



July 16, 2021

Honorable Kyrsten Sinema
United States Senate
Washington, DC 20510

Re: Cost of the Extension of Expanded Unemployment Compensation

Dear Senator:

This letter responds to your interest in the projected cost of the extension of expanded unemployment compensation as enacted in the American Rescue Plan Act of 2021 (ARPA). Legislation enacted in response to the coronavirus pandemic significantly expanded unemployment compensation by increasing the amount of the benefits, enlarging the pool of eligible workers, and extending the length of time that beneficiaries can receive assistance. That expansion was scheduled to expire in March 2021 and ARPA extended it until September 2021.

In its recently published budget projections, CBO included mandatory outlays for the expansion totaling \$144 billion in 2021 and \$8 billion in 2022.¹ That estimated cost is \$50 billion less in 2021, and \$3 billion less in 2022, than anticipated in the agency's March 2021 cost estimate.²

CBO reduced its projections of those costs for two major reasons. First, several states have announced that they are discontinuing one or more of the components of expanded unemployment compensation before the expansion's authorization ends in September 2021. In its original estimate, CBO projected that all states would participate in the programs until September. Second, because of the improving economy, the agency has lowered its forecast of the unemployment rate, resulting in fewer projected beneficiaries for the programs; that also reduced projected costs.

1. See Congressional Budget Office, *An Update to the Budget and Economic Outlook* (July 2021), www.cbo.gov/publication/57218.

2. See Congressional Budget Office, estimated budgetary effects of H.R. 1319, the American Rescue Plan Act of 2021 (March 10, 2021), www.cbo.gov/publication/57056.

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Differences in outcomes from earlier estimates for legislation are not unusual, and those differences may be reflected in increases or decreases in the estimated costs of various provisions. That type of change, like other changes for economic and technical factors, is regularly reflected by CBO as a baseline adjustment and is not attributed to legislation. CBO regularly assesses the reasons actual outcomes differ from those previously projected.³

I hope this information is helpful to you. Please let me know if you have any further questions.

Sincerely,



Phillip L. Swagel
Director

cc: Honorable Ron Wyden
Chairman, Committee on Finance

Honorable Mike Crapo
Ranking Member

Honorable Bernie Sanders
Chairman, Committee on the Budget

Honorable Lindsey Graham
Ranking Member

Honorable Mark R. Warner

3. See Congressional Budget Office, *The Accuracy of CBO's Budget Projections for Fiscal Year 2020* (December 2020), www.cbo.gov/publication/56885.