

## Ohio Department of Job and Family Services Unemployment Compensation Legislative Questions

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In response to concerns related to Ohio's unemployment compensation system during the COVID-19 pandemic, the Ohio General Assembly passed H.B. 614 which created the Unemployment Compensation Modernization and Improvement Council. This legislation tasked the Ohio Auditor of State with completing a performance audit of the unemployment system and answering 18 questions related to system operations. Additional background, data, and context can be found in the body of the report.

**(1) Create a breakdown of revenues and expenditures illustrating how funding for administrating claims for benefits is received and spent:**

Funding for UC administration is received primarily through a grant from the federal government based on data submitted by ODJFS. The United States Department of Labor (USDOL) uses prior year data to project expected expenditures at the state level for purposes of resource grant allocation. In Ohio, the state supplements this funding, and, in FY 2019, provided more than 25 percent of funding necessary for operations.

**(2) Compare administrative funding and cost distributions to states that process a similar number of claims, on average, as Ohio.**

Ohio provides more supplemental funding for administrative expense than peer states on both a percentage and dollar basis. Between FFY 2017-19, Ohio spent an average of \$26.4 million annually in state funds to supplement federal funding, which was 25.4 percent of total UC administrative expenditures. In comparison, peer states supplemented federal funding by an average of \$4.7 million, or of 5.8 percent of UC administrative expenditures during the same period.

**(3) Review trends in federal funding provided for administering claims for benefits over a period of time.**

In total, the amount of federal funding provided to all states for administrative expenses has been trending downward for the past five years, which coincides with a long period of economic expansion and lowered unemployment activity. In Ohio, the amount of federal funding has declined over the past ten years by approximately \$40 million or 33 percent and the percent of total administrative expense covered by those funds has also declined from approximately 90 percent to 70 percent.

**(4) Compare provided federal funding to the total cost of administering claims for benefits over the same period of time.**

Federal funds do not cover Ohio's UC administrative costs. As mentioned in the answer to question (2), Ohio provided an average of \$26.4 million in state dollars between FFY 2017 and 2019 to supplement federal funding.

**(5) Identify the amount of state funds necessary to supplement federal funding for purposes of administering claims for benefits.**



## NOTE ON DATA LIMITATIONS

Questions (6) through (9) requested average processing times for tasks regulated by Revised Code. However, we encountered issues relating to the data obtained from ODJFS which prevented us from being able to use this data to generate an accurate portrayal of processing times requested in HB 614. In particular, due to backdating of claims during the COVID-19 pandemic, some calculations resulted in negative averages, which would indicate that the payment was made prior to the Director allowing benefits. While these occurrences may have been a small percentage of the entire population of claims, the negative calculations greatly affected the aggregate averages. In addition, ODJFS was only able to provide data on initial claims. Additional claims data was requested but not received. These data limitations prevented us from conducting a root cause analysis that would potentially provide detailed insight and context into processing times. These concerns, along with the inability to collect similar peer state data for comparative purposes, led us to using available data from the USDOL to identify similar metrics that evaluate the timeliness of processing claims.

**6) Calculate the average time that elapses between the date an application for a determination of benefit rights is filed and the determination on the validity of the application is made as required under division (D) of section 4141.28 of the Revised Code.**

**(7) Calculate the average amount of time that elapses between the date a first claim or any additional claim for benefits is filed and the determination on the claim required under division (E) of section 4141.28 of the Revised Code is made.**

**(8) Calculate the average amount of time that elapses between the Director allowing benefits and the payment of the allowed benefits under division (I) of section 4141.28 of the Revised Code**

**(9) Compare the average times calculated to peer states.**

(6) and (7): The nonmonetary determination time lapse is an indicator tracked by USDOL of how quickly states address a circumstance or condition that is potentially disqualifying and investigate to determine the facts and the claimant's eligibility for benefits. In 2019, Ohio issued 88 percent of separation and non-separation determinations within 21 days from the issue detection date. This exceeded the federal benchmark of 80 percent. In 2020, the percentage dropped to 38 percent, falling below the federal benchmark but in-line with the peer state average.

(8): The first payment time lapse is an indicator tracked by USDOL that measures the number of days from the week ending date of a first compensable week in the benefit year to the date a first payment is made. In 2019, Ohio paid nearly 89 percent of first payments within 14 days after the end of the first compensable week. This exceeded the federal benchmark of 87 percent and all peer states. In 2020, the waiting week was waived due to the COVID-19 pandemic and Ohio paid approximately 69 percent of first payments within 21 days, falling below the federal benchmark and lagging the majority of peer states.

(9) In 2019, Ohio outperformed peer states on both first payment timeliness and nonmonetary determination time lapse indicators. During 2020, Ohio fell below the peer average for first payment timeliness, and remained in-line with the peer average for nonmonetary determination timeliness, even as Ohio and all of the peer states fell below the federal benchmark for these measures.

**(10) Provide an overview of federal and state laws governing the process by which claims for benefits are filed and the impact of those laws on the process.**

Unemployment compensation is commonly referred to as a state-federal program. This is because each state administers separate unemployment compensation programs, but follows guidelines established by federal law. Within Ohio, unemployment compensation is administered by ODJFS with the assistance of several entities.

While no state is required to follow federal unemployment guidelines, the federal government incentivizes compliance through two acts – the Federal Unemployment Tax Act (FUTA) and the Social Security Act. Both of these laws provide financial benefits to states that encourage compliance with federal guidelines. Ohio’s unemployment laws and administrative regulations are based on these federal guidelines.

**(11) Identify any provisions of Chapter 4141 of the Revised Code that could be repealed or amended to increase efficiency or improve claim processing while maintaining compliance with the Federal Unemployment Tax Act.**

Chapter 4141 of the Revised Code provides regulations for the overall structure of unemployment compensation and benefits eligibility. It further grants rights to the Director of ODJFS for the administration of the benefits program. Day-to-day operations are largely governed by internal policy manuals. Our review of existing laws did not identify any provisions which would hamper operational efficiency. Recommendations throughout the report provide the Department opportunities to improve performance through procedural changes.

**(12) Identify improvements that can be made to the system used to process a claim for benefits**

Several improvements to the existing system could be made to increase efficiency and effectiveness including:

- Allowing claimants to submit questions directly from their portal;
- Providing detailed information regarding the status of a claim in process; and,
- Structure the system so that it identifies what types of issues employees are working on and how well ODJFS is performing.

**(13) Identify the advantages, if any, of implementing an alternative system for filing a claim for benefits, including a system in which an individual who wishes to file a claim by telephone could leave contact information and receive a return call.**

An alternative system was implemented in the second half of 2020. ODJFS should continue to monitor its usefulness and effectiveness.

**(14) Identify any improvements that could be made to the website that an individual uses to file a claim for benefits online.**

The website should be designed to provide a claimant more information regarding their claim status. In particular, the claimant does not have visibility into what the system is waiting on in order to make a determination for benefits. Further, claimants are not provided with deadlines or estimated timeframes for decision makings. Lastly, instructions on how to file weekly claims are unclear on the website and require additional effort from the claimant.

**(15) Describe the organization and staffing levels used to administer claims for benefits and compare to peer states.**

Unemployment compensation is administered by ODJFS through the Office of Unemployment Insurance Operations (OUIO). OUIO is overseen by a Deputy Director. Over the past decade, staffing within OUIO has declined significantly, from more than 1,100, which was during a recessionary period to approximately 550 FTEs in 2020, during an extended period of economic expansion. Because staffing data was not available from peer states, we used information from the Department of Labor for comparison purposes. Ohio has 2.17 total positions per 1,000 initial claims processed, which is in-line with the peer average of 2.11 total positions. However, because of variation in requirements on a state by state basis, this may not provide an accurate workload comparison between states.

**(16) Identify any improvements that could be realized through changes in staffing levels.**

A staffing comparison based on workload to peer states could not be made due to the available data. However, ODJFS does have significant data collected on the types of activities employees spend time on within OUIO. This data should be monitored and reviewed to develop a strategic staffing plan tied to real-time data. The OUIO should manage to this data and ensure the efficient use of personnel.

**(17) Identify the best practices from other state's unemployment compensation acts that could be implemented in this state.**

The majority of state laws surrounding unemployment compensation administration are similarly worded. No additional best practices were identified during our audit.

**(18) Identify the most common complaints and problems applicants for or recipients of benefits identify when interacting with the Director's staff, including any complaints or problems with personal identification numbers, mismatched social security numbers, name changes through marriage or misspellings, and wait times.**

Complaints or inquiries can be made through several methods, including legislative inquiry, chat bot, call center, or email. The data provided by ODJFS regarding customer inquiries is not collected in an aggregate form and therefore we are unable to answer this question in the aggregate, although we can identify common complaints in each of the channels. The majority of issues that were identified were relating to pending claims, how to file for weekly claims, Pandemic Unemployment Assistance, and fraud.