

Ohio Unemployment Compensation Update

By National Employment Law Project

Unemployment Compensation: Key Tool for Economic Recovery

Unemployment compensation (UC) is an important tool in fighting recession. By maintaining spending power, UC benefits help jobless workers, affected communities and a state's economy. As unemployment rose during 2008, Ohio's UC program paid \$1.59 billion in benefits to unemployed Ohioans. The recovery package (American Recovery and Reinvestment Act, or ARRA) includes significant UC reforms:

- **\$25 a Week UC Benefit Increase.** For the first time in U.S. history, ARRA is providing a supplement to UC benefits in order to help jobless workers and our economy. The recovery package added \$25 a week for every jobless individual receiving UC, including regular state benefits and any extensions. This UC bonus is paid for with stimulus funds. In addition, the first \$2400 of UC benefits received in 2009 will not be subject to federal income taxation.
- **UC Extensions.** The recovery package moved the expiration date of the federally-funded Emergency Unemployment Compensation (EUC) program (first created in July 2008 and later set to expire in March 2009) to December 31, 2009. This will give benefit extensions to thousands of Ohioans who will exhaust state UC benefits during 2009.
- **Modernization of UC.** New options for improving state UC programs are provided in the American Recovery and Reinvestment Act. ARRA provides financial incentives to states with UC laws with selected "modernization" elements that will increase access to UC benefits. Ohio's portion of these incentives amounts to \$264.5 million. Ohio's trust fund will get \$88.1 million of this incentive package because Ohio already uses the "alternative base period" to take recent wages into consideration when determining UC eligibility. To get the remaining \$176.3 million in federal incentive funds, Ohio must adopt 2 of the remaining 4 modernization elements. By putting some of these modernizing elements into its UC law, Ohio could get added federal funding for its UC program. For more info see: http://www.nelp.org/index.php/site/issues/category/modernizing_unemployment_insurance.
- **New Options for Long Term Unemployed Workers.** ARRA makes Extended Benefits fully federally funded for 2009. By adopting a total unemployment rate (TUR) trigger, Ohio could make 13 added weeks of Extended Benefits immediately available to long-term unemployed workers with full federal funding of these benefits. Later this year (once Ohio's TUR reaches 8%), a TUR trigger would provide 20 weeks of Extended Benefits, an amount that will fill the income gap for workers exhausting EUC benefits. With jobs disappearing, EB adds an essential safety net for long term jobless workers.
- **UC Financing Overview.** Ohio's UC trust fund is borrowing federal loans to pay regular UC benefits because its reserves were too low to weather the recession. ARRA has suspended federal interest on UC trust fund loans through 2010. This should relieve some pressure on Ohio and other insolvent states that may be tempted to make UC cuts in this recession.

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