Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 2 of the 130th G.A. **Date**: March 11, 2013

Status: As Reported by House Manufacturing and Workforce Development **Sponsor**: Reps. Derickson and Brown

Local Impact Statement Procedure Required: No

Contents: To require claimants of unemployment compensation to register with OhioMeansJobs to be eligible for benefits, to contact a local One-Stop office on the eighth week of filing for benefits, and to meet other requirements

State Fiscal Highlights

- According to the Ohio Department of Job and Family Services (ODJFS), the bill would increases costs to enhance the OhioMeansJobs (OMJ) job placement system as well as the unemployment benefit system used by the Office of Unemployment Compensation that would interface with OMJ. ODJFS has estimated that enhancements could cost from $131,250 to $314,500. Enhancement costs would likely be paid for with existing federal or state special revenue funds.
- According to ODJFS, the bill would result in a reduction in overpayments of unemployment benefits from Ohio's Unemployment Compensation Trust Fund along with a reduction in administrative costs associated with collecting overpayments due to provisions that define penalties for not meeting unemployment eligibility requirements; fewer overpayments would generally help improve the solvency of the trust fund.

Local Fiscal Highlights

- The bill would have no direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill requires individuals who file for unemployment benefits to register with the OhioMeansJobs (OMJ) web site to be eligible to receive benefits and also requires individuals on the eighth week of filing for unemployment benefits to report to their local One-Stop office. In addition, the bill clarifies current law and codifies current practices pertaining to penalties for not meeting unemployment eligibility requirements and adds requirements pertaining to reemployment services.

OhioMeansJobs and local One-Stops

The bill requires individuals who file for unemployment benefits to register with the OMJ web site (Ohio's electronic job placement system) to be eligible to receive benefits. The bill also requires individuals on the eighth week of filing for unemployment benefits to report to their local One-Stop office (either in person, over the phone, or electronically) for additional services in order to maintain eligibility for unemployment benefits regardless of any previous contact with that office. (The bill specifies certain groups that are exempt from these requirements.[1]) The bill specifies that an individual who is registered on the OMJ web site must receive a weekly listing of available jobs based on information provided by the individual at the time of registration.

Fiscal effects

Computer system enhancements

According to ODJFS, the bill would increase costs to enhance the existing unemployment benefit computer system used by the Office of Unemployment Compensation to interface with OMJ. The system would need to be enhanced to track the initial registration with OMJ in order for an individual to be eligible for benefits. The system would also need enhancements to register that unemployment claimants contacted their local One-Stop on the eighth consecutive week on claiming benefits as a condition for continuing to receive benefits. The bill would also increase costs to enhance OMJ to send a weekly listing of available jobs based on information provided by the claimant.

ODJFS has estimated that such enhancements to both systems could cost from $131,250 to $314,500, depending on if existing state staff did the work (the lower estimate) or if work were performed under contract (the higher estimate). However, if ODJFS staff completed the work, it could delay other computer projects. ODJFS estimates that all enhancements can be made by the end of 2013. This would be within

[1] Exempt groups include those who are defined in the bill as "job-attached," which generally means they are unemployed due to an employer closing an entire plant for up to 26 weeks or if their layoff is less than 45 days, union members in good standing, and students.

the timeframe required in the bill of six months after the bill's effective date, which would be about nine months after the Governor's signature.

Costs for computer system enhancements would likely be paid for with existing federal or state special revenue funds. Administration activities, including computer system enhancements, for unemployment compensation are mainly funded by federal grants from the U.S. Department of Labor (USDOL). A small portion of administrative activities is funded by fines assessed on employers in the unemployment compensation system. In addition, ODJFS received a $12 million grant from USDOL to make certain enhancements to the OMJ system. This grant could be used to cover the costs to enhance OMJ due to requirements under the bill. Federal grants for administration are deposited into the Unemployment Compensation Administration Fund (Fund 3V40) and are expended from line item 600678, Federal Unemployment Programs. Fines assessed on employers are deposited into the Unemployment Compensation Special Administrative Fund (Fund 4A90) and expended from line item 600607, Unemployment Compensation Administration Fund. In addition, GRF line item 600416, Information Technology Projects, may be used for computer system enhancements.

Other potential fiscal effects

The bill could result in an increase of unemployment claimants who become ineligible for unemployment benefits for not meeting the new eligibility requirements pertaining to OMJ and for not contacting their local One-Stop on their eighth consecutive week of claiming benefits. There could be a decrease in unemployment benefits issued from Ohio's Unemployment Compensation Trust Fund, depending on the number of individuals that become ineligible for benefits under the bill relative to the number who would have been determined ineligible under current law.

The bill could increase costs for One-Stops to facilitate self-services or other more intensive employment services to individuals who contact the One-Stop on the eighth week of claiming unemployment benefits. One-Stops are fully funded by federal Workforce Investment Act grants.

There would be costs for ODJFS to file rules pertaining to new unemployment eligibility requirements.

Eligibility for unemployment benefits and reemployment services

Though the bill generally maintains current law and practice pertaining to the eligibility requirements for unemployment benefits, the bill makes a few changes and codifies current practices. The bill clearly defines the duration that individuals are ineligible for unemployment benefits from failing to meet the existing and proposed new requirements in the bill as the first day of the week an individual becomes ineligible for benefits until the last day of the week preceding the week the individual complies with the requirements. To the list of requirements individuals must meet to receive unemployment benefits, the bill adds participation in the reemployment and eligibility assessment (REA) program or other reemployment services as required by

the ODJFS Director. Reemployment services may include job search assistance, skills assessments, and receiving labor market information. The bill also specifies the duration of penalties for not participating in the federal Unemployment Compensation Reemployment Services (UCRS) Program as the week or weeks in which the claimant was scheduled but failed to participate. Finally, the bill contains administrative provisions regarding how claimants register for unemployment benefits.

Fiscal effects

According to ODJFS, these provisions will result in an increase of unemployment claims that are properly denied based on the clarification of penalties pertaining to all eligibility requirements and the specified penalty for the UCRS Program. For example, currently, for claimants scheduled to participate in a reemployment activity, ODJFS will typically issue a weekly payment, and then check if the individual participated in the required reemployment activity. If the individual was not participating, then ODJFS denies the week and works to collect the overpayment. Under the bill, no subsequent payments will be made until the claimant complies with the participation requirement. Therefore, these provisions would result in an overall reduction in benefit overpayments from the trust fund as well as a reduction in administrative costs associated with collecting overpayments. Fewer overpayments would generally help improve the trust fund's solvency (the state is currently borrowing from the federal government to issue unemployment benefits and expects to continue to do so over the next few years).

Background on unemployment compensation

Eligibility

To be eligible for unemployment benefits an individual must have worked at least 20 weeks in covered employment with sufficient wages during a base period. Covered employment is time spent working for an employer that participates in the unemployment compensation system. Sufficient wages amount to at least $230 on average per week for 2013, before taxes or other deductions (this amount is updated each year). The base period is the first four of the last five completed calendar quarters before the claim was filed. An alternative base period can be applied for those who did not have sufficient wages or who did not accumulate 20 weeks of work in the normal base period. To receive benefits, an individual must be able and available to work and seek work for every week while receiving benefits. Individuals must also be unemployed at the time of filing an unemployment claim.

Benefits

Regular unemployment benefits are paid to individuals who lose employment through no fault of their own who have worked at least 20 weeks. The benefit period equals the number of weeks worked, from a minimum of 20 weeks up to 26 weeks. In 2012, the average weekly benefit was about $305, which was received on average for about 17 weeks for a total of $5,185. If received for the full 26 weeks, the average benefit

would total about $7,930. The weekly benefit amount an individual receives equals half of an individual's average weekly wage up to certain maximums based on the number of dependents an individual claims. The three dependency classifications and *maximum* weekly benefits for 2013 are:

- Class A (no dependents) $413 per week;
- Class B (one to two dependents) $501 per week; and
- Class C (three or more dependents) $557 per week.

These maximum thresholds increase each year with inflation in accordance with state law. There are certain deductions that may reduce benefits, which include severance pay, vacation pay, pensions, company buy-out plans, and workers' compensation.

All regular unemployment benefits are paid through the Unemployment Compensation Trust Fund, a federal bank account which is funded through state insurance taxes on employers. ODJFS collects the taxes, deposits the revenue into a clearing account, and then transfers it to the trust fund. In 2012, benefits issued from the trust fund totaled $1.13 billion.

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