CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 23, 2011

H.R. 1745
Jobs, Opportunity, Benefits, and Services Act of 2011

As ordered reported by the House Committee on Ways and Means on May 11, 2011

SUMMARY

H.R. 1745 would, beginning in July 2011, repeal provisions that allow federal reimbursements for the emergency unemployment compensation program (EUC), temporarily provide full federal funding for extended benefits (EB), and allow states to make it easier to provide EB.

Additionally, enacting the bill would provide special distributions to the states in 2011 and 2012 totaling $31 billion, which states could use to continue to provide EUC and EB (as those programs existed on May 1, 2011), or pay for other unemployment-related expenses, including any interest due on loans from the unemployment trust fund (UTF).

Finally, H.R. 1745 would require states to reduce unemployment benefits to individuals who have received overpayments, require individuals to meet certain criteria for receipt of benefits, and direct the Department of Labor to establish uniform reporting codes.

CBO estimates that enacting H.R. 1745 would reduce outlays by $125 million in 2011 and by $3.1 billion over the 2011-2021 period. Under the bill, revenues also would decline by $3.1 billion over the 2011-2021 period. On balance, enacting H.R. 1745 would increase deficits by $4 million over the 2011-2021 period. Implementing the bill would not have a significant effect on discretionary spending.

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

H.R. 1745 would impose no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1745 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	-125	-2,835	-15	-15	-15	-15	-15	-15	-15	-15	-15	-3,020	-3,095
Estimated Outlays	-125	-2,835	-15	-15	-15	-15	-15	-15	-15	-15	-15	-3,020	-3,095
CHANGES IN REVENUES													
Estimated Revenues	0	-47	-352	-798	-772	-568	-291	-208	-41	-11	-11	-2,537	-3,099
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Estimated Impact on the Deficit	-125	-2788	337	783	757	553	276	193	26	-4	-4	-483	4

BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumes H.R. 1745 will be enacted by July 1, 2011. Later enactment could change the estimate significantly.

H.R. 1745 would repeal the federal funding for EUC for weeks of unemployment ending after July 6, 2011. In addition, H.R. 1745 would terminate temporary aspects of the EB program that extend 100 percent federal funding for that program and make it easier for states to meet the unemployment rate thresholds required to provide benefits.

Direct Spending

The bill would transfer $12.8 billion to states for fiscal year 2011 and $18.2 billion for fiscal year 2012. States could use those funds to operate EUC and EB as they existed in state agreements as of May 1, 2011. However, the total amount that would be transferred is about $0.6 billion lower than the amounts CBO projects states will spend on EUC and special EB under current law. (Under current law, EUC and the temporary EB provisions are authorized through December 2011; states may terminate agreements to provide EUC by giving 30 days' notice to the Department of Labor.) A state could use the transferred funds for other unemployment-related purposes, including paying interest due on loans from the UTF, but such changes would require state legislation.

CBO estimates that most states would continue to operate EUC and EB programs using their share of the total $31 billion in transfers that would be provided by H.R. 1745. However, CBO expects that some states would opt out of EUC, provide fewer benefits under EB, or change their laws to use a portion of the funds for other purposes. CBO estimates that such changes would decrease outlays for EUC and EB by $125 million in 2011 and $2.8 billion in 2012.

The bill also would direct states to offset overpayments of unemployment compensation by reducing benefits to individuals, harmonize job search requirements, and mandate recipients of unemployment compensation to meet a minimum education threshold (though that requirement could be waived in cases of hardship). CBO estimates those provisions would reduce outlays by about $15 million per year beginning in 2013.

Revenues

Provisions in H.R. 1745 would affect states' revenues for unemployment compensation, which are reflected on the federal budget. Lower outlays would result in higher balances in states' unemployment trust funds. In addition, beginning in July 2011, states would be able to receive a 50 percent match on expenses for EB, even if the states choose to fund their EB expenses with their share of the transferred funds. That provision also would result in higher balances in states' trust funds than under current law. CBO estimates that some states would respond to the higher balances by reducing their unemployment taxes (or by avoiding tax increases assumed in the baseline that would replenish the trust funds). As a result, CBO estimates that, on net, revenues would decline by $3.1 billion over the 2011-2021 period under H.R. 1745.

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. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Under H.R. 1745, there would be no net impact for purposes of enforcing the Statutory Pay-As-You-Go Act because the bill would designate the bill's effects as an emergency requirement.

CBO Estimate of Pay-As-You-Go Effects for H.R. 1745 as ordered reported by the House Committee on Ways and Means on May 11, 2011, with subsequent language provided on May 18, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
	NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Total change	-125	-2,788	337	783	757	553	276	193	26	-4	-4	-483	4
Less:													
Designated as Emergency Requirements [a]	125	2,788	-337	-783	-757	-553	-276	-193	-26	4	4	483	-4
Statutory Pay-As-You Go Impact	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum:													
Change in Outlays	-125	-2,835	-15	-15	-15	-15	-15	-15	-15	-15	-15	-3,020	-3,095
Change in Revenues	0	-47	-352	-798	-772	-568	-291	-208	-41	-11	-11	-2,537	-3,099

a. Section 204 of H.R. 1745 would designate the budgetary effects of the bill as an emergency requirement pursuant to section 4(g) of the Statutory Pay-As-You-Go Act of 2010.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1745 contains no intergovernmental or private-sector mandates as defined in UMRA. CBO estimates that changes to the unemployment compensation program would result in lower federal transfers to the states than under current law and also would result in decreases in unemployment taxes in some states. These effects, however, would result from states' participation in the federal unemployment insurance program, which is voluntary, and would not result from intergovernmental mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Spending: Christina Hawley Anthony
Federal Revenues: Barbara Edwards
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Sarah Axeen

ESTIMATE APPROVED BY:

Peter H. Fontaine
Assistant Director for Budget Analysis

Frank Sammartino
Assistant Director for Tax Analysis