
Detailed Fiscal Analysis

The bill eliminates the current offset of unemployment compensation when a person is also receiving Social Security benefits.

The cost to the Unemployment Compensation program to eliminate the offset is estimated to be approximately \$11.9 million to \$20.6 million per year. Funds for administration of the Unemployment Insurance program are provided primarily by the U.S. Department of Labor from revenues collected from employers by the Internal Revenue Service pursuant to the Federal Unemployment Tax Act. Benefits are paid through the Unemployment Compensation Trust Fund, which is funded through state insurance taxes that are paid by employers and collected by the Ohio Department of Job and Family Services. General revenue funds are not used to pay for the costs of administering the program or for providing benefits.

The above cost estimate was arrived at by using the average number of people who had experienced an offset in calendar years (CY) 2004, 2005, and 2006, which is 3,074 and the estimated average weekly Social Security benefit for CY 2006, which is \$258.¹ Table 1 shows the data obtained for each of those years. The lower end of the estimate assumes a 15-week duration of unemployment, which is the current average, and the upper end of the estimate assumes a 26-week duration of unemployment, which is the maximum number of weeks that a person may receive unemployment benefits. The actual cost of reducing or eliminating the offset may be more or less depending on the actual number of individuals affected, the actual number of weeks individuals who would otherwise be subject to the offset receive benefits, and the actual amount of social security benefits for those individuals.

Table 1.²

Calendar Year	Number of people who experienced an offset
2004	1,524
2005	3,948
2006	3,751
Average	3,074

Calculations:³

$$3,074 \times \$258 \times 15 = \$11,896,380$$

$$3,074 \times \$258 \times 26 = \$20,620,392$$

¹ The latest year of available data is for CY 2004, which was \$243 per week. LSC staff assumed a 3% cost-of-living increase for each year to calculate the estimated benefit for CY 2006.

² Data obtained from the Department of Job and Family Services via e-mail on January 29, 2007.

³ (Average number of people who experienced an offset) x (Estimated weekly Social Security benefit for CY 2006) x (Weeks of unemployment).

The data contained in Table 1 does not include individuals who chose not to apply for a benefit due to knowledge of the offset or for any other reason. Also, the number of people who experienced an offset varied widely from 2004 to 2005 and followed no predictable pattern into 2006. This could be due to the seemingly unpredictable nature of the economy and employer business decisions.

The emergency clause will make the bill effective as of November 11, 2007. The actual cost of eliminating the offset for FY 2008, given that there are less than eight months left in the fiscal year, will likely be an amount less than the estimate for an entire fiscal year.

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