

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **S.B. 116** DATE: **September 10, 2007**
STATUS: **As Passed by the Senate** SPONSOR: **Sen. Padgett**
LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**
CONTENTS: **Specifies conditions under which a claimant's unemployment compensation benefits are not reduced by the amount the claimant concurrently receives in social security retirement benefits**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
Unemployment Compensation Trust Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of \$11.9 million to \$20.6 million	Increase of \$11.9 million to \$20.6 million	Increase of \$11.9 million to \$20.6 million

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- By eliminating the offset to unemployment compensation benefits for those receiving Social Security benefits the bill will increase benefits paid from the Unemployment Compensation Trust Fund by an amount estimated to be \$11.9 million to \$20.6 million per year, based on the most recent data available.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.



Detailed Fiscal Analysis

The bill amends existing law to eliminate 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.

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