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Office

S.B. 302
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Passed by the House

Primary Sponsors: Sens. Hackett and Reineke

Local Impact Statement Procedure Required: No

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Highlights

- The Ohio Department of Job and Family Services (ODJFS) will experience costs to establish data sharing agreements with specified state departments, determine if financial institutions have physical locations in Ohio, and to produce an annual report.
- The Ohio Department of Public Safety may experience an increase in costs to release digitalized photographic records to ODJFS if the records are necessary for ODJFS to carry out its functions under the Unemployment Compensation Law.
- The bill delays by two years (from 2023 to 2025) the date by which the ODJFS Director must begin to accept requests from unemployment compensation recipients to have state income tax withheld from their unemployment benefits. Any associated fiscal impacts would be delayed.

Detailed Analysis

The bill makes numerous changes to unemployment compensation (UC) law, which are detailed below. ODJFS has been in the process of developing a new unemployment compensation system over the past few years, which is referred to as the State of Ohio Unemployment Resource for Claimants and Employers (SOURCE).

Verification for federal benefit programs

The bill requires the ODJFS Director to establish a verification system for any federal program administered by the Director in a manner similar to the Unemployment Compensation Law that provides money to an individual who loses income but is not eligible for traditional unemployment benefits. This requires the ODJFS Director to establish a data sharing agreement with the Tax Commissioner. The ODJFS Director may request information regarding whether an

individual has filed an annual return with respect to the individual's income tax. The ODJFS Director may request the information for the most recent taxable year for which an annual return was due or either of the two preceding taxable years. These provisions apply to requests made on or after January 1, 2024. ODJFS will realize an indeterminate cost to establish this system and the Department of Taxation may realize costs to provide any information. However, these costs may not be realized until ODJFS administers such a federal unemployment program.

Additional eligibility screening

Under the bill, when an employer fails to provide certain requested information within ten working days to ODJFS, the ODJFS Director must provide the individual's and employer's names, addresses, tax identification numbers, etc. to the Tax Commissioner. The Tax Commissioner must confirm whether or not the individual was included in the employer's most recent annual tax return. This provision applies to requests made on or after January 1, 2024. Additionally, the bill also requires the ODJFS Director to enter data matching agreements with the Department of Rehabilitation and Correction for incarceration information and the Department of Health for death records in order to help verify eligibility for UC benefits. There would be administrative costs for these entities to establish data sharing agreements. However, it appears that ODJFS checks some of this data already.¹ Any impacts will depend on how any current data checks are done versus how the data sharing agreements required under the bill are executed. If the data matching agreements were incorporated into the new SOURCE system, there could be uncertain costs to do so.

Employer complaint system

The bill requires the ODJFS Director to establish and maintain an online process through which an employer can report that an applicant for, or a recipient of, unemployment benefits has failed or is failing to meet the nonmonetary requirements for benefit eligibility. The process must allow the employer to make a complaint through a conspicuous internet link located on ODJFS's website. ODJFS currently has a link on its website that allows employers to report eligibility or other issues. If this system meets these requirements, there should be no costs.

Direct deposits

The bill also prevents unemployment benefits disbursements by direct deposit to a financial institution unless the institution has a physical location in Ohio that the individual requesting direct deposits can access for the purpose of resolving disputes with the institution. ODJFS will experience costs to determine which financial institutions meet these requirements. Costs will depend on how easily this information can be ascertained and how many financial institutions have to be checked.

¹ There have been Controlling Board requests to contract with a firm to identify persons claiming benefits from public programs ODJFS administers by cross-matching ODJFS' data with public records from incarceration facilities throughout the nation. The last contract was approved June 14, 2021.

Annual report

The bill also requires ODJFS to prepare an annual report providing specified information about claims and a summary of updates or changes to the technology used to administer the unemployment compensation system. This will result in minimal administrative costs for ODJFS.

Unemployment contribution rate appeals

The bill requires that the appeal of a contribution rate or rate revision by an appealing party who fails to appear at the hearing be dismissed (the dismissal may be vacated if written notice of the hearing was not sent or if there was good cause for the failure to appear), which is the same requirement for an appeal of a benefit right determination when the appealing party fails to appear. Any fiscal impact would depend on the number and type of appeals dismissed as a result of the provision.

Application and determination process

The bill increases, from 52 to 208, the number of calendar weeks in which the Director may issue a corrected determination when an error in a previous determination was typographical or clerical or was caused by an error in an employer's report or incorrect remuneration information received by the Director.

Income tax withholding from unemployment benefits

S.B. 18 allows individuals to elect to have state income tax withheld from their unemployment benefits. This was anticipated to result in potential administrative costs to ODJFS. However, withholding the tax itself would not have a net effect as income tax receipts would generally be received sooner than otherwise collected. S.B. 302 delays by two years, from 2023 to 2025, the date by which the ODJFS Director must begin to accept these withholding requests from unemployment compensation recipients. As a result, any fiscal impacts would be delayed.

The bill also requires, on or before January 31 of each year, beginning in 2026, the Director to electronically file an annual return, in a form prescribed by the Tax Commissioner, indicating the total state income tax the Director withheld from unemployment benefits during the preceding calendar year and to remit any remaining amount withheld during the year. The bill eliminates the requirement that the ODJFS Director, when filing monthly returns remitting the income tax withheld from unemployment benefits, include withholding information for each individual taxpayer. Instead, the bill requires that, on or before January 31 of each year, beginning in 2026, the Director must provide the Commissioner with copies of the information returns the Director is currently required to provide to unemployment benefit recipients who elect to have taxes withheld. These requirements could result in unquantifiable administrative costs. The magnitude of these costs would depend on unemployment levels and unemployment compensation benefits paid in 2023 and 2024, and on the extent to which the recipients sign up for income tax withholding. However, since this is voluntary, the numbers of recipients signing up might be small.

Department of Public Safety photo sharing

Currently, the Department of Public Safety (DPS) may only release digitalized photographic records to specified entities. The bill adds ODJFS to this list if the records are necessary for ODJFS to carry out its functions under the Unemployment Compensation Law. DPS

and ODJFS could experience an increase in administrative and possibly information technology costs to share these records. Any costs would depend on if it were necessary for the records to be released, and if they were, how they were released and how many were released.

Unemployment Compensation Review Commission hearings

The bill requires a hearing officer to hold a hearing during normal business hours, unless an interested party is regularly employed during those hours and the Commission grants the party's request for an evening telephone hearing. The provision should have no direct impacts.

Temporary Commission member

The bill allows the Unemployment Compensation Review Commission (UCRC), when a UCRC member is unable or unavailable to consider an appeal, to appoint a hearing officer as a temporary commissioner to fulfill the missing commissioner's duties with respect to the appeal, but prohibits the UCRC from appointing the hearing officer who decided the appeal at the hearing officer level.