

Arise op-ed on unemployment insurance funding in stimulus package

By Stephen Stetson

Alabama is turning away a gift. While some are hailing the federal stimulus package as “pennies from heaven,” Gov. Bob Riley appears to regard at least part of it as a Trojan horse.

Riley has said he will refuse \$100 million from the American Recovery and Reinvestment Act of 2009 because it has strings attached – The funding would require changes in Alabama’s unemployment laws. The Governor is right that strings exist, but he’s wrong about where they would lead us.

As tedious as federal legislation can be, a provision that’s worth \$100 million to Alabama’s jobless workers makes it worth tackling the fine print. Here’s the gist of the controversy:

The federal government is using the stimulus money to entice states to modernize their unemployment laws. One of Riley’s complaints is that \$33 million of the federal money would require Alabama to begin using a measure called the “alternate base period.” This is a statistic that ensures that the newly unemployed can get credit for work they’ve recently done. When a person applies for unemployment now, the state examines several quarters of their recent employment history. When these laws were written in the era before computers, up-to-date data was hard to come by. So, the state doesn’t count the worker’s most recent two quarters of work.

Nowadays, with information more readily available, it’s easy to look at a person’s most recent job and see how much they were making. And that salary information can be easily folded into calculating how much unemployment that person should be drawing while they look for a new job.

Shouldn’t someone get credit for the most recent work they have done? The alternate base period is simply a modernized way to give people credit for the labor they’ve performed. Nineteen states, including Georgia, North Carolina and Virginia, have already updated their record-keeping to count a worker’s most recent earnings.

Aside from the alternate base period money, the state could take some additional steps to capture \$67 million in “part-time worker coverage” and aid for those who have family reasons (such as domestic violence, sick children, or armed services relocation) for leaving work.

Riley and others say that changes to state law will require increased unemployment payments once the federal funds run out – payments the state won’t be able to afford. This doomsaying contradicts the Governor’s public comments about Alabama’s low unemployment rate relative to the national rate. If our unemployment rates are low, the cost of unemployment payments will be low. Further, the economy will eventually swing upward again. When that happens, not only will there be fewer unemployment payments, but we’ll be able to afford them because there’ll be more money in the pot.

Further, unemployment insurance funds are a quick way to boost the state’s economy. For every \$1 paid in jobless benefits, the economy grows by \$2.15. And if it does turn out that the end of the stimulus money will hurt the state’s pocketbook in a few years, we can always change the law back. Taking the money is a win-win – one of the rare political opportunities with no real downside. Any hypothetical fiscal harm can easily be headed off before it occurs.

According to the National Employment Law Project, the federal money will fully fund the legislative changes for over 5 years. Concerns that small businesses may have to pay higher unemployment insurance costs are unfounded, at least for that long. And we're all obviously hoping that within that timeframe the Alabama economy will rebound with low unemployment. And there's another silver lining: Taking at least some of the incentive funds now will immediately bolster the state's unemployment trust fund, preventing the fund from falling to a level that would trigger higher businesses taxes.

Riley and others have dragged out the old scarecrow of higher taxes to justify rejecting this money, but there's no real substance behind the rhetoric. If anything, bolstering the fund is likely to keep taxes lower. The amount of money in this federal package merits making immediate changes to Alabama law in order to benefit workers who have lost jobs through no fault of their own. The needs of today's working families are too great to reject aid on the basis of speculation about economic conditions nearly 10 years away.

It may seem like pulling teeth for the Legislature to do much of anything most days, but there's \$100 million in aid out there for Alabama's hurting workers who have lost their jobs. It's time to modernize our statutes and accept these "pennies from heaven."

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