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Appropriations Policy Brief

H.R. 7110—Job Creation and Unemployment Relief Act

BY THE NUMBERS:

In millions

	Request	H.R. 7110
FY 2009 Discretionary	----	37,400
FY 2009-2018 Mandatory	----	23,358
Total	**----**	**60,758**

Background: In February, Congress enacted a $168 billion economic stimulus package. In June, Congress enacted a $260 billion supplemental for war funding, domestic spending, and new entitlement spending. Democrat leaders had numerous additional spending priorities that were not included in the final versions of either of the two bills, and H.R. 7110 includes much of this spending. None of the FY 2009 spending bills have been enacted. Nine of the FY 2009 bills have not even been brought to the House floor—and every appropriation made by this bill falls under the jurisdiction of one these nine bills.

Budget Compliance: The legislation designates the entire amount as emergency spending to avoid discretionary caps set by the FY 2008 and FY 2009 budget resolutions. The bill violates the PAYGO principle by not offsetting the $23.4 billion cost of the unemployment benefits, Medicaid FMAP increase, and food stamp benefit increase.

Funding Summaries:

Table 1: Discretionary Funding

In Thousands

	H.R. 7110
Transportation	
Grants-in-Aid for Airports	600,000
Federal Highway Administration	12,800,000
Amtrak	500,000
Transit Capital Assistance Grants	3,600,000
Transit Energy Assistance Grants	1,000,000
Environmental Protection Agency	
State and Tribal Assistance Grants	7,500,000
Army Corps of Engineers	
Construction	2,500,000
MS River and Tributaries	500,000
Operations and Maintenance	2,000,000
Department of the Interior	
Water and Related Resources	300,000
Department of Education	
School Infrastructure	3,000,0000
Department of HUD	
Public Housing Capital Fund	1,000,000
Department of Energy	
Energy Efficiency and Renewable Energy	500,000
Electricity Delivery and Energy Reliability	100,000
Advanced Battery Loan Guarantee Program	1,000,000
Department of Labor	
Training and Employment Services, WIA	400,000
Wagner-Peyser Act	100,000
Grand Total	***37,400,000***

Table 2: Mandatory Funding

In Thousands

	H.R. 7110
Unemployment Compensation	5,990
Medicaid, FMAP Increase	14,705
Food Stamps	2,663
Grand Total	***23,358***

Items of Note:

Grants-in-Aid for Airports: This program provides federal grants for airport development and planning. The program received $3.515 billion in FY 2008—$765 million or 27.8% above the request. H.R. 7110 provides a supplemental appropriation of $600 million for this program.

Federal Highway Administration: The program received $38.1 billion in FY 2008—$1.81 billion or 5.0% above the President's request. H.R. 7110 provides a supplemental appropriation of $12.8 billion for this program.

Amtrak: H.R. 7110 provides a supplemental appropriation of $500 million for this program. In 2008, Amtrak received $1.3 billion. Amtrak spending currently accounts for 2% of all federal transportation spending ($1.3 billion out of a federal transportation budget of more than $70 billion), while carrying less than one percent of intercity traffic. Amtrak has an annual deficit of more than $1 billion. Historically, some of the contributors to this deficit have been:

- *Long-distance service:* According to a recent CRS report, in 2004 alone, Amtrak lost $600 million from long-distance trains, which represent only 15% of total inter-city Amtrak ridership.

- *Sleeper car service:* According to the same CRS report noted above, Amtrak might be able to save between $75 million and $158 million a year by eliminating subsidized sleeper class service in long-distance trains. CRS notes that Amtrak has in the past spent some of its subsidy to refurbish sleeper car service instead of making other capital improvements, such as bridge repairs.

- *Food:* According to a Heritage Foundation paper authored by Dr. Ronald D. Utt, in 2003, Amtrak spent $158.8 million on food that it served to passengers for only $78.4 million—a loss of more than $80 million. Labor costs: According to this same analysis, one of the reasons that Amtrak loses money on food service is that it pays its food service workers an average of $54,800 a year.

Dr. Utt also notes that because demand for many Amtrak routes is low, particularly on some of the long-distance routes, in FY 2007 Amtrak filled 48.9% of its seats (compared to nearly 80% for airline passengers). Amtrak's on-time performance declined from 74.1% in FY 2003 to 67.8% in FY 2006.

Historically, many conservatives have worked to either prevent the expansion of, reduce, or eliminate subsidies to Amtrak. For example, President Reagan reduced Amtrak subsidies in the 1980s, President Bush proposed to eliminate Amtrak subsidies in his FY 2006 budget submission, the FY 2007 RSC Contract with America Renewed budget alternative also proposed to eliminate Amtrak's subsidies, and many amendments have been offered.

Federal Transit Administration: The legislation provides a total of $4.6 billion in supplemental appropriations for the Federal Transit Administration ($3.6 billion for Transit Capital Assistance Grants, $1 billion for Transit Energy Assistance Grants). According to CRS: "Virtually all of FTA's funding goes to state and local transportation authorities to support bus, commuter rail, subway, and light rail transit services; most of this goes out through formula grant programs." The program received $9.5 billion in FY 2008.

State and Tribal Assistance Grants (STAG): The STAG program is used for local water infrastructure projects. Last year, this program received $2.962 billion. H.R. 7110 would provide a supplemental appropriation for FY 2009 of $7.5 billion—$4.54 billion or 253.2% more than the FY 2008 regular appropriation.

Army Corps of Engineers: The Army Corps of Engineers received $5.59 billion last year. H.R. 7110 would provide a supplemental appropriation for FY 2009 of $5 billion—89.4% of the total amount of the FY 2008 regular appropriation.

Water and Related Resources: The legislation provides a supplemental appropriation of $300 million for Water and Related Resources. In FY 2008, this program received a regular appropriation of $949 million.

Public Housing Capital Fund: H.R. 7110 provides a supplemental appropriation of $1 billion. Last year, this program received $2.44 billion.

Energy Efficiency and Renewable Energy: H.R. 7110 provides a supplemental appropriation of $500 million. Last year, the program received $1,722.4 billion.

Electricity Delivery and Energy Reliability: H.R. 7110 provides a supplemental appropriation of $100 million. Last year, the program received a regular appropriation of $138.6 million.

Advanced Battery Loan Guarantee Program: H.R. 7110 provides a supplemental appropriation of $1 billion for the Advanced Battery Loan Guarantee Program, which is authorized by the Energy Independence and Security Act of 2007 (PL 110-140).

Training and Employment Services, WIA: Last year WIA received $1.786 billion (for Adult Training and Youth Training combined). H.R. 7110 provides a supplemental appropriation of $400 million ($200 million for Adult Training and $200 million for Youth Training).

Unemployment Extension: The Title IV of the FY 2008 supplemental (H.R. 2642) created a temporary program to extend unemployment benefits for 13 weeks beyond the 26 weeks provided under current law for individuals (in all states) who have exhausted their regular unemployment compensation benefit.

H.R. 7110 would increase this extension from 13 weeks to 20 weeks (a *total* benefit of 46 weeks) for all states, and from 13 weeks to 33 weeks for states with unemployment rates in excess of 6.5%.

Medicaid, FMAP Increase: Provides an increase to the Federal Medicaid Assistance Percentage (FMAP) as follows:

- Gives every state the *higher* of either the FMAP that is due in 2009 under current law or the FMAP received in 2008. The legislation does the same for the first quarter of FY 2010, giving each state the higher of the FMAP due in the first quarter of FY 2010 or the match received in 2009.
- Increases the Medicaid FMAP for every state by one percentage point for 2009 and the first quarter of 2010.
- Increases the Medicaid FMAP in the U.S. territories by four percentage points.
- Increases the Medicaid FMAP for qualifying states (as specified by the legislation) by an additional three percentage points.

Special Subsidy to State of Michigan: The bill disallows computation of pension income in Medicaid formulas, resulting in higher Medicaid benefits to only the state of Michigan (because of its auto pensions).

Food Stamp Expansion: H.R. 7110 increases food stamp benefits by 5 percent during FY 2008 and provides an additional $50 million for state administrative expenses to carry out the program.

Possible Conservative Concerns:

Lack of Economic Stimulus: Some conservatives may be concerned that many provisions in the bill do not actually provide economic stimulus. For example:

- *Unemployment Program*: 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 stated 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."

- *Infrastructure Spending*: One problem with using infrastructure spending to stimulate the economy is the amount of time it takes to put the money to use. As Megan McArdle argues:

  > "Between the environmental impact statements, public review periods, and byzantine bidding process, the development cycle for anything more complicated than painting a bus station is now measured in decades, not years. This wouldn't even work to get us out of the ten-year Great Depression, much less the more modest recessions of today."

- *Food Stamps*: Using food stamps a counter-cyclical tool could have perverse results for those that are intended to be helped by the assistance. As Greg Mankiw argues:

  > "Nonetheless, I wonder if we really want to target such cyclical measures on the poorest members of society. That is, for any mean level of food stamps, wouldn't the poor be better off with a constant stream of benefits than with a benefit that fluctuates over the business cycle? Using food stamps as a cyclical tool seems to risk destabilizing some families' food consumption in an attempt to stabilize the overall business cycle."

- *FMAP Increase*: This would merely substitute federal spending for state spending. By definition, that can't stimulate anything. And many conservatives would question the logic of attempting to aid state budgets at a time when the federal budget is facing the third-highest and highest deficits in American history in FY 2008 and FY 2009 respectively. The states have budget challenges, but the federal government's fiscal problems are significantly worse.

In January, RSC Members proposed an alternative stimulus package, the Economic Growth Act of 2008, which ends the capital gains tax on inflation, provides full and immediate expensing, reduces the corporate income tax rate from 35% to 25%, and lowers the capital gains tax rate for corporations to 15%. This legislation has 99 cosponsors, but has not been brought to the House floor by Democrat leadership.

Deficit Spending: H.R. 7110 increases the deficit by $61.3 billion. The U.S. deficit is already projected to be $407 billion in FY 2008 and $438 billion in FY 2009. Since January 2007, the national debt has increased by more than $1 trillion, an additional debt burden of $3,300 per citizen. The federal deficit is projected to increase by *170.4%* between 2007-2009. The nation's budget outlook over the period from 2008-2017 has deteriorated by $3.4 trillion in the last 20 months.