CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 7, 2011

S. 1549
American Jobs Act of 2011

As introduced on September 13, 2011

SUMMARY

S. 1549 would:

- Extend and expand the payroll tax reductions enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which are scheduled to expire at the end of 2011, and extend the provisions of that act that allow businesses to fully expense their equipment investment;

- Extend certain temporary unemployment compensation provisions and create a Reemployment NOW program for beneficiaries of Emergency Unemployment Compensation (EUC); and

- Appropriate funds for unemployment compensation programs and for several new measures designed to encourage governments and businesses to curtail layoffs and hire new workers, including $35 billion for aid to local governments and about $100 billion for various infrastructure improvement programs.

The bill also contains several tax provisions that would increase revenues starting in 2013. Those increases are designed to offset the gross costs of enacting the other provisions of S. 1549; however, the tax offsets that are specified in title IV (which are estimated to yield $450 billion in additional revenues through 2021) would <u>not</u> go into effect if legislation emanating from the Joint Select Committee on Deficit Reduction is enacted that exceeds $1.65 trillion in budgetary savings. The bill also would amend the Budget Control Act of 2011 to increase the target for 10-year savings from legislation proposed by the joint select committee from at least $1.5 trillion to at least $1.95 trillion.

Impact on the Federal Budget

Assuming enactment by the end of calendar year 2011, CBO estimates that S. 1549 would increase outlays by $50 billion in fiscal year 2012, and by a total of $175 billion over the 2012-2021 period.

In addition, CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting S. 1549 would reduce revenues by $238 billion in 2012 but increase revenues by $178 billion over the 2012-2021 period.

Combining the direct spending and revenue effects of S. 1549, CBO estimates that enacting the bill would increase the budget deficit by $288 billion in 2012 and decrease deficits by $3 billion over the 2012-2021 period. That estimated deficit reduction of $3 billion over the coming decade is the net effect of $447 billion in additional spending and tax cuts in titles II through III and $450 billion in additional tax revenue from the offsets specified in title IV.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO estimates that implementing S. 1549 would have a discretionary cost of $62 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

CBO anticipates that enacting S. 1549 could have a noticeable impact on economic growth and employment in the next few years. Following long-standing Congressional budget procedures, however, this estimate does not include the potential budgetary effects of such changes in the economic outlook.

Intergovernmental and Private-Sector Mandates

CBO has examined the non-tax provisions of S. 1549 and determined that they contain intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) because they would impose new requirements on television broadcast stations and cable operators—some of which are operated by state and local governments—and other distributors of television programming. The legislation also would prohibit public and private employers, including employment agencies, from engaging in recruiting or hiring practices that exclude unemployed persons from consideration for jobs. The bill also could impose additional private-sector mandates on providers of cell phone services.

CBO estimates that the aggregate cost of intergovernmental mandates in the legislation would fall below the annual threshold established in UMRA ($71 million in 2011, adjusted annually for inflation). Based on information from the Federal Communications

Commission (FCC) and industry sources, CBO estimates that the aggregate cost of complying with the private-sector mandates would exceed the annual threshold established in UMRA ($142 million in 2011, adjusted annually for inflation). The bill contains provisions that would provide funding to cover some of the costs of the mandates in the bill.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For this estimate CBO assumes that S. 1549 will be enacted before the end of the calendar year. The estimated budgetary impact of the bill is shown in Table 1. CBO and JCT estimate that enacting S. 1549 would decrease budget deficits by $3 billion over the 2012-2021 period. The costs of this legislation fall within several budget functions, including 370 (commerce and housing credit), 400 (transportation), 500 (education, training, employment, and social services), 600 (income security), 750 (administration of justice), and 950 (undistributed offsetting receipts).

BASIS OF ESTIMATE

Major provisions of S. 1549 and key factors affecting estimates of changes in spending and revenues are summarized, by title, below.

Direct Spending

CBO estimates that enacting S. 1549 would increase direct spending by $175 billion over the 2012-2021 period; more than 80 percent of that spending would occur from 2012 through 2014 (see Table 2).

Title I: Tax Relief for Workers and Businesses. Section 112 would appropriate $3 million to temporarily increase the maximum size of a contract that would be guaranteed under the Small Business Administration's (SBA's) Surety Bond Guarantee program. Under current law, SBA provides guarantees for bid, performance, or contract bonds up to $2 million in value for certain contractors. The bill would increase that limit to bonds up to $5 million through the end of fiscal year 2012. Expenses of this insurance program are recorded in the budget on a cash basis. Based on information from SBA, CBO estimates that this provision would cost about $1 million over the 2012-2021 period. That net figure represents the estimated amount by which claims against the surety bond guarantees would exceed fees and recoveries collected.

TABLE 1. BUDGETARY EFFECTS OF S. 1549, THE AMERICAN JOBS ACT OF 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
CHANGES IN REVENUES												
Title I. Tax Relief for Workers and Businesses	-235,386	-89,178	19,877	10,123	8,075	6,345	4,058	2,461	1,372	935	-286,487	-271,316
Title II. Putting Workers Back on the Job While Rebuilding and Modernizing America	-27	-56	-56	-56	-56	-55	-54	-53	-52	-51	-252	-517
Title III. Assistance for the Unemployed and Pathways Back to Work	-135	3	50	46	16	-10	-6	-6	-2	6	-21	-38
Title IV. Offsets	-2,490	19,960	43,752	45,427	49,239	53,448	56,894	59,077	61,158	63,733	155,888	450,198
Total Revenue Changes	-238,038	-69,271	63,623	55,540	57,274	59,728	60,892	61,479	62,476	64,623	-130,872	178,327
On-Budget	-21,063	3,049	63,624	55,541	57,274	59,728	60,892	61,479	62,476	64,623	158,425	467,624
Off-Budget [a]	-216,975	-72,320	-1	-1	0	0	0	0	0	0	-289,297	-289,297
CHANGES IN DIRECT SPENDING (Outlays) [b]												
Title I. Tax Relief for Workers and Businesses	*	*	*	0	0	0	0	0	0	0	1	1
Title II. Putting Workers Back on the Job While Rebuilding and Modernizing America	19,949	37,775	33,423	19,616	6,984	1,210	252	1,143	643	-439	117,747	120,556
Title III. Assistance for the Unemployed and Pathways Back to Work	30,335	22,067	1,535	269	60	60	61	61	62	62	54,266	54,572
Total Outlay Changes	50,284	59,842	34,958	19,885	7,044	1,270	313	1,204	705	-377	172,014	175,129
On-Budget	267,237	132,159	34,958	19,885	7,044	1,270	313	1,204	705	-377	461,284	464,399
Off-Budget	-216,953	-72,317	0	0	0	0	0	0	0	0	-289,270	-289,270
NET INCREASE OR DECREASE (-) IN THE BUDGET DEFICIT FROM CHANGES IN DIRECT SPENDING AND RECEIPTS [a]												
Net Changes in Deficits	288,322	129,113	-28,665	-35,655	-50,230	-58,458	-60,579	-60,275	-61,771	-65,000	302,886	-3,198
On-Budget	288,300	129,110	-28,666	-35,656	-50,230	-58,458	-60,579	-60,275	-61,771	-65,000	302,859	-3,225
Off-Budget	22	3	1	1	0	0	0	0	0	0	27	27

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Notes: Components may not sum to totals because of rounding; * = between 0 and $500,000.

a. Social Security payroll taxes are classified as “off-budget.”

b. Implementing S. 1549 would also have a discretionary cost of $62 million over the 2012-2016 period, assuming appropriation of necessary amounts, to enforce provisions of title III that would prohibit employers from discriminating against job seekers who are unemployed.

TABLE 2. DIRECT SPENDING UNDER S. 1549, THE AMERICAN JOBS ACT OF 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Title I. Tax Relief for Workers and Businesses												
Surety Bonds												
Budget Authority	3	0	0	0	0	0	0	0	0	0	3	3
Estimated Outlays	*	*	*	0	0	0	0	0	0	0	1	1
General Fund Payment to Social Security Trust Funds (on-budget) [a]												
Estimated Budget Authority	216,953	72,317	0	0	0	0	0	0	0	0	289,270	289,270
Estimated Outlays	216,953	72,317	0	0	0	0	0	0	0	0	289,270	289,270
Receipt of General Fund Payment (off-budget) [a]												
Estimated Budget Authority	-216,953	-72,317	0	0	0	0	0	0	0	0	-289,270	-289,270
Estimated Outlays	-216,953	-72,317	0	0	0	0	0	0	0	0	-289,270	-289,270
Subtotal, Title I												
Estimated Budget Authority	3	0	0	0	0	0	0	0	0	0	3	3
Estimated Outlays	*	*	*	0	0	0	0	0	0	0	1	1
Title II. Putting Workers Back on the Job While Rebuilding and Modernizing America												
Subtitle B- Teacher Stabilization												
Budget Authority	30,000	0	0	0	0	0	0	0	0	0	30,000	30,000
Estimated Outlays	10,500	9,000	6,000	4,200	300	0	0	0	0	0	30,000	30,000
Subtitle C- First Responders												
Budget Authority	5,000	0	0	0	0	0	0	0	0	0	5,000	5,000
Estimated Outlays	420	1,600	1,350	1,000	620	0	0	0	0	0	4,990	4,990
Subtitle D - School Modernization												
Budget Authority	30,000	0	0	0	0	0	0	0	0	0	30,000	30,000
Estimated Outlays	3,000	10,500	10,500	4,500	1,500	0	0	0	0	0	30,000	30,000
Subtitle E - Immediate Transportation												
Budget Authority	50,000	0	0	0	0	0	0	0	0	0	50,000	50,000
Estimated Outlays	4,280	10,500	9,910	8,690	5,780	4,190	2,860	1,500	1,310	580	39,160	49,600
Subtitle F - Infrastructure, Long Term												
Budget Authority	10,000	0	0	0	0	0	0	0	0	0	10,000	10,000
Estimated Outlays	10	50	200	500	750	900	1,000	1,000	1,250	1,250	1,510	6,910
Subtitle G - Project Rebuild												
Budget Authority	15,000	0	0	0	0	0	0	0	0	0	15,000	15,000
Estimated Outlays	300	4,800	6,000	2,700	900	150	0	0	0	0	14,700	14,850
Subtitle H - National Wireless												
Estimated Budget Authority	1,535	1,280	-488	-1,950	-2,851	-4,115	-3,645	-1,370	-1,920	-2,270	-2,474	-15,794
Estimated Outlays	1,439	1,325	-537	-1,974	-2,866	-4,030	-3,608	-1,357	-1,917	-2,269	-2,613	-15,794
Subtotal, Title II												
Estimated Budget Authority	141,535	1,280	-488	-1,950	-2,851	-4,115	-3,645	-1,370	-1,920	-2,270	137,526	124,206
Estimated Outlays	19,949	37,775	33,423	19,616	6,984	1,210	252	1,143	643	-439	117,747	120,556

Continued

TABLE 2. Continued

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Title III. Assistance for the Unemployed and Pathways Back to Work												
Extend EUC and EB [b]												
Estimated Budget Authority	27,695	16,440	0	0	0	0	0	0	0	0	44,135	44,135
Estimated Outlays	27,695	16,440	0	0	0	0	0	0	0	0	44,135	44,135
Reemployment Services												
Estimated Budget Authority	1,005	205	0	0	0	0	0	0	0	0	1,210	1,210
Estimated Outlays	804	406	0	0	0	0	0	0	0	0	1,210	1,210
Railroad Unemployment												
Estimated Budget Authority	20	5	0	0	0	0	0	0	0	0	25	25
Estimated Outlays	20	5	0	0	0	0	0	0	0	0	25	25
Reemployment NOW												
Budget Authority	4,000	0	0	0	0	0	0	0	0	0	4,000	4,000
Estimated Outlays	790	2,350	595	205	0	0	0	0	0	0	3,940	3,940
Short Time Compensation Program [b]												
Estimated Budget Authority	31	61	65	64	60	60	61	61	62	62	281	587
Estimated Outlays	31	61	65	64	60	60	61	61	62	62	281	587
Pathways Back to Work												
Budget Authority	5,000	0	0	0	0	0	0	0	0	0	5,000	5,000
Estimated Outlays	995	2,805	875	0	0	0	0	0	0	0	4,675	4,675
Subtotal Title III												
Estimated Budget Authority	37,751	16,711	65	64	60	60	61	61	62	62	54,651	54,957
Estimated Outlays	30,335	22,067	1,535	269	60	60	61	61	62	62	54,266	54,572
Total Direct Spending [a]												
Estimated Budget Authority	179,289	17,991	-423	-1,886	-2,791	-4,055	-3,584	-1,309	-1,858	-2,208	192,180	179,166
Estimated Outlays	50,284	59,842	34,958	19,885	7,044	1,270	313	1,204	705	-377	172,014	175,129

Notes: Components may not sum to totals because of rounding; * = less than $500,000.

EUC = Emergency Unemployment Compensation; EB = Extended Benefits (for unemployment compensation).

Implementing S. 1549 would also have a discretionary cost of $62 million over the 2012-2016 period, assuming appropriation of necessary amounts, to enforce provisions of title III that would prohibit employers from discriminating against job seekers who are unemployed.

a. Title I would require a transfer from the general fund to the Social Security trust funds equal to the amount of revenue lost because of the payroll tax reduction. That transfer would not affect the size of the federal deficit, but it would change the mix of on- and off-budget spending. The on- and off-budget effects for that transfer are shown under Title I.

b. These provisions would affect revenues as well as spending.

Sections 101 and 102 would reduce payroll taxes for Social Security for calendar year 2012. Those revenues are classified as off-budget. Those sections also would directly appropriate—from the general fund of the Treasury—an amount equal to the estimated forgone revenue and deposit that appropriation into the Social Security trust funds. Such intragovernmental payments to the trust funds would represent additional on-budget outlays, and the receipt of such payments by the trust funds would represent an equal amount of off-budget offsetting receipts and thus an equal reduction in off-budget outlays.

Therefore, those transactions would have no net impact on direct spending or budget deficits. Moreover, the off-budget receipt of intragovernmental payments would offset the loss of off-budget revenues, so there would be no net effect on the financial condition of the Social Security trust funds. Instead, the reduction in payroll taxes would effectively decrease the on-budget general fund deficit.

Title II: Putting Workers Back on the Job While Rebuilding and Modernizing America. Title II would provide grants and other forms of funding with the intent of preventing layoffs and creating jobs for teachers, law enforcement officers, and firefighters and of modernizing, repairing, and renovating schools and colleges. The title also would create a number of programs related to infrastructure development, including transportation infrastructure grants; an American Infrastructure Financing Authority; Project Rebuild to be administered by the Department of Housing and Urban Development for the purpose of rehabilitating and refurbishing foreclosed and vacant properties; and a National Wireless Initiative to expand access to high-speed wireless. CBO estimates that enacting title II would increase direct spending by almost $20 billion in fiscal year 2012 and $121 billion over the 2012-2021 period.

Subtitle B – Teacher Stabilization. This subtitle would appropriate $30 billion for fiscal year 2012 for grants to states to pay salaries and other related expenses for employees in early childhood, elementary, and secondary education. Based on the spending patterns of similar programs, CBO estimates that this provision would increase direct spending by $30 billion over the 2012-2016 period, with no outlays after 2016.

Subtitle C – First Responder Stabilization. Section 215 would appropriate $4 billion for the Department of Justice to make grants to state and local governments to hire or retain law enforcement officers and $1 billion for the Department of Homeland Security to make grants for first responders. CBO estimates that nearly all of the appropriated funds would be spent over the 2012-2016 period and none in later years.

Subtitle D – School Modernization. Subtitle D would appropriate $30 billion for fiscal year 2012 for grants to renovate and repair elementary and secondary school buildings and community college facilities. Of this total, $25 billion would be for elementary and secondary schools and $5 billion would be for community colleges. Based on the spending patterns of similar programs, CBO estimates that all of the funding would be spent over the 2012-2016 period.

Subtitle E – Immediate Transportation Investments. Subtitle E would appropriate $50 billion for programs administered by the Department of Transportation (DOT). That amount includes $36 billion for highway and transit construction, and $14 billion for programs to build rail and aviation projects. The $36 billion provided for highway and transit projects in S.1549 represents a 75 percent increase for fiscal year 2012 above amounts appropriated for fiscal year 2011. (In fiscal year 2011, the federal government allocated to state and local governments about $40 billion for highway programs and about $8 billion for the transit programs included in the bill.)

Many projects funded under the affected DOT programs take several years to complete. Historically, money appropriated for highway and transit projects is spent at a slow rate in the first year and has a long spending "tail"; funds provided in a particular year are usually spent over a period of six to eight years. As a result, when those programs have seen previous significant increases in budgetary resources, outlays have increased relatively slowly.

The American Recovery and Reinvestment Act (Public Law 111-5) appropriated $48 billion for transportation programs. S. 1549 includes requirements similar to those in ARRA for states to speed the pace of contractual obligations. Following enactment of ARRA, state and local governments used some of the funds appropriated in that law to substitute for funds allocated in annual appropriation acts for highway and transit programs. The partial substitution occurred because ARRA did not require state and local governments to contribute local funds, whereas annual appropriation acts usually require the use of state or local funds as a condition to use the federal funds. CBO expects that pattern of partially substituting one source of federal funds for another would be repeated under the provisions of S. 1549. As a result, and based on historical spending patterns for transportation programs, CBO estimates that, on net, about 78 percent ($39 billion) of the funds provided by subtitle E would be spent over the 2012-2016 period and the remainder would be used in the following several years.

Subtitle F – Building and Upgrading Infrastructure for Long-Term Development. This subtitle would establish the American Infrastructure and Financing Authority (AIFA), which would provide federal loans and loan guarantees to certain transportation, water, and energy infrastructure projects that cost $100 million or more to build (the threshold would be $25 million or more for projects in rural areas). The bill would appropriate $10 billion for the AIFA. CBO estimates that the new financing authority would spend about 70 percent of that amount over the 2012-2021 period.

The AIFA's impact on the federal budget would be governed by the Federal Credit Reform Act of 1990 (FCRA), which requires appropriations to cover the subsidy and administrative costs associated with direct loan guarantees and loan operations. The subsidy cost is the estimated long-term cost to the government of a loan or a loan guarantee, calculated on a net-present-value basis, excluding administrative costs. (Under

FCRA, expected cash flows are discounted using the rates on Treasury securities for comparable maturities.) In recent years, federal loans and loan guarantees for the types of transportation, energy, and water infrastructure projects that might be supported by the AIFA have had subsidy rates that averaged around 10 percent to 15 percent of the loan amount. If those rates were to apply to the projects financed by the AIFA, the $10 billion appropriation would be sufficient to finance $60 billion to $100 billion in loans.

The AIFA would select projects based on a variety of criteria. Large projects that would be eligible for assistance often take significant time to develop and have complex financial structures that also require significant lead time. In addition, it would take some time to establish the administrative structure of the AIFA itself, to collect applications, and to evaluate projects. As a result, CBO estimates that the amount of financial assistance would grow over time as sponsors of additional transportation, water, and energy projects plan for financial assistance from the AIFA. In addition, we estimate that any loans provided by the AIFA would take several years to be fully disbursed, because the large and complex infrastructure projects that would be targeted by the AIFA would have an extremely long spending "tail." (Under FCRA, outlays of estimated subsidy costs are reflected in the budget as loans are disbursed, while the budget authority for such subsidy costs is recorded in the year of loan commitment.)

Subtitle G – Project Rebuild. Section 261 would provide $15 billion for grants to state and local governments, businesses, and nonprofit organizations to purchase and redevelop abandoned and foreclosed-upon properties. Based on historical spending for similar purposes, CBO estimates that enacting this provision would increase direct spending by $14.9 billion over the 2012-2021 period, with most of that spending falling in the next few years.

Subtitle H – National Wireless Initiative. Subtitle H of title II would modify existing law regarding federal management of the electromagnetic spectrum. It would extend and expand the Federal Communications Commission's (FCC's) authority to auction licenses to use the radio spectrum and would authorize federal agencies to spend some of those receipts for new purposes. In addition, the bill would direct the FCC to assess and collect a new fee from entities that obtain certain licenses and permits. CBO estimates that enacting this subtitle would reduce net direct spending by almost $15.8 billion over the 2012-2021 period. The projected savings reflect an estimated increase in offsetting receipts of $27.7 billion from spectrum auctions and fees, partially offset by an increase in direct spending of $11.9 billion.

The estimated increase in offsetting receipts from spectrum auctions—$23.3 billion—would result primarily from provisions that would permanently extend the FCC's auction authority, authorize what are known as "incentive auctions" (in which private firms would voluntarily relinquish some or all of their spectrum rights in exchange for a payment from the FCC) through 2018, and expand the FCC's authority to auction licenses for frequencies used for certain satellite services. The bill also would allow the FCC to spend proceeds from certain incentive auctions to cover the cost of making other frequencies available for future auctions and other uses.

In addition, offsetting receipts from the new licensing and permitting fees would total about $4.4 billion over the 2012-2021 period, CBO estimates. We expect that those amounts would be derived from annual fees that would be assessed on holders of most new licenses or construction permits that are awarded by methods other than competitive auctions and on holders of licenses or permits that are renewed or modified. Two types of licenses—those for television broadcasters and for public safety services—would be exempt from the fees. For this estimate, CBO assumes that firms would not begin paying the fees until 2013 because of the time needed for the FCC to develop and implement the new fee structure.

Finally, direct spending would increase as a result of the provisions of subtitle H that would:

- Create a Public Safety Broadband Corporation that would be authorized to borrow funds from the public and to spend certain auction receipts;

- Allow federal agencies to increase and accelerate spending of auction receipts for costs related to the reallocation of spectrum from federal to commercial use; and

- Appropriate $200 million and $300 million, respectively, for certain grants to states and localities, and for research and development activities.

In addition, provisions in this subtitle transferring 10 megahertz of spectrum from commercial to public safety uses would reduce expected receipts from future auctions.

On balance, CBO estimates that those provisions would increase direct spending by $11.9 billion over the 2012-2021 period.

Title III: Assistance for the Unemployed and Pathways Back to Work. Title III would extend emergency unemployment compensation (EUC) and special provisions for extended benefits (EB) for one year, and would provide mandatory funding for reemployment services for people who receive EUC. The title would allow states to let EUC claimants continue to receive EUC even if they are not available for work, provided they are participating in an approved training or subsidized employment program.

In addition, the title would provide $4 billion in grants to states for the "Reemployment NOW" program, which states could use in a variety of ways to provide counseling, job training, and subsidized employment opportunities to the long-term unemployed. Title III also would temporarily subsidize short-time compensation programs (programs in which states work with companies to encourage reducing workers' hours in lieu of laying people off, and workers whose hours are reduced can receive a reduced unemployment benefit).

Finally, Title III would provide $5 billion in grants to states under the "Pathways Back to Work" program. Those funds could be spent on subsidized employment, employment programs targeted at young people, and work-based training programs.

CBO estimates that enacting the provisions in title III would increase outlays by $30.3 billion in 2012 and by $54.6 billion over the 2012-2021 period (with nearly all of those outlays falling in 2012 and 2013). The majority of that spending—$44.1 billion—would stem from the one-year extension of EUC and EB provisions. That extension would allow people who exhaust their regular unemployment compensation during calendar year 2012 to receive up to 53 weeks of EUC, and would make it easier for states to provide up to an additional 20 weeks of benefits under EB (depending on the states' laws and unemployment rates).

About $1.2 billion of the 10-year spending under title III would result from providing $200 per EUC beneficiary to states for reemployment services and eligibility assessments.

CBO estimates that outlays from the Reemployment NOW grants would total $3.9 billion over the 2012-2021 period.

Enacting the provisions that temporarily subsidize short-time compensation would boost outlays by $0.6 billion over the 2012-2021 period, CBO estimates. The costs of those programs would be fully or partially funded by the federal government for up to three years (depending on state law). In addition, participating states would receive a portion of $0.7 billion in grants to administer and promote their programs. (Enacting the short-time compensation provisions also would reduce revenues by $0.3 billion.)

The "Pathways Back to Work" program would increase outlays by $4.7 billion over the 2012-2021 period, CBO estimates. Under that program, $5 billion would be provided to states for specified activities: $2 billion for subsidized employment programs; $1.5 billion for youth employment programs; and $1.5 billion for competitive grants for programs involving work-based training. Amounts provided under those programs would be available for obligation until December 2012 and available for expenditure through fiscal year 2013.

Revenues

CBO and JCT estimate that provisions of S. 1549 would reduce revenues by a total of $307 billion in 2012 and 2013, but would increase revenues by $178 billion over the 2012-2021 period.

Title I: Tax Relief for Workers and Businesses. Title I would reduce payroll taxes for employees and employers. It would also provide businesses with accelerated deductions for the costs of certain investments. The provisions of this title would reduce revenues by an estimated $271 billion over the 2012-2021 period.

*Subtitle A – Payroll Tax Relief***.** Subtitle A contains several provisions that would reduce revenues. Section 101 would reduce by 3.1 percentage points (from 6.2 percent to 3.1 percent) the Social Security payroll tax rate on employees for 2012, and reduce by the same amount the Social Security payroll tax paid by businesses in 2012 on their first $5 million in wages paid. (Receipts from Social Security payroll taxes are classified as "off-budget.") The reduction in the employees' portion of the payroll tax would expand on the 2 percentage point reduction temporarily in effect for 2011.

Section 102 would provide a tax credit to reduce Social Security payroll taxes for firms that increase their total wages paid in the fourth quarter of 2011 and in calendar year 2012, compared with their total wages paid in the prior year, up to a limit of $50 million in an employer's increased wages.

The reduction in Social Security (off-budget) revenues under subtitle A would total $289 billion, all in 2012 and 2013. The bill would require the Secretary of the Treasury to transfer an amount equal to the estimated reduction in off-budget revenues from the general fund (an on-budget payment) to the Social Security trust funds (an off-budget receipt). As explained above, that intragovernmental transaction has no net effect on revenues, direct spending, or budget deficits.

The provisions of subtitle A are expected to reduce total revenue, including both on- and off-budget amounts, by $265 billion over the 2012-2013 period.

Subtitle B – Other Relief for Businesses. Section 111 would extend for one year, through 2012, the full expensing (immediate deduction) allowed for equipment investment expenses of businesses rather than the general requirement under current law that a portion of such costs be deducted over several years. JCT estimates that this provision would reduce revenues by $53 billion over the 2012-2013 period, but increase revenues later (when no deductions would be available); over the 2012-2021 period, revenues would be lower by $6 billion, JCT estimates.

Title II: Putting Workers Back on the Job While Rebuilding and Modernizing America. Title II would reduce revenues by $517 million over the 2012-2021 period, JCT estimates. Almost all of that effect stems from a provision that excludes from the alternative minimum tax any interest on certain tax-exempt bonds issued in 2011 and 2012.

Title III: Assistance for the Unemployed and Pathways Back to Work. Title III would reduce revenues by a net $38 million over the 2012-2021 period.

The extension of EUC and EB provisions would lead to a net increase in revenues of $0.4 billion over the next 10 years. That combined effect reflects lower costs to states for EB (while those benefits are funded by federal dollars), offset by higher spending for regular benefits. (CBO estimates that the availability of emergency benefits tends to slightly increase the average time that people receive regular benefits.) CBO expects that states would eventually respond to those changes in benefits by adjusting their state employment taxes, which are deposited in their unemployment trust fund accounts and reflected on the federal budget.

Temporarily subsidizing short-time compensation programs would lead to a reduction in state employment taxes of $0.3 billion over the next 10 years. A number of states currently participate in such programs, and their costs would be either fully or partially paid for with federal—rather than state—funds under the provisions of title III. As a result, states that operate such programs would receive federal funds to cover some costs they would incur in any event and therefore would reduce their employment taxes.

Title III would also create incentives for employers to hire long-term unemployed workers through the Work Opportunity Tax Credit. JCT estimates that the provision would reduce revenues by $0.2 billion over the 2012-2021 period.

Title IV: Offsets. Title IV includes a number of revenue-increasing provisions that would begin in calendar year 2013. Section 401 would limit the extent to which taxpayers with adjusted gross income above certain amounts ($200,000 for single taxpayers and $250,000 for married taxpayers filing jointly) can reduce their tax liability through itemized deductions and certain other deductions and income exclusions to 28 percent of those deductions and exclusions.

Section 411 would tax as ordinary income, rather than as capital gains, a form of compensation called carried interest, which is generally received by a general partner of a private equity or hedge fund and is typically a share of the profits on the assets under management.

Subtitle D would eliminate various tax provisions related to oil and gas production, including percentage depletion and the deduction allowed for intangible drilling and development costs.

JCT estimates that the provisions in Title IV would reduce revenues by $2.5 billion in 2012, and increase revenues by $450 billion over the 2012-2021 period.

Spending Subject to Appropriation

Title III would bar employers from discriminating against job seekers who are unemployed. Based on information from the Equal Employment Opportunity Commission, we estimate that it would cost that agency $8 million in 2012 and $62 million over the 2012-2016 period to enforce this provision, mostly for hiring additional staff. That spending would be subject to the appropriation of the necessary amounts.

CBO estimates that implementing the remaining provisions of S. 1549 would not result in significant additional discretionary costs.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. Only on-budget effects are counted for pay-as-you-go purposes.

The bill would require a transfer from the general fund to the Social Security trust funds in the amount of the estimated forgone revenue from the payroll tax cut. Because the appropriation would be from the general fund, it would be counted for pay-as-you-go purposes, while the receipt of that payment and the forgone revenues are off-budget and thus would not count as pay-as-you-go effects. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1549, as introduced on September 13, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT												
Statutory Pay-As-You-Go Impact	288,300	129,110	-28,666	-35,656	-50,230	-58,458	-60,579	-60,275	-61,771	-65,000	302,859	-3,225
Memorandum:												
Changes in Outlays	267,237	132,159	34,958	19,885	7,044	1,270	313	1,204	705	-377	461,284	464,399
Changes in Revenues	-21,063	3,049	63,624	55,541	57,274	59,728	60,892	61,479	62,476	64,623	158,425	467,624

Notes: Components may not sum to totals because of rounding.

This table does not show the off-budget effects which are shown in Table 1.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The non-tax provisions of S. 1549 contain intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act. CBO estimates that the aggregate cost of mandates in the legislation would fall below the annual threshold established in UMRA for intergovernmental mandates ($71 million in 2011, adjusted annually for inflation) and exceed the annual threshold established in UMRA for private-sector mandates ($142 million in 2011, adjusted annually for inflation).

Mandates that Apply to Both Public and Private Entities

The bill would impose a mandate on television broadcast stations (by requiring them to move channels) and on some cable operators and other distributors of television programming (by requiring them to adjust their systems to continue carrying local stations). Based on information from the FCC and industry sources, CBO estimates that the cost to stations and distributors operated by state and local governments would be in the tens of millions of dollars and that the cost to stations and distributors operated by private entities probably would be in the hundreds of millions of dollars.

The bill would appropriate up to $1 billion for payments to offset the mandate costs to television broadcast stations, cable operators, and other distributors of television programming.

The legislation also would prohibit public and private employers, including employment agencies, from refusing to consider or hire an individual because that person is unemployed. In addition, the legislation would prohibit employers from posting information that would discourage unemployed persons from applying for employment. CBO estimates that the costs of those mandates to state, local, and tribal governments and private entities would be minimal.

Mandates that Apply to Private Entities Only

The bill could impose a mandate on providers of cell phone services by authorizing the FCC to require such entities to allow public safety officials to roam onto their networks and gain priority access in an emergency. If the FCC imposed the mandate, the costs would depend on how often the service was used and on whether the Public Safety Broadband Corporation could obtain voluntary contracts for such services. Thus, CBO cannot determine the cost of the mandate to the private sector. Providers of cell phone services would have to be compensated for any costs they would incur because of the mandate, although the bill does not specify how much compensation would be provided, or by whom.

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