

January 22, 2003

Honorable Don Nickles
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As requested by your staff, CBO has prepared a preliminary estimate of the costs of amendment number 40 to House Joint Resolution 2. This amendment would expand the Temporary Extended Unemployment Compensation Act of 2002 (as amended by Public Law 108-1) to provide additional weeks of federal unemployment benefits by increasing the maximum number of additional weeks of benefits available in all states from 13 to 26. The amendment also would change the number of weeks available in states with high unemployment from 13 to 7.

CBO estimates that enactment of this amendment would increase outlays by between \$5.8 billion and \$5.9 billion in 2003, and by about \$500 million in 2004, for a total cost of about \$6.3 billion. Under our most current estimates, there would be no significant budgetary effects in subsequent years. Under the March 2002 baseline assumptions, there would be an offsetting increase in revenues in later years because this spending would reduce the amount of Reed Act transfers assumed under the March projections. However, CBO has not yet estimated this effect.

If you have additional questions about this estimate, we will be pleased to provide them. The CBO staff contact is Christi Hawley Sadoti.

Sincerely,

Barry B. Anderson
Acting Director

cc: Honorable Kent Conrad
Ranking Member
Senate Committee on the Budget

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Honorable Charles E. Grassley
Chairman
Senate Committee on Finance

Honorable Max Baucus
Ranking Member
Senate Committee on Finance

Honorable Jack Reed
United States Senate