, etc. that minimize net profits to under 5 percent in some industries.

Sick Pay	0.08%
Vacation Pay	0.83%
FICA/Medicare/Unemployment	3.58%
Workers Compensation	0.59%
Hospitalization & Disability	2.60%
Hosp & Dis - Employee Contr	-0.91%
401k Savings Plan	0.29%
Employee Meals Provided	0.49%
	7.56%
Total Payroll	28.22%
Benefits as a % of Payroll	26.78%

We can minimize the Federal Unemployment Tax Act (FUTA) rate of 0.6% (or $42 per employee) on employers by not borrowing again in the future. The following chart summarizes the State Unemployment Tax Act (SUTA) tax rates for Ohio employers.

Ohio Employer Contribution Rates	2008	2009	2010	2011	2012	2013	2014	2015	2016
Lowest Experience Rate	0.5%	0.7%	0.5%	0.7%	0.7%	0.3%	0.3%	0.3%	0.3%
Highest Experience Rate	9.2%	9.4%	9.4%	9.6%	9.1%	8.4%	8.5%	8.6%	8.7%
Mutualized Rate	0.2%	0.4%	0.2%	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%
New Employer Rate (except construction)	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
*Construction Industry	5.8%	5.8%	6.0%	6.4%	7.0%	7.7%	7.2%	6.5%	6.4%
Delinquency Rate	11.5%	11.8%	11.8%	12.0%	11.4%	10.5%	10.6%	10.8%	10.9%

As you can see from the table above, state unemployment contributions automatically go down when benefit payouts decrease during good economic times. The opposite is true during economic downturns – as benefit payouts increase employer experience rates increase. This is a function of the insurance system working, much like your home or auto policies.

The average per employee state UI taxes paid by Ohio employers is higher than other states in the region. However, the current tax rates do not generate sufficient revenue to cover benefits on an annual basis or to build solvency in the UI trust fund. Amendments to the current tax rates are needed to assure that the state UI tax structure is responsive to changes in the economy and capable of providing adequate funds to pay state UI benefit amounts as needed – over a reasonable time period – without borrowing from federal accounts.

UI tax rates should be set so as to enable Ohio employers to compete with their counterparts in other states and in the global marketplace. Tax rates that result in unexpected and significant increases in costs discourage job creation and result in a shrinking tax base. Recommendations in this study prescribe a balanced approach to address UI solvency and encourage job creation in Ohio, and propose to change the tax rates to distribute the cost of the UI system more completely across the full range of unemployment experience.

Both raising the taxable wage base or raising tax rates have been proposed by various groups in the past. ODJFS has projected that increasing the taxable wage base from $9,000 to $11,000 in 2018 and until the UI trust fund reaches a level of strength and solvency will provide an increase of $300 million, from between $1.3 to $1.4 billion in revenue annually versus between $1.0 and $1.1 billion.

Employer Rate	2016 Rate	Taxable Wage Base	2018 Cost Per Employee
Lowest	0.3% (0.003)	$11,000	$33
Highest	8.7% (0.087)	$11,000	$957
Construction	6.4% (0.064)	$11,000	$704
Delinquent	10.9% (0.109)	$11,000	$1,199

<u>Recommendation</u>: temporarily phase in an increase in the taxable wage base from $9,000 to $11,000 in 2018 after the one time surcharge to repay the unclaimed funds is removed following 2017 and temporarily freeze MSL surcharges on employer rates. This suggestion was also part of the UCAC recommendations as a compromise between business and labor. Once the fund has been replenished the taxable wage base and rate reduction can be phased in to provide some relief to Ohio employers.

Miscellaneous Issues

Bonding Future UI Debt

Although bonding is not the preferred solution as we generally do not support increasing long-term debt, in order to weather the next major economic downturn, the state should have a mechanism (as an option) to bond this type of debt instead of employers' incurring costly penalties. Doing so will provide a fixed interest rate for employer's to repay the loan rather than federal law automatically increasing employer's taxes by $21 per employee each year after the state has maintained a federal UI loan balance for two consecutive years. The state would significantly improve its solvency position by repayment of the debt quickly by bonding it to avoid future FUTA tax increases on employers. In addition to automatically increasing FUTA taxes, federal law requires that states pay interest on outstanding loans and repayment of interest must be made from sources other than the state UI tax.

Adding the capability to bond any outstanding UI debt would provide the means for Ohio to repay any outstanding UI loans with a fixed repayment rate rather than carry a balance year after year with subsequent federal tax increases. The UI Trust Fund should be restored to a healthy and solvent position for long-term sustainability and should be prepared for future economic downturns.

> **Recommendation: Support efforts for a constitutional amendment to allow the bonding of unemployment debt**. The Ohio Supreme Court case, *The State, Ex Rel. Shkurti v. Withrow* (1987), prevents the state from issuing bonds for the UC debt, which is how many of the other states paid off their recent loans from the federal government. Other states that use bonds or alternative financing to manage UI debt include: Colorado, Illinois, Michigan, Nevada, Pennsylvania and Texas. Legal authority (most by statutory authority) to use bonds or alternative financing is also available in Arizona, Arkansas, Connecticut, Idaho, Louisiana, Missouri, and Wisconsin.

Self-Auditing

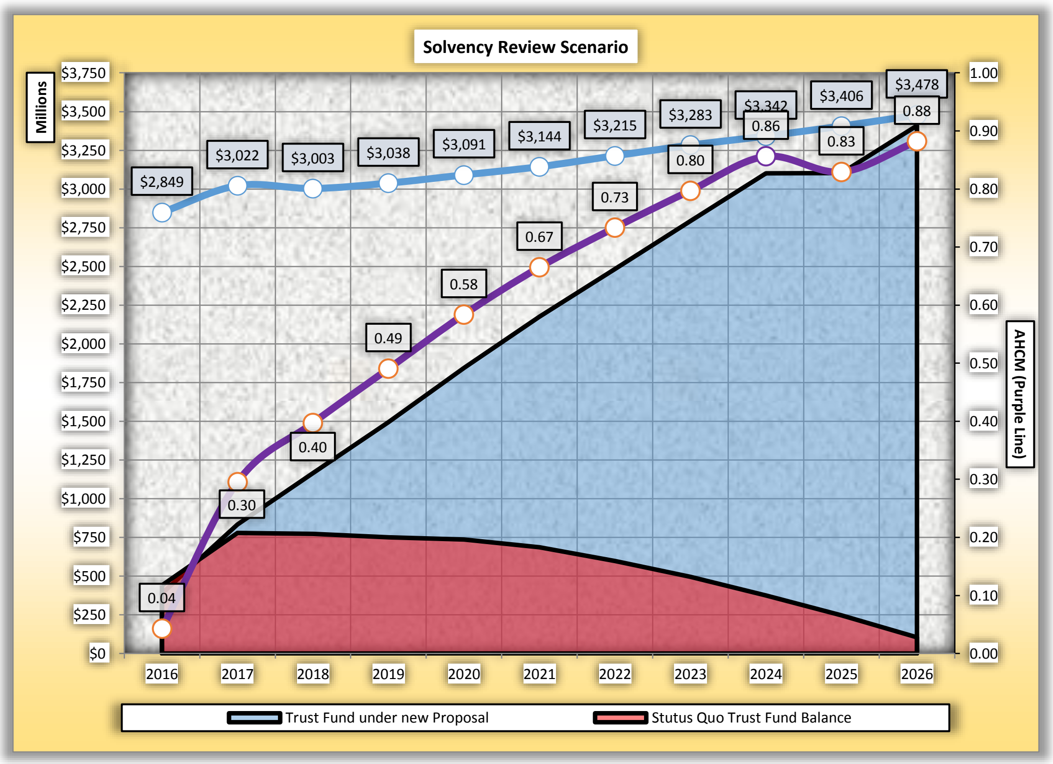
The ODJFS should consider offering employers an opportunity to self-audit if they meet certain criteria, such as no previous findings or reporting delinquencies. This option would save both ODJFS and taxpayer businesses the time and expense of an in-person review. Since the audit typically reviews tax records already filed with other agencies, ODJFS could create worksheets for the taxpayer/business to complete on-line for their review. This practice is used in the private sector for workers' compensation insurance in other states, commercial liability insurance premium audits and for various other taxes.

> **Recommendation: Permit employers to self-audit and reporting.** If employers go through the time and expense of ensuring they are complying with state laws, they should be able to do so without penalty.

Conclusion

I asked the staff at ODJFS to provide a model to estimate where the UI Trust Fund would be by 2026 if the quantifiable changes were made to Ohio's system. You will see in the chart below that we can achieve a strong state UI Trust Fund through increasing the taxable wage base in 2018 to $11,000, freezing the MSL employer surcharges, freezing the base rate triggers automatically increasing benefit levels, reducing the maximum number of weeks to 20, and eliminating the dependency allowance. There are several changes mentioned above and additional changes suggested by other organizations that are much more difficult to quantify, but equally important to addressing the long-term solvency of Ohio's UI system.

A piecemeal approach to addressing the needs of Ohio employers, UI claimants and jobseekers will not produce as successful a result as implementing the complete package of reforms. The primary stakeholders in the UI system, legislative leadership in both houses and the Governor's office should be updated from ODJFS on a quarterly or semi-annual basis. If the fund recovers faster, then changes can be made to address both taxes and benefits at that time.



Chairmen Peterson and Schuring, and members of the committee, thank you for the opportunity to provide testimony today. I would be happy to answer any questions.