EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 11, 2008
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5749 – Emergency Extended Unemployment Compensation Act of 2008
(Rep. McDermott (D) Washington and 36 cosponsors)

The Administration is deeply committed to continually fostering an environment where every American who wants a job has a job. The Administration believes the best way to help workers is to create an environment that encourages job creation and to promote effective job training. To accomplish these goals, the Administration urges Congress to create more opportunities for American exporters by passing the pending free trade agreements with Colombia, Panama, and South Korea, make permanent the President's tax cuts that will expire over the next two years, and reform and reauthorize the Trade Adjustment Assistance program and the Workforce Investment Act. The Administration looks forward to continuing to work with Congress to enact these important measures. However, the Administration strongly opposes H.R. 5749. If H.R. 5749 were presented to the President, his senior advisors would recommend that he veto the bill.

This legislation raises several concerns. First, although the unemployment rate has recently risen, it remains below the levels historically relied on to justify a federally financed extension of unemployment benefits. The last initiation of temporary extended benefits was in 2002 amidst the unprecedented events surrounding September 11, 2001. Other than that special case, extensions have generally been granted only when the unemployment rate was notably higher than it is today, at or above 7 percent.

Second, this bill would allow the payment of up to 13 extra weeks of benefits in every State, even though some of those States have unemployment rates as low as 2.6 percent. At present, a majority of States have unemployment rates at or below 5 percent, and it is fiscally irresponsible to provide extra benefits in States with low unemployment rates. In States with higher unemployment rates, the Federal-State extended benefits program already can provide up to 13 additional weeks of benefits to workers who have exhausted their regular unemployment insurance benefits. As many economists have noted, the counterproductive result of a broad extension of benefits would be that recipients may remain unemployed for slightly longer than they would have otherwise.

Third, this bill does not contain an important provision found in previous Federal extensions and the permanent Federal-State extended benefits law that assures the benefit extension is paid only to individuals who have demonstrated a serious attachment to the labor force. Since 1981, individuals must have 20 weeks of full-time employment to qualify for extended unemployment benefits. Under this bill, individuals who have worked as little as two weeks could qualify for up to 52 weeks of total unemployment benefits. This violates the longstanding requirement that extended benefits should be for Americans with meaningful work histories.

Fourth, for purposes of determining whether a State is considered a “high unemployment” State in which an extra 13 weeks of benefits is payable (for a total of 26 weeks of additional benefits), this proposal would use a total unemployment rate of 6 percent as the trigger for State eligibility. This is, historically, a relatively low number for justifying a full year or more of unemployment benefits.

As an alternative to these ill-targeted and costly measures, the Administration could support legislation that would offer a 13-week extension of Federally financed unemployment benefits to high-unemployment States alone.

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