Congressional Budget Office Outlines Extension of UI Benefit Options and Costs

The Congressional Budget Office (CBO) released a report on November 28th which reviews options to extend the Emergency Unemployment Compensation (EUC) and regular Extended Benefit (EB) provisions that were included in the on-going stimulus provisions originally enacted back in 2009. The CBO review will likely be used in discussions about whether to extend these provisions as part of the fiscal cliff negotiations between the Administration, Senate Democrats and House Republicans. See the full report at http://www.cbo.gov/publication/43734?utm_source=feedblitz&utm_medium=FeedBlitzEmail&utm_content=812526&utm_campaign=0

The report lays out options and costs as follows:

With Temporary Benefits Set to Expire, CBO Considered Several Options—with Costs Ranging from $3 Billion to $30 Billion—To Continue Offering Additional Weeks of UI Benefits

The four options to extend benefits—including their estimated costs to the federal budget—are as follows:

- **Option 1.** Fully extend the current EUC program and temporary provisions of the EB program for one year ($30 billion);
- **Option 2.** Partially extend the current EUC program by providing at most 14 extra weeks of benefits for one year ($14 billion);
- **Option 3.** Allow UI recipients to finish receiving up to 14 weeks of EUC benefits, depending on the number of weeks of benefits for which they will qualify at the end of December 2012 ($4 billion); and
- **Option 4.** Extend the current EB program for one year, maintaining full federal funding and allowing states to more easily qualify for the program ($3 billion).

Separate from the options that would extend benefits, CBO considered another alternative that would provide temporary fiscal relief to states by delaying for one year the repayment of funds they have borrowed from the Unemployment Trust Fund, which is funded by a federal payroll tax on employers. Under that option, the federal government would forgo about $3 billion of revenue in 2013 but would collect roughly that same amount in subsequent years.

The report does not address the source of funds for the special benefit extensions but the source of funding for an EUC extension has been general federal revenue. The source for 100% federal share of enhanced EB would be the extended unemployment compensation account financed by FUTA taxes paid by employers. The EB account is already $20 billion in deficit. UWC has expressed concern that additional spending from this account would not only increase the federal deficit but also likely result over time in increased FUTA taxes to be paid by employers. In many states FUTA tax rates are already going up dramatically for 2012.