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Sorting out the truth in politics

U.S. Sen. Jack Reed says a proposal to restore emergency unemployment benefits was "fully paid for."

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June 22, 2014

When the recession hit, federal unemployment benefit coverage was temporarily expanded to as long as 73 weeks, depending on the state. When that expansion expired on Dec. 28, 2013, the maximum dropped back to 26 weeks.

The U.S. Senate, controlled by Democrats, subsequently voted to restore emergency benefits for five months, through the end of May. That proposal languished in the Republican-controlled House and was considered dead, especially now that it would no longer benefit those added to the unemployment rolls as of June 1.

But Sen. Jack Reed (D-RI), a strong advocate for restoring those extended benefits, said earlier this month that there's still a push to extend them, although not retroactively.

One of Reed's arguments, made repeatedly on the floor of the Senate in speeches on April 10 and May 1, and during a May 1 news conference, was that the original proposal was "fully paid for."

With the U.S. government in debt to the tune of $17.5 trillion -- that's $55,000 for every man, woman and child in the U.S. -- one could question whether anything in the current $3.5 trillion federal budget would be fully paid for, especially when the nonpartisan Congressional Budget Office was projecting a shortfall of $492 billion for the current fiscal year.

Question: So if the proposal was "fully paid for," how would the government have covered the $9.9 billion cost of extending the benefits for five months?

Answer: With extra tax revenue collected over the next 10 years.

When we contacted Reed's office, spokesman Chip Unruh sent us an analysis from the CBO. Aaron Hernandez, a senior policy adviser for Reed, walked us through the complicated plan.

Most of the immediate revenue -- $1.7 billion just this year -- would have come from giving companies the option to lower the amount of money they have to pay into their pension plans over the short term. Therefore, that would leave more money in profit for the feds to tax.

In theory, by the 2017 fiscal year, more than enough would have been collected to cover the cost of Reed's legislation.

However in subsequent years, those companies would have to pay extra into their pension plans to catch up, producing less taxable income and a loss of revenue for the federal government, beginning in 2020.

To compensate for *that*, the legislation called for a one-year extension of customs fees that were set to expire nine years from now. The feds would have, in essence, extended that tax to 2024 and use the revenue to directly cover the long-term costs of fiddling with the pension payment system.

Unruh, Reed's spokesman, said the senator "is 100 percent correct in saying that it's fully paid for" when all the revenue is taken into consideration under Washington's rules for balancing out changes to the budget.

Reed, he said, made it clear in an April 2 floor speech that the payment would have been spread out over 10 years.

But we note that in the two speeches and one news conference we saw, Reed repeatedly asserted that the bill "is fully paid for," making no reference to how the cost would be covered or how long it would take.

We asked some budget experts what they thought of the explanation from Reed's office.

"When people think about things being paid for, they think about making difficult choices," said Steve Ellis, vice president of Taxpayers for Common Sense, which monitors budget issues. But when that phrase is used in Washington, he said, "it's not in the sense of, 'I've got to fix my roof so I'm not buying the flat screen TV.'"

Reed "has the offsets, and according to the CBO it's paid for. But that's not the whole truth here. He's spending money today and promising to pay for it many years from now," he said. "It's a gimmick."

Joshua Smith, a senior policy analyst with the Economic Policy Institute, a liberal think tank that supported extending the benefits, put it in different terms.

"It's technically true, but it's only technically true as long as you understand how CBO does budget scoring," Smith said. "They use a window that is 10 years long, so if it doesn't cost money over 10 years, it doesn't add to the deficit."

"It's true in Washingtonese. Members of both parties have been doing exactly the same thing for a *long* time, saying things are fully paid for if they are paid for within the 10-year window," said Smith. "The bill does attempt to cover its costs, unlike some things that are going through Congress now, such as unpaid-for corporate tax breaks."

Chris Edwards, economist with the libertarian Cato Institute, called the funding plan "a classic example of phony Washington smoke and mirrors accounting," that is all too common by both parties in Washington.

"The biggest joke is the customs fees -- three and a half billion dollars, 10 years from now, in a single year," he noted. "The lobby groups have 10 years to work to reverse that particular fee, and they probably will."

Leonard Lardaro, professor of economics at the University of Rhode Island, called the funding plan "really murky." The accounting assumes revenue that may not be there over the years, he said, calling the savings "speculative."

Our ruling

Jack Reed repeatedly said that the Senate proposal to restore expanded unemployment benefits "is fully paid for."

He didn't say it *would* be paid for in the future. He made it sound like it HAD been paid for, presumably through immediate savings or new taxes.

You can't say "my house is paid for" when you've just taken out a 10-year loan from the bank to pay off your mortgage.

If the unemployment insurance extension had passed, Congress wouldn't have given up the flat screen TV to pay for roof repairs. It would have bought both, and done it with a cash advance on a credit card that is already maxed beyond the ability to pay.

Reed's statement may be technically accurate in the world of Washington budgeting.

But for the rest of us -- at least those of us who can't print money, who know that 10-year plans can go awry, and who don't think something is paid for until the bill is actually, well, paid -- his statement contains only a small element of truth. We rate it Mostly False.