

OHIO

Reed Act Distribution

**“One Time Money =
One Time Expenditures”**

Reed Act Distribution

- “One Time” \$8 billion Reed Act distribution made on March 13, 2002.
- Ohio’s share - \$343 million – deposit made directly to Unemployment Compensation (UC) Trust Fund which is used to pay unemployment compensation benefits.
- Federal law applies to how states may use this money.

Ohio's Reed Act distribution can be used for the following purposes:



- In general, “payment of unemployment compensation (UC) and the administration of the state’s UC law and its system of public employment offices”, including One Stops.
- To minimize and/or avoid UC tax increases for employers.
- UC Benefits

Ohio's distribution *cannot* be used for the following purposes:

- In general, anything not related to “payment of UC and the administration of the state’s UC law and its system of public employment offices.”
- Benefits for unemployment occurring before March 9, 2002.
- Job training for claimants/job seekers.
- Administrative funds that earn interest.

Reed Act Allocation Authority



- Federal law requires a state appropriation to use Reed Act funds for any purpose other than retaining the money in the UC trust fund or to pay UC benefits.
- There is no time limit on using the Reed Act distribution.
- Not retroactive

Overview

Preliminary Allocation Plan

- Appropriate \$26 million in SFY 03, 04 and 05 to offset GRF and SAF.
- Appropriate approximately \$30 million to replace the current UC Tax system.
- Appropriate approximately \$10 million for operation of One Stops.
- Appropriate approximately \$3 million for one time improvements to the Labor Market Information system.

Preliminary Allocation Plan cont'd

- Appropriate approximately \$6 million for one time equipment and training expenses for ODJFS program policy and program delivery staff.
- Leave approximately \$216 million remaining in the trust fund.

Offset GRF



- The General Revenue Fund Appropriation for ODJFS currently funds activities that support the operation of the unemployment insurance and employment services programs for the State of Ohio. These activities include support services and local operations and the Unemployment Compensation Review Commission. This equals up to \$18 million annually.
- In addition, the Special Administrative Fund also supports the operation of these programs.

Offset GRF

- The GRF will be reimbursed on a quarterly basis based on the expenditure reports filed by the agency with the U.S. Department of Labor. Expenditures charged to GRF will be specifically identified and the funds to support those expenditures will be drawn into GRF.
- The Reed Act GRF reimbursement will support expenditures for State Fiscal Years 2003, 2004, 2005.
- This process will be advantageous to the UC Trust Fund, as the money to support these expenditures will be drawn on a reimbursement basis, which will leave the Reed Act funding in the Trust Fund for a longer period of time.

Replace Current UC Tax System

- Current Tax system is 26 years old and is targeted as “high risk” for potential system failure.
- Does not lend itself well to modifications in business processes, law changes or technology improvements.
- Inconsistent with direction state is taking for Ohio Gateway project.
- Before rebuilding will first seek systems in Public Domain.
- Cost for system will be spread out over 3 years.

One Stops

- Development of user friendly computer links that allow on-line interactive access within various workforce policy systems.
- Hardware and software for resource rooms in certified One Stops.
- Promotion and marketing of certified One Stops and services provided in local communities.
- All one time expenses, spread out over 2-3 years.

Labor Market Information

- Conduct research to determine what specific needs exist for labor market information and the purposes the information would be used and preferred method of delivery (hard copy vs. web).
- To meet customer demands, move two major modules of the LMI ProSuite to the Internet.
- Conduct 1, 2, and 3 year follow-up studies on customers who are referred to training programs or job placement.

Local Operations, Unemployment Compensation and Workforce Development Equipment and Training

- Service delivery will evolve into Call Centers, Processing Centers and One Stops statewide, requiring new equipment and training for staff.
- Staff training will include: Customer Service training, Phone Skills for Call Center staff, revised UC & WFD Program training and Management Development training.
- Future training in these areas will be done by ODJFS employees.

Ohio Employers

- Ohio employers will benefit from funds remaining in the UC trust fund.
- One solvency tax associated with the mutualized portion of the state's unemployment tax structure will be avoided for 2003 and 2004.
- The magnitude of the other solvency tax will be lessened for 2003.

Summary

- Spending authority for Reed Act funds is extremely restrictive.
- Inappropriate use of Reed Act funds could put the UC Grant for Ohio at risk.

Reed Act Distribution

\$343,709,635	Reed Act Distribution
-78,000,000	GRF & SAF Reimbursement
-30,000,000	UC Tax System Replacement
-10,000,000	One Stops
- 3,000,000	LMI
<u>\$ - 6,000,000</u>	Staff Training & Equipment
\$216,709,635	Remains in Trust Fund