

## To get stimulus money, Texas must ease rules on unemployment benefits

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The lure of \$555 million in federal stimulus money for additional unemployment insurance has Texas legislators mulling whether to expand unemployment benefits to more workers.

To get that money, Texas would have to implement some key changes to state law — including modifying some eligibility requirements to include tens of thousands of low-wage workers. Such changes have been considered but not enacted in previous sessions.

This year could be different, however, because there is a big chunk of money on the table, and a lot of people are struggling in the current economic climate, said Don Baylor, a policy analyst with the Center for Public Policy Priorities.

State Sen. Steve Ogden, R-Bryan, chairman of the Senate Finance Committee, said legislators should look at the required changes, but he made no commitment to embrace them.

Gov. Rick Perry is reviewing the American Recovery and Reinvestment Act signed by President Barack Obama this month and the strings attached to all the money, a spokeswoman said.

The unemployment money would be the mostly likely candidate if Perry were to reject anything from the stimulus package.

Perry has said the stimulus money should be used only for one-time projects, not ongoing expenses.

"The hardest thing to remove from government is a temporary program," Ken Armbrister, Perry's legislative director, said at a Wednesday hearing.

Some governors, including Gov. Bobby Jindal of Louisiana, have said they don't want the federal money because of the mandates.

Unemployment is rising in Texas — the state unemployment rate was 6 percent in December, up from 4.2 percent a year ago. Benefits paid last week were more than double those paid the same time last year.

More laid-off workers also means that the trust fund that pays benefits is being depleted. The Texas Workforce Commission has projected a \$750 million deficit that will require the commission next fall to raise taxes on employers and borrow money to refill the fund.

The federal money could lessen the need for new taxes on business, said state Rep. Mark Strama, D-Austin,

who is chairman of the Technology, Economic Development and Workforce Committee.

"Failure to adopt the policy changes ... would result in a higher burden on business taxpayers in the immediate and near term during the recession" than would expanding the benefits, Strama said.

Getting any of the federal money requires Texas to alter the work period used to determine unemployment eligibility and benefits to a worker's four most recent quarters of employment. Twenty-one other states already use this method.

The current Texas system disregards the most recent quarter and uses the previous four quarters. That creates an artificial time frame that particularly affects low-wage workers who go in and out of the work force, said Maurice Emsellem, policy co-director of the National Employment Law Project.

The Workforce Commission is still determining how much the change would cost.

But an analysis of a similar 2007 bill put the price tag at about \$35 million to \$45 million a year as 74,000 additional workers would become eligible for benefits, according to the Legislative Budget Board.

The number, however, would probably be somewhat higher given today's higher unemployment rates.

That change alone would open the door to Texas receiving \$185 million of the stimulus money.

The Legislature has some options for how to tap the remaining \$370 million. Lawmakers would need to enact two of four policy changes, such as allowing people to get benefits while searching for part-time work.

The Center for Public Policy Priorities, which advocates for low-income Texans, estimates that all of the reforms combined would cost \$55 million to \$75 million a year, so the federal money could cover the costs for seven years or more.

No one knows the true cost because that would be driven by how many more people took advantage of the benefits, said Talmadge Heflin of the Texas Public Policy Foundation, which advocates for limited government.

"The upside is all short-term," Heflin said. "The downside in future years will greatly outweigh any upside."

To mitigate the effects down the road, Workforce Commission Chairman Tom Pauken has suggested the Legislature enact the necessary changes in law but find some way to for the expanded requirements to end when the money does.


"We'll keep the law as long as the money continues," Pauken said.

The federal legislation, however, does not allow that approach, Emsellem said. Texas' rules "are leaving some really important people out of the system, and here is an opportunity to fix it that benefits everybody in Texas."

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