

About-Face: More States Accept Stimulus Funds

by KATHY LOHR

August 17, 2010

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Remember all those governors who objected to taking \$7 billion in stimulus money set aside to help the unemployed? Many of them changed their minds. Now, more than half the states are getting the federal stimulus.

As the down economy drags on, some of the most conservative states have updated their laws so they, too, could get their share. Others are still holding out.

Several southern states were among the first to say they did not want to take federal stimulus funds to help the unemployed. Republican governors from Georgia to Louisiana, Texas to South Carolina were outspoken opponents of expanding unemployment benefits.

Gov. Mark Sanford of South Carolina in 2009 said, "I was against the stimulus. I've consistently stood against the stimulus. If you take all this stimulus money and you spend it all, over the long run there will be less economic activity in South Carolina rather than more."

But last week, without much fanfare, the Labor Department released \$97 million to South Carolina after state legislators modernized the unemployment insurance program and Sanford signed the bill into law.

"When some of the states were talking about not taking the money, it was more political than anything else," says Jon Shure of the Washington D.C.-based Center on Budget and Policy Priorities.

"People put aside some of their political distinctions and ideological considerations and said, 'This is money we need. It's bad for the economy if we don't take it,' " Shure adds.

With the unemployment rate at 9.5 percent and more than 14 million Americans out of work, state officials are under pressure to take the federal help.

Maurice Emsellem with the National Employment Law Project says seven states and the District of Columbia are among those that made changes this year. They include allowing part-time, low-wage workers to qualify for unemployment benefits.

"The real beauty of this legislation is that it's a win for workers, and it's a win for employers in many states, and it's a win for the state unemployment funds that are having a hard time right now," Emsellem says. "Because when they qualify for this money, they get a big chunk of money all at once, right up front."

On average, Emsellem says, states get enough money to pay their expanded benefits for seven years. But that's the problem for some states.

Some southern governors, including Gov. Rick Perry in Texas, continue to oppose any changes. Perry has turned down more than a half-billion dollars for his state.

"Gov. Perry was very clear that he would not accept any recovery act funds that require Texas change its laws," says Ann Hatchitt, a spokeswoman for the Texas Workforce Commission.

"Although half a billion dollars is a large amount of money, it would only last approximately five to seven years," Hatchitt says. "Then the laws would still be in place, the pool of people that qualify for unemployment insurance would be expanded, and those expenses would remain."

Some state officials argue that taxes will eventually have to go up to pay for the increase. Others object to what they say are orders from the federal government.

Tad DeHaven, a budget analyst with the fiscally conservative Cato Institute in Washington, D.C., says many don't want to accept the restrictions that come with money.

"Unemployment benefits are paid by taxes," DeHaven says. "So you have a competitiveness issue, and I think some of these governors resent the top-down approach from Washington because it inhibits their ability to differentiate versus their neighbors in the rest of the 49 states."

According to the National Employment Law Project, 28 states passed overhauls last year, and nearly a dozen states considered changing their laws this year. Several are still debating the issue. They have until next August to make the changes and qualify for the stimulus dollars.

But some are likely to hold their ground. Last week, several Republican governors again balked at the latest federal stimulus package intended to help states pay for Medicaid and prevent more teacher layoffs.

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Recent First



jm walsh (walshamatic1) wrote:
First Last (Naame)

If the dutch are so great, why do we have the immigration problem?

Tuesday, August 17, 2010 10:57:58 AM

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Keep on sending your money to cali. We will take while the taking is good!

Seems to be the mantra of this decade. Take now while you can, because the credit card is reaching the limit.

Tuesday, August 17, 2010 10:55:48 AM

[Recommend \(0\)](#)[Report abuse](#)**Eugene Carroll (Eugene_C)** wrote:

Perhaps the states realized that their own citizens pay federal taxes AND will be paying off any money borrowed for the stimulus, so they might as well take it?

Tuesday, August 17, 2010 10:55:42 AM

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jm walsh wrote:

"Because Socialism breeds losers!"

Then how do you explain the many successful countries (especially the Dutch) which have had great successes balancing the two properly? Understand that you do not need (nor should you try) to transition to a pure socialized country in order to become more effective and generally provide happier lives for the majority of your citizens overall. That is just as dumb as trying to shoot for the ideological pure capitalistic society that so many in America seem to want.

The answer is not socialism nor is it the problem. The answer is not capitalism nor is it the problem. The answer is integrating both while maintaining a highly effective system of checks and balances. This isn't a theory. It already works in places outside of the US.

Tuesday, August 17, 2010 10:55:33 AM

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A lot of people seem to have trouble seeing past the first few steps of the big equation. One of the main reasons why using tax funded dollars in this manner is preferable (even though it may be unpopular) is because the final result of choosing not to use this money will be even greater losses to the economy over all.

For tons of people, these extended benefits are the difference between them going into foreclosure on their homes. For many others, it is the difference between whether or not they can continue to afford to send their kids to college (thus enabling their kids to produce more for us in the future). Then there are others where it means the difference between going on other welfare programs to supplement themselves. Such things are all greater losses to the economy.

In the end, you can cut the benefits all you want, but you can't cut the "need". If that "need" cannot be fulfilled because they can't find a job then it has to come from somewhere whether that be a govt. program, crime, accumulating even more debt, etc.

Finally, it is important to remember that nearly 100% of this money will be spent and almost immediately. That translates to nearly 100% of the money trickling up back into everyone else's pockets.

Tuesday, August 17, 2010 10:51:48 AM

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jm walsh (walshamatic1) wrote:

"Capitalism is great, until the winners have all the money and no one else can spend."

Because Socialism breeds losers!

Tuesday, August 17, 2010 10:48:02 AM

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Giles Jackson (smoot) wrote:

It's a double edged sword to take/not take the money. On the one hand, because of the strings the Democrats attach to taking the money, a state is left with potentially a larger budget hole to fill down the line because they will be stuck with the rules that came with the money well after the money runs out.

On the other hand, when it comes time to increase taxes to pay for the Democrats' largess, every taxpayer will be liable, so the states may as well take it.

If I was a Republican governor, I would present it this way: "The action to create more budget deficits (future tax liabilities) belongs entirely to the Democrats, however, by deciding to go ahead with this reckless behavior they have made the citizens of this state liable for the eventual tax increase even without their consent, I have determined that to mitigate some of the damages created by the Democrats, we need to get this state's portion of the funding. Otherwise the citizens of the great state of *insert state name* will be repaying this Democrat financial blunder without having received anything for our tax money."

One must make sure to use the term "Democrat" liberally connected to other terms like "taxes".

Your on the hook; take the money and blame dems.

Tuesday, August 17, 2010 10:41:23 AM

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First Last (Naame) wrote:

andrew nelson wrote:

"Socialism is great, until you run out of other people's money to spend."

Capitalism is great, until the winners have all the money and no one else can spend.

Face it. Both pure socialism and pure capitalism are far too ideological to ever truly work as intended. You need to balance them both properly in order to maximize productivity and effectiveness.

Siding with only one or the other for nearly everything is stupid. It has never worked and it never will unless we happen to eliminate nearly all forms of scarcity some day, but that day may never come. At the very least, it is highly unlikely to ever come during our lifetimes or the lifetimes of our children.

Tuesday, August 17, 2010 10:40:35 AM

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Wade Van Gilder (Chief__Wade) wrote:

Where is this so-called stimulus money? Why do we keep paying and enabling the people that do NOT contribute to it- the taxpayer could use it also! Give it back to the people! States need to get back to "taking care of themselves" and quit depending on unpredictable Federal Government political agendas.. why should people work when the Government keeps paying them NOT TO! These funds go to temporary projects that come to an end, however raise statistics for the leadership surveys- All the Taxpayer sees is more and higher taxes, fees, and mis-spent government tax dollars used on a political agenda-

Tuesday, August 17, 2010 10:10:47 AM

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Eric P (EPZ) wrote:

It doesn't surprise me that the republicants took a 180 on this one. Yet, they will still criticize the president when he reverses course.

Tuesday, August 17, 2010 10:03:22 AM

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