BEFORE THE SENATE FINANCE COMMITTEE
INTERESTED PARTY TESTIMONY ON SENATE JOINT RESOLUTION 4

Chairman Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Senate Finance Committee, thank you for the opportunity to provide interested party testimony for Senate Joint Resolution 4 (SJR 4). My name is Kevin Shimp and I am the Director of Labor and Legal Affairs for the Ohio Chamber of Commerce.

The Ohio Chamber is the state's leading business advocate, and we represent over 8,000 companies that do business in Ohio. Our mission is to aggressively champion free enterprise, economic competitiveness and growth for the benefit of all Ohioans.

In our efforts to champion economic competitiveness, the Ohio Chamber supports reforming Ohio's unemployment compensation system in a way that will put the state's unemployment trust fund on a path towards solvency. We also believe reforms like the ability for the state to issue bonds are worthwhile, but do not address the root problem – Ohio's inability to have sufficient funds to cover unemployment benefits in a recession.

The solvency or lack thereof of Ohio's unemployment trust fund is not a new issue. In fact, Ohio's trust fund has not hit the Department of Labor's solvency target since 1974. The negative effects from this lack of solvency is borne entirely by employers since any loan taken by the state to cover unemployment benefits is paid back through special tax assessments and higher payroll taxes for employers.

Many employers and lawmakers will remember the dire situation our state's unemployment trust fund was in following the Great Recession of 2008. As unemployment claims grew at the end of 2008, Ohio's trust fund was almost immediately insolvent which led to the state borrowing money from the federal government to cover unemployment benefits until 2014. Over that five year period, the state borrowed nearly $3.4 billion which resulted in interest payments totaling more than $257 million.

Despite the significant negative impact an insolvent trust fund had on employers, no long-term reforms were made to address the issue. This inaction has put a tremendous amount of strain on Ohio's unemployment trust fund – which had the fourth lowest balance in the country in January of 2020 – as unemployment claims are reaching historically high levels due to the coronavirus.

Senate Joint Resolution 4 creates a process whereby employers are assured the state will borrow on the most favorable terms when the trust fund becomes insolvent next. This makes sense as part of a comprehensive solution to addressing the broader problems with the trust fund. In fact, had there been authority for the state to issue bonds to cover unemployment costs during the 2008 recession, the financial burden placed on employers may have been lessened.

However, the authority to issue bonds does not address the solvency of Ohio's unemployment trust fund. Instead, the issuance of bonds only provides a second option for the state to cover unemployment benefits after the trust fund has already gone insolvent.

The Ohio Chamber believes reforms need to be made so the trust fund can remain solvent in most recessions. SJR 4 can complement solvency reforms because it provides the state with an option of how to finance unemployment benefits when the trust fund is broke, but the enactment of SJR 4 alone will not prevent the trust fund from going insolvent in the future.

The Ohio Chamber is committed to developing an unemployment compensation reform package that considers the interests of all stakeholders and ends the over forty year streak of Ohio never reaching the federal government's solvency standard.

In closing, while SJR 4 is a cost savings tool that may help employers once the trust fund balance has been depleted, the Ohio Chamber believes the creation of bonding authority to finance unemployment benefits should only be made as part of a larger reform package addressing solvency.

Thank you for your time, and I will be happy to answer any questions from the committee.