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New CBO forecast complicates fight over unemployment benefits

By Jacqueline Klimas
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Even as Democrats this week are pushing for another extension of benefits for the nation's long-term unemployed, a new economic forecast suggests that the jobless [rate](#) could remain high for several more years — raising the prospect that the government will have to keep paying out those benefits for longer than many anticipated.

When President George W. Bush first signed the expanded benefits into law in 2008, the jobless rate was 5.6 percent. The new forecasts suggest the rate may not be that low again until after President Obama leaves office.

The Senate holds a key test vote Thursday on a three-month extension to the program, known as unemployment insurance (UI), and Democrats hope they can corral the votes to overcome a GOP-led filibuster.

But the bill's sponsor, Sen. Jack Reed, Rhode Island Democrat, has already said he'd like to see a longer-term extension, and whatever the outcome of Thursday's vote, both sides expect the fight will continue.

"No one has suggested UI should be automatically extended for the next four years," said Chip Unruh, Mr. Reed's spokesman. "But do you think ending UI now when the long-term unemployment rate is nearly twice as high today as it was any other time we have allowed emergency unemployment benefits to end makes good economic sense?"

The federal benefits, which kick in when workers have been jobless for so long they've exhausted their state benefits, expired in December. Since then, 1.7 million Americans have lost access to the federal aid.

Mr. Reed's short-term plan would be retroactive, meaning the unemployed would get checks dating back to the end of December. But the extension would expire at the end of March.

Republicans opposed earlier versions of Mr. Reed's bill because the \$6 billion in new spending was not offset by cuts elsewhere. The new plan is paid for by extending a program that allows companies to pay less into their pension plans.

The current round of extended federal benefits, which began in 2008, have been extended more than 10 times. Democrats say it was wrong for the GOP to let it expire in December when the unemployment rate was more than a percentage point higher than 2008, at 6.7 percent.

The Congressional Budget Office said Tuesday that the rate will remain that high for 2014, and will still be 6 percent or higher through 2016, which could mean years of fighting over the government program. Other government and private forecasters, including economists at the Federal Reserve, are projecting a much quicker drop in the jobless rate, falling below 6 percent by 2015.

But the CBO, the nonpartisan budget agency seen as the official scorekeeper on Capitol Hill, carries a lot of prestige with lawmakers, and its latest numbers had both sides scrambling on Capitol Hill.

"You would think there would be broad agreement, that these are emergency benefits and the emergency is long over," said Chris Edwards, editor of DownsizingGovernment.org at the Cato Institute. "I wouldn't be surprised if three months from now many Democrats will be pushing to further extend the unemployment benefits if the CBO is right."

Mr. Edwards also criticized Democrats' new proposed offset, known as "pension smoothing," saying it's a gimmick and companies will have to pay more down the [road](#) to make up for savings now, which means the government is just shifting money forward.

Under pension smoothing, companies can pay less into their employees' pensions, thereby leaving them more taxable [profits](#) and more tax revenue for the government.

Democratic lawmakers have championed the offset as a bipartisan solution, even sending out lists of Republicans who voted for a student [loan](#) bill in 2012 that included the pension changes.

The plan also includes a provision introduced by Sen. Tom Coburn, Oklahoma Republican, that would prevent millionaires from receiving unemployment insurance payments. Democrats said that was added to try to attract GOP support.

"What we are going to do here is offer a fully paid for three-month extension of unemployment insurance. Simple as that," Majority Leader Harry Reid, [Nevada](#) Democrat, said Tuesday on the Senate floor. "That is what the Republicans said they wanted and we agreed to do it."