



CPPP: TEXAS LAWMAKERS SHOULD SEIZE OPPORTUNITY TO FIX UNEMPLOYMENT INSURANCE

Federal Recovery Law Provides \$555 Million for Texas Unemployment Insurance, but Only if State Modest Adopts Reforms It Should Adopt Anyway

Austin, Texas—The Center for Public Policy Priorities today urged state policymakers to draw down available funds for unemployment insurance (UI) benefits in the federal recovery law. The center highlighted an exchange yesterday between Federal Reserve Chairman Ben Bernanke and U.S. Senator Jack Reed (D-RI) regarding the counterproductive effects of states forgoing money for UI:

BERNANKE: If unemployment benefits are not distributed to the unemployed, then they won't spend them and it won't have that particular element of stimulus.

SEN. JACK REED (D-RI): So if this was done on a wide basis, it would be counterproductive, not productive?

BERNANKE: It would reduce the stimulus effect of the package, yes.

Congress included funds for UI benefits in the American Recovery and Reinvestment Act (ARRA) because they help support the economy when workers lose their jobs, providing a \$2.15-dollar economic benefit for every dollar invested. The new law includes more than \$555 million for Texas unemployment insurance.

To qualify for these funds, Texas must:

- Adopt the Alternative Base Period for determining unemployment eligibility; **and**
- Make any two of the following reforms:
 - Extended Benefits in Training (less than \$2 million per year);
 - Family Reasons for Leaving Work (less than \$3 million per year);
 - \$15 Weekly Dependent Allowance (cost unknown); or
 - Flexibility in Full-Time Work Search Rule (\$19-\$20 million per year).

These reforms would not only provide an estimated \$1.2 billion in economic activity over the next seven-to-10 years, but would also prevent businesses from being hit with a deficit tax required by Texas law when the state's UI trust fund is insolvent. At the moment, the fund is projected to be \$750 million below the statutory "floor" for the fund on October 1st. Should the trust remain insolvent on October 1, businesses will be required by law to pay a tax high enough to pay off the entire deficit in one year. Making the required changes to our UI system will reduce the severity of the deficit tax by more than two-thirds.

“When people lose jobs through no fault of their own, their families shouldn’t have to go hungry, and their communities shouldn’t have to suffer economically. Unemployment insurance benefits help keep families and communities above water in tough economic times. Unemployment insurance is more important than ever in Texas: our unemployment rate shot up from 4.4 percent to six percent in the last six months of 2008, meaning more than 700,000 Texans are now unemployed. To put that in perspective, that’s more people than live in Corpus Christi, Lubbock, Waco, and Nacogdoches, combined. At the same time, Texas ranks 50th among states in the share of jobless state residents receiving unemployment insurance benefits,” CPPP Senior Policy Analyst Don Baylor, Jr., said.

“Texas families and communities are working hard to stay afloat, and Congress made resources available to the Texas Legislature to strengthen our unemployment insurance systems. The Legislature needs to take advantage of available funds so Texas can come out stronger on the other side of this recession,” Baylor added.

Baylor’s recent testimony on UI benefits before the House Committee on Technology, Economic Development, and Workforce can be found online at: http://www.cppp.org/files/2/UIPresentation_Feb08.pdf

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