



Legislative Bulletin.....June 11, 2008

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H.R. 5749—Emergency Extended Unemployment Compensation Act of 2008

Summary of the Bill Under Consideration Today:

Total Number of New Government Programs: 1

Total Cost of Discretionary Authorizations: \$0

Effect on Revenue: An increase of \$600 million over five years and \$3.2 billion over ten years.

Total Change in Mandatory Spending: An increase of \$12.8 billion over five years and \$11.7 billion over ten years.

Total New State & Local Government Mandates: 0

Total New Private Sector Mandates: 0

Number of Bills Without Committee Reports: 0

Number of Reported Bills that Don't Cite Specific Clauses of Constitutional Authority: 1

H.R. 5749—Emergency Extended Unemployment Compensation Act of 2008
(McDermott, D-WA)

Order of Business: H.R. 5749 is scheduled to be considered on Wednesday, June 11, 2008, under a motion to suspend the rules and pass the bill.

Summary: H.R. 5749 creates a temporary program to extend unemployment benefits beyond the 26 weeks provided under current law for individuals who have exhausted their regular unemployment compensation benefit. Below are the *highlights*:

- **Extension of unemployment benefits in all states:** H.R. 5749 extends unemployment benefits, for individuals who have exhausted their regular benefits, for the lesser of thirteen weeks or half the duration of their regular unemployment benefits. The amount of the weekly benefit provided by H.R. 5749 would equal the benefit under the regular unemployment compensation program. An individual whose regular benefit was exhausted on or after May 1, 2007, would qualify for the extended benefits.
- **Additional extension in states with unemployment in excess of 6.0%:** In addition to the thirteen week extension that is applicable to all states, the bill provides an additional extension of thirteen weeks for states that have an insured unemployment rate of 4 % or higher or a total unemployment rate of 6% or higher. According to CBO, one quarter of unemployment compensation beneficiaries would receive the additional benefit under this provision.

The program would terminate on April 1, 2009, but an individual receiving benefits under H.R. 5749 would continue to receive benefits for the entire 13 week period (through June 2009). CBO estimates that 3.2 million people would collect additional unemployment benefits under this legislation.

Background: The unemployment compensation program provides up to 26 weeks of benefits. On occasion, with the intent of addressing periods of higher unemployment, Congress has created a temporary program to extend benefits beyond the normal period. Congress has enacted legislation to this effect in 1958, 1961, 1972, 1975, 1982, 1991, and 2002. The most recent program, enacted in March 2002, was established at a time when the unemployment rate was 5.7% (compared to today's rate of 5.5%)—lower than the rate at the time of any other extension of unemployment benefits.

Possible Conservative Concerns: Some conservatives may have several concerns with this legislation. These potential concerns include:

- **Increases deficit by \$12.2 Billion:** H.R. 5749 would increase entitlement spending by \$12.8 billion over five years and increase the deficit by \$12.2 billion. The legislation includes no offset for this new spending. Consequently, the bill violates PAYGO—the fifth time the Majority will have violated PAYGO in six months. In addition, the real cost of this legislation will likely exceed this amount, since Congress may extend the program beyond the April 1, 2009 sunset date. For example, the last temporary program was extended for a total of 30 months.
- **The unemployment rate is not high by historic standards:** The current unemployment rate is 5.5%. Although it has increased in recent months, it is still about the same as the average rate during the entirety of the Clinton Administration (5.2%). The Congress has never created a temporary unemployment compensation program with the unemployment rate as low as it currently is. As Ways and Means Republicans further note in the committee report, the unemployment rate varies significantly between the states and some parts of the country have unemployment rates near all time lows. As Committee Republicans note in the Dissenting Views:

“If extended benefits are merited today in States where State unemployment rates are exceptionally low, and the National rate is lower than it has been in recent decades, when and where do supporters of this approach think that extended unemployment benefits should not be available?”

- **Extension of unemployment benefits creates disincentive to find work:** Many economists argue that extending unemployment benefits creates incentives to delay returning to work, which has a negative effect on the economy. As Martin Feldstein states in testimony before the Senate Finance Committee in January of this year:

"[w]hile raising unemployment benefits or extending the duration of benefits beyond 26 weeks would help some individuals ... it would also create undesirable incentives for individuals to delay returning to work. That would lower earnings and total spending."

Administration Position: No Statement of Administration Policy (SAP) is available at press time. However, the [SAP](#) for the Senate-passed supplemental (H.R. 2642), stated:

“Increasing and extending unemployment insurance benefits when unemployment is this low would be unprecedented and counterproductive because it would reduce the incentive for workers to find new employment.”

Committee Action: The bill was introduced on April 9, 2008, and referred to the House Committee on Ways and Means, which held a mark-up and reported the bill as amended by a vote of 23 to 13, on April 16, 2008.

Cost to Taxpayer: According to CBO, the bill increases entitlement spending by \$12.8 billion over five years and \$11.7 billion over ten years. CBO estimates that revenues would increase by \$600 million over five years and \$3.2 billion over ten years. Consequently, the bill would increase the deficit by \$12.2 billion over five years and \$8.5 billion over ten years.

However, as Ways and Means Republicans point out in the committee report, these figures likely understate the true cost of H.R. 5749. The reason is that while the temporary unemployment compensation extension program expires at the end of April 2009 under H.R. 5749, historically these programs are extended beyond the first expiration date. For example, the last such program created in March 2002, was extended for a total of 30 months.

Does the Bill Expand the Size and Scope of the Federal Government?: Yes, it expands entitlement spending by \$12.8 billion over five years.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: House Report 110-607 states, “Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, the Ways and Means Committee has determined that the bill as

reported contains no congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of that Rule.”

Constitutional Authority: The committee report cites constitutional authority in Article 1, Section 8 of the Constitution, but fails to cite a specific clause. However, House Rule XIII, Section 3(d)(1), requires that all committee reports contain “a statement citing the *specific* powers granted to Congress in the Constitution to enact the law proposed by the bill or joint resolution” [*emphasis added*].

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