



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

December 22, 2008

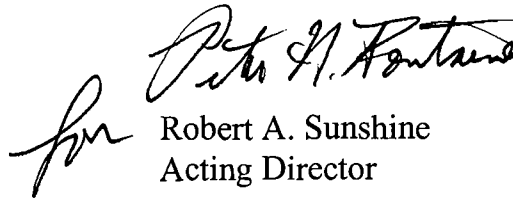
Honorable John M. Spratt Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed estimate of the direct spending and revenue effects of H.R. 6867, the Unemployment Compensation Extension Act of 2008, as cleared by the Congress on November 20, 2008, and signed by the President on November 21, 2008.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Christina Hawley Anthony, who can be reached at 226-2820.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Sunshine".
Robert A. Sunshine
Acting Director

Enclosure

cc: Honorable Paul Ryan
Ranking Member

Honorable Charles B. Rangel
Chairman
Committee on Ways and Means

Honorable Jim McCrery
Ranking Republican

Identical letter sent to the Honorable Kent Conrad.



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

December 22, 2008

H.R. 6867
Unemployment Compensation Extension Act of 2008

*As cleared by the Congress on November 20, 2008,
and signed by the President on November 21, 2008*

SUMMARY

H.R. 6867 (enacted as Public Law 110-449) amends section 4002 of the Supplemental Appropriations Act, 2008, to provide additional unemployment compensation to individuals who exhaust their regular benefits before March 31, 2009. Additionally, H.R. 6867 temporarily provides federal matching funds for the first week of extended benefits in states that do not require a waiting period before an individual can receive such benefits. The Congressional Budget Office estimates that enacting H.R. 6867 will increase direct spending by \$5.7 billion in fiscal year 2009 and decrease revenues by \$8 million over the 2009-2018 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 6867 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2013	2009-2018
CHANGES IN DIRECT SPENDING												
Unemployment Compensation	5,700	0	0	0	0	0	0	0	0	0	5,700	5,700
CHANGES IN REVENUES												
State Employment Taxes	0	-1	-2	-2	-2	-1	0	0	0	0	-7	-8

BASIS OF ESTIMATE

The estimate of outlays for benefits under this act is based on economic projections that underlie CBO's March 2008 baseline. Outlays would be significantly higher under updated economic projections.

Direct Spending

H.R. 6867 amends section 4002 of the Supplemental Appropriations Act, 2008, to provide additional weeks of emergency unemployment compensation (EUC) to individuals who exhaust their regular benefits by March 31, 2008. CBO estimated those original provisions (which provided up to 13 weeks of EUC for individuals who exhaust their regular benefits) would result in benefit outlays of \$11.3 billion to about 3.4 million people. H.R. 6867 increases the number of weeks available to 20 and also provides a second tier of 13 weeks of benefits in states with high unemployment rates (6 percent or higher total unemployment rate or 4 percent or higher insured unemployment rate). Thus, the maximum number of weeks of EUC will increase from 13 to 33.

CBO estimates that under the law, benefit payments will increase by \$5.63 billion and spending for administrative expenses related to the extension will increase by \$70 million; totaling \$5.7 billion in 2008. The bulk of those costs—nearly \$4.7 billion—stem from the seven additional weeks that will be available in all states. CBO estimates that outlays related to additional weeks in states with high unemployment will total about \$1 billion.

Revenues

H.R. 6867 temporarily provides federal matching funds for the first week of extended benefits in states that do not require a waiting period before such benefits can be received. (Under permanent law, the federal government does not match the cost of payments in such situations.) CBO estimates that, as a result, state trust funds would save about \$10 million. When amounts in state trust funds increase, the states respond by reducing their tax rates to maintain roughly the same amount that would have existed in the funds in the absence of the legislation. Thus, CBO estimates that state tax revenues (which are recorded in the federal budget) will drop by a total of \$8 million over the 2009-2018 period.

ESTIMATE PREPARED BY:

Federal Outlays: Christina Hawley Anthony
Federal Revenues: Barbara Edwards

ESTIMATE APPROVED BY:

Keith Fontenot
Deputy Assistant Director for Health,
Income Security, and Education,
Budget Analysis Division