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James Quintero, guest column: Governor makes right call on unemployment aid

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JAMES QUINTERO Guest column

Saturday, March 28, 2009

AUSTIN — The sharp increase of Texans losing their jobs has many wondering whether Gov. Rick Perry made the correct choice in rejecting \$555 million in unemployment insurance assistance offered by the federal government.

On the surface, bringing home an extra half-billion dollars for Texans who've lost their jobs seems like a no-brainer. But peel away the veneer of "free money" and you see flawed public policy.

To draw down these one-time funds, Texas would be forced to make permanent changes in its unemployment eligibility system.

For the first \$185 million, Texas would have to allow the use of an "alternative base period" for unemployment eligibility. Under current law, Texas reviews an applicant's last four calendar quarters of wages to determine if the applicant worked enough to be eligible. The Obama administration wants to allow applicants to qualify if their wages would have been sufficient in the last one quarter. The Texas Workforce Commission's cost estimate of this change: \$212.4 million over five years.

That's not all. The rest of the money would hinge on the adoption of at least two of four benefit expansions. The five-year cost of these individual changes ranges from \$23.1 million to more than \$1.4 billion.

The fallacy promoted by advocates is that the federal funds will "pay" for several years of the expanded benefits. In fact, those dollars would be used immediately to partially shore up the UI trust fund, and employers would foot the cost of expanded benefits from Day One.

There are better options to address the projected trust fund deficit.

The federal government has a separate program that provides zero-interest loans to states that need help covering short-term UI trust fund deficits. Additionally, the Texas Legislature in 2003 authorized the Texas Workforce Commission to issue bonds to cover such deficits.

Both of these would address the short-term issue of shoring up our UI trust fund and continuing to pay benefits to jobless workers in a way that maintains a more predictable tax burden on Texas employers.


It is beyond dispute that people are losing their jobs, and many well-intentioned legislators want to help.

But legislators must keep in mind that every additional dollar that Texas employers have to pay for people who aren't working is one less dollar available for job creation and economic recovery. And, ultimately, the best way to help people who have lost their jobs is to foster an economy that creates jobs.

James Quintero is a fiscal policy analyst at the Texas Public Policy Foundation.

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