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Ohio Considers Muni Bonds to Bolster Unemployment Trust Fund.

- **Bill would let state choose selling bonds or federal loans**
- **Pandemic shutdown has led to massive job losses this year**

Ohio could sell municipal bonds to as an option for replenishing its depleted unemployment trust fund in times of economic stress, a group of state lawmakers proposed.

Ohio state Representative Craig Riedel is working on a Republican-sponsored bill that would allow the sale of bonds backed by state employers' unemployment insurance premiums if it's cheaper than the federal government loan program. The move comes as record jobless claims, fueled by the coronavirus pandemic that shut down large swaths of the U.S. economy, have stressed unemployment insurance trust funds.

"Currently, in Ohio the only option we have when the trust fund goes to zero is we have to borrow from the federal government," Riedel said in a telephone interview. "If this bill is passed it would give Ohio a second option."

Discussions over the bill come as the dire jobless picture in America saw its first signs of reversal. U.S. payrolls rose by 2.5 million in May, beating forecasts for decline and coming after a drop in the prior month that called back to the Great Depression. Still, 21 million Americans are unemployed and the benefits being paid out are rapidly draining state trust funds.

Ohio's unemployment fund was ill prepared for the surge in claims caused by the virus. At year's open it had a $1.3 billion balance, a level deemed inadequate for entering a recession, according to the U.S. Department of Labor.

"In recovery periods, revenues into the program exceed outlays to pay benefits. In the case of Ohio, they didn't really have much of a recovery," said Wayne Vroman, an economist with the Urban Institute. "They burned through the trust fund between March and April."

The historic jobless claims have affected state unemployment trust funds across the country. New York, California, Illinois and Texas have all stretched their accounts thin and have requested loans from the federal government.

Ohio expects to empty its fund in a little over a week. Last month it requested $3.1 billion in borrowing authority from the Department of Labor, according to Bret Crow, a spokesman for the state's Department of Job and Family Services.

Tapping the bond market is a move that was used by Texas, Pennsylvania, Michigan, Illinois, Colorado, Idaho, Nevada and Arizona during the last recession, Vroman said. Currently, interest is waived for federal loans, but it is unclear whether that will continue into 2021 and beyond, said Riedel.

The proposed legislation will just give the state more options to choose from going forward, Riedel added. The interest rates for the federal loans are a bit above 2% during normal times. Rates in the municipal market can be slightly higher, but there is a longer period of repayment and are they often issued with a premium, Vroman said.

“Ohio could’ve raised employer taxes in good times, but they didn’t do it,” Vroman said. “Now they’re facing a more difficult situation because the economy is in bad shape.”

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