



**Unemployment Compensation Reform Testimony**  
**Mike Stanek**  
**Chief Financial Officer, Hunt Imaging**  
**Owner, Cleveland Cycle Tours**  
**Board Member, Greater Cleveland Partnership | Board Chair, Council of Smaller Enterprises**  
**August 25, 2016**

Chairman Peterson, Chairman Schuring and members of the Unemployment Compensation Reform Joint Committee, my name is Mike Stanek. I am the Vice President and CFO for an Ohio-based manufacturer that sells internationally as well as the co-owner, with my wife, of an entertainment company operating in Cleveland. I have a keen interest in making sure that any unemployment compensation reforms to be implemented are done in a fashion that both protects businesses operating in the state and provides a safety net for the employees of those businesses.

Thank you for the opportunity to provide testimony regarding challenges related to unemployment on behalf of impacted members of the Greater Cleveland Partnership (GCP) and its small business division, the Council of Smaller Enterprises (COSE). Together, the organization represents the most comprehensive small, middle market, and large business organization in the state with more than 8,500 business members in Northeast Ohio.

Several years ago, the nation's unemployment rate was on the rise and the unemployment fund was ill-prepared to cover the costs. As you know, the federal government subsequently provided Ohio and more than 30 additional states with a loan to continue paying jobless benefits. Ohio is one of the only remaining entities that have not fully repaid the loan.

I applaud recent activity signed by the Governor aimed at removing Ohio's unemployment debt to the federal government. We worked methodically with many of you to help relieve Ohio employers of this burden. Under the recently passed legislation, the state is expected to pay off the federal debt a year ahead of schedule and it will save Ohio job creators millions of dollars in 2017.

We continue to seek long-term reforms that will bring balance and stability to the unemployment compensation fund and we need your help. Most recognize paying the debt today provides a critical short-term solution. It is also clear that we need to continue to take a hard look at Ohio's current unemployment system and that it must be re-structured for it to be viable in future generations. **Improvements to the system should ensure the unemployed receive the support needed to re-enter the workforce and also ensure that an unexpected burden on businesses does not happen again due to a future downturn in the economy or recession.** Our members continue to advocate for long-term reforms that allow the unemployment fund to achieve solvency. It is our hope that you will partner with us to that end.

We are supportive of a common sense approach to the issue at hand. I urge you and your colleagues to consider our members' views as you continue to discuss the right path forward for an improved unemployment structure:

- **Ohio should strive to achieve a balance in the unemployment fund that meets or exceeds the U.S. Department of Labor's suggested solvency level and we are supportive of HB 394 due to the relief it would provide for employers in the event of a future downturn in the economy.**



- **We also recognize that changes proposed in HB 394 to the number of weeks that claimants can collect unemployment benefits could have a negative impact on the construction industry – both employers and employees – and we look forward to working with you towards a solution on that issue.**

I sincerely appreciate the opportunity to provide some perspective – on behalf of so many of my fellow colleagues that have expressed very real and grave concerns – regarding our current unemployment system, how it can impact job creation, and the critical need to attain solvency for the unemployment fund in the future. Through your leadership, I'm confident we can achieve meaningful reform and our collective efforts to overcome this hurdle will benefit our state and the hard working citizens that rely on the opportunities they deserve to provide for their families and thrive in their communities.

I've personally heard from many businesses that had been severely impacted by the downturn in the economy several years ago. The damage continues to linger and negatively affect business growth and the prospects for an individual to contribute and enjoy success today. I would like to leave you with just one example of how our current unemployment system not only hurt employers, but the workforce that helps drive our economy.

Driftwood Restaurant Group is a business that operates seven restaurants, provides food truck and catering services, and is staffed by 200 experienced and talented individuals. They are a leader in a thriving Cleveland area culinary scene.

In January 2016, and solely for tax year 2015, they unfortunately were forced to pay more than \$30,000 in additional, unexpected taxes due to the downturn in the economy several years ago and the debt Ohio owes the federal government. This does not include the additional dollars they paid in previous years.

The timing of the bad news Driftwood received gave the company a mere three weeks to “make good” on what “they owed”. Clearly, this would directly impact their employees or those they could have hired in the future.

To illustrate what an unexpected tax bill of \$30,000 for one year means to a small business like Driftwood Restaurant Group, it equates to the cost of: a convection oven, a point of sale terminal, or two months of printing and advertising. These items are not luxuries, but are necessities if a business hopes to compete and continue to provide jobs for their employees.

This money could have and would have been better invested in the business and in the people that make that business possible; 2,000 hours of labor at \$15 per hour is equivalent to one job at Driftwood or a future employee that's seeking a position or possibly a career.

We are appreciative of the strong commitment leadership in the Ohio General Assembly and the Governor have shown on this crucial issue. Your support for the immediate steps to eliminate the outstanding debt with a short-term loan before additional federal penalties are levied against Ohio's businesses is a meaningful first step. Your support for long-term reform efforts focused on stabilizing the unemployment compensation system will be even more important going forward.



Thank you for the opportunity to speak to you today. I am available to answer any questions you may have.