

Stimulus Package Will Put \$ 270 Million In Federal Dollars Into the Pockets of Unemployed Pennsylvania Families

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In the American Recovery and Reinvestment Act of 2009 (HB 1, also known as “the federal stimulus package”), a prominent component is the Unemployment Insurance Modernization Act (“UIMA”). The UIMA provides the states with \$7 billion for payment of unemployment compensation (“UC”) benefits if they have several eligibility provisions in place. Pennsylvania stands to receive almost \$270 million of these funds – more if several conservative governors from other states follow through on their stated inclinations to reject their portion of these funds.

In order to obtain these federal funds, the Pennsylvania legislature would be required to enact a provision known as the “alternative base period” (“ABP”). Electing to do so is a “no brainer,” as these millions of dollars would go directly into the pockets of unemployed Pennsylvania families. The alternative is for the state to give up the money.

What is the Alternative Base Period?

In Pennsylvania, financial eligibility for UC benefits depends on a person having enough earnings in his “base year.” Currently, the base year is defined by law as the first four of the last five completed calendar quarters.

For example, if a person applied for UC on February 15, 2009, his earnings from the beginning of 2009 through that date would not count in determining his financial eligibility. Nor would his earnings in October 2008 through December 2008 count. Thus, four and a half months of employment would be disregarded. His base year would be October 2007 through September 2008.

If a person had been working steadily for several years, he would probably qualify even without those wages being counted. However, a worker with a shorter or less steady work history might not have enough earnings to qualify and would need to apply again the next quarter (April 1) when his wages from October through December would be counted. He may not be eligible even then, because of Pennsylvania’s requirement that a substantial amount of earnings be earned in two different quarters in order to qualify for UC. Another application in the next quarter, beginning July 1, would probably qualify him for benefits, but he would have by then been without income for over four months.

The ABP required by the federal stimulus package would eliminate the need to wait to file a new application. If the person were ineligible in his base year in the first example, the UC authorities would immediately examine his wages in the second base year. If the person lost his job through no fault of his own, the claim would be paid in February, instead of having to wait until April, thus avoiding the hardships that waiting causes an unemployed family without income.

Who would be most likely to be helped by the ABP?

The persons most likely to be helped would be persons who did not have long-term steady work histories and who need more recent earnings to qualify. Chief among them would be seasonal workers, construction workers, low wage workers, and persons who are relatively new to the labor force (such as recent high school and college graduates).

How would adopting the ABP affect Pennsylvania?

According to Pennsylvania's Secretary of Labor and Industry, *about 26,000 to 29,000 unemployed workers per year would benefit from the ABP. The estimated annual impact on Pennsylvania's economy would be between \$92 million and \$103 million.*

The additional cost of paying these benefits would be an average of \$67.6 million per year over the next 7 years. However, the state would draw down just under \$270 million of federal funds as a result of enacting this change. *In other words, the change would pay for itself for around four years.* Also, the large infusion of federal money into Pennsylvania's trust fund would improve its solvency.

Must we keep the ABP after the federal money is exhausted?

No. Although the federal government will not permit the ABP to "sunset" (that is, be enacted with an expiration date), it will not prohibit the state from repealing the law when the federal funds from the stimulus package have been exhausted.

But just because the state could repeal the ABP doesn't make doing so a good idea. While the numbers of persons and costs appear large, they must be considered in context.

In December through February, an average of more than 191,000 Pennsylvanians filed new UC claims or reopened existing claims. Therefore, the 29,000 Pennsylvanians who would get benefits under the ABP would constitute around 15% of the number of people who filed claims in each of the last three months.

In the year 2007, a pre-recession year, Pennsylvania paid out \$2,150 million in UC benefits. *The \$67.6 million annual cost of the ABP would constitute around 3% of that the average benefit cost.*

What would be the consequences of not enacting the ABP and getting the federal money?

Pennsylvania can either claim the money for unemployed people in Pennsylvania, or it would "leave the money on the table" for other states to claim. Claiming the money would stimulate our economy and make \$270 million in federal funds available for the needs of the families of unemployed Pennsylvanians. The choice seems clear.

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