THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

May 24, 2016

The Honorable John Kasich
Governor of Ohio

The Honorable Keith Faber
President, Ohio Senate

The Honorable Cliff Rosenberger
Speaker, Ohio House of Representatives

Dear Governor Kasich, President Faber and Speaker Rosenberger:

On behalf of The Ohio Society of CPAs' 22,000 members and the broader 85,000 community of related accounting and finance professionals who collectively work to advance the state of business in Ohio, we are pleased to support the efforts of the Legislature and the Administration to eliminate the existing unemployment compensation debt. We agree that a short-term loan is a prudent fiscal approach – one that will result in avoiding millions of dollars in additional federal penalties against Ohio employers and "reset the clock" for penalty payments on any needed future federal loans. We also strongly support the pursuit of legislation to stabilize the future unemployment compensation system so that our state is better prepared for the next economic downturn that is almost certain to occur at some point.

The Great Recession, combined with an underfunded unemployment compensation fund, caused the State of Ohio to borrow over $3 billion from the federal government to pay unemployment benefits. While it is understandable that the severe economic downturn our state and nation experienced resulted in the need for this loan, Ohio employers need to put this burden behind them. Right now, Ohio still owes roughly $315 million. By this fall, the amount should be closer to $225 million. We applaud your efforts to pay off this debt very soon so that business owners across the state can get back to the regular, or base, FUTA of $42 per employee. If the debt is not paid prior to November 10, 2016, this avoidable burden will increase to $168 per employee in 2017 – money that employers would far prefer to invest in growing their businesses.

Currently, the plan being proposed seeks to borrow money from the state to pay off the federal loan after the debt is certified by September 30. This would cause the federal interest penalties to stop and allow the base rate to return to $42 per employee. To repay this short term loan, the state will add a one-time surcharge of roughly $45 per employee to next year's state unemployment tax bill. The surcharge, plus the normal base, would result in each employer paying about $87 per employee – far less than the looming $168 per employee.

Through the proposed enabling legislation in House Bill 547, OSCPA supports this effort to quickly pay off this debt and reduce this burden on all businesses in our state. We also commit to working with you to implement safeguards to avoid encountering this situation again in the future.

Thank you for your leadership on this very important matter. As an organization representing tens of thousands of key business advisors, we look forward to working collaboratively with you to ensure future stability and certainty to Ohio businesses and the workers they employ.

Sincerely,

Scott D. Wiley, CAE
President & CEO

CC: Merle Madrid, Director of Legislative Affairs, Office of the Governor
Ray DiRossi, Director of Finance and Budget, Senate Republican Caucus
Dan Baker, Budget Director, House Majority Caucus