

Obama Pushes States to Cover More Unemployed

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By JONATHAN WEISMAN

WASHINGTON -- President-elect Barack Obama plans to offer states \$7 billion as incentive to permanently change their unemployment-insurance laws to cover part-time workers and prevent other laid-off workers from falling through cracks in the coverage.

The proposal, which is set to be included in the president-elect's two-year economic-stimulus plan, will seek to use short-term aid to cash-strapped states to force long-term changes that the Obama team believes are overdue, Obama aides said Tuesday.

But the proposal, along with others to subsidize health insurance for the laid-off and expand Medicaid to out-of-work Americans, are sparking bipartisan concern over the potential, long-term impact on a federal budget deficit that is expected to hit \$1 trillion this year, even before the stimulus plan.

A new Congressional Budget Office forecast due out Wednesday is expected to put the fiscal 2009 deficit at about \$1 trillion, more than double the \$438 billion in red ink CBO foresaw in September.

Sen. Judd Gregg of New Hampshire, the ranking Republican on the Senate Budget Committee, said that would put this year's deficit at 7% of the gross domestic product, a level not seen since World War II.



Barack Obama, shown Tuesday after meeting with economic advisers, aims to use short-term aid to bring about long-term changes.

On Wednesday, Mr. Obama is set to speak about deficit-control measures he plans to include in his first budget, due next month, an Obama aide said. The aide stressed that the president-elect is inheriting a fiscal disaster not of his making.

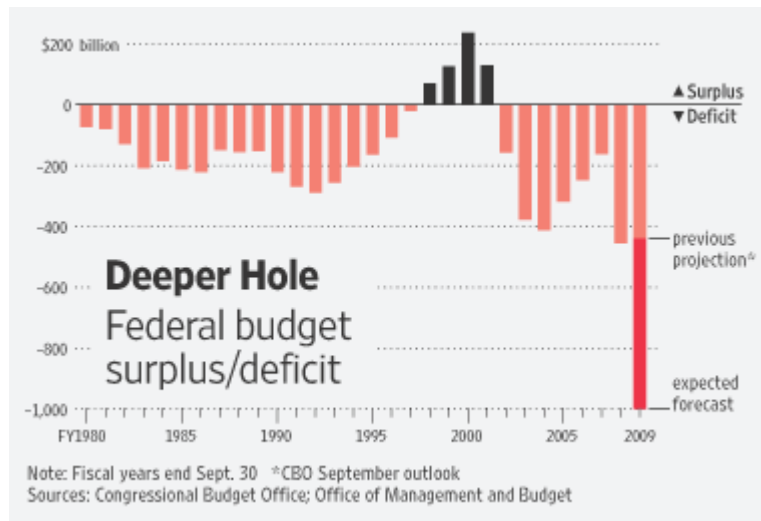
The goal of the stimulus package, which will include tax breaks for businesses and individuals and is estimated to cost \$775 billion, is to generate jobs and spending to jump-start the country's ailing economy. But concerns are growing over the potential, long-term cost of some of the policy changes being considered. Republicans and even some Democrats said some of the items show too little concern for the long-term impact on the national deficit.

"Any additional tax cuts, where there will be pressure to make them permanent, or spending proposals that have a permanent nature to them, give me pause," said Senate Budget Committee Chairman Kent Conrad (D., N.D.).

Amid such criticism, the president-elect huddled with his economic team on Tuesday to discuss ways to contain the long-term deficit. Attendants included budget director-designate Peter Orszag, Treasury Secretary-nominee Timothy Geithner and National Economic Council director-designate Lawrence Summers.

"Potentially we've got trillion-dollar deficits for years to come, even with the economic recovery that we are working on at this point," Mr. Obama said. "We're going to have to stop talking about budget reform. We're going to have to totally embrace it. It's an absolute necessity."

Obama aides defended the proposals that have drawn the most fire. The unemployment insurance program would entice states to make changes recommended by a bipartisan commission in 1994. Fewer than half of the unemployed currently receive unemployment benefits, either because they work part time or because outdated regulations don't define them as having been working recently. Many states use older wage data to establish work histories and exclude the most recent three to five months of employment when determining eligibility.



The changes sought by Mr. Obama would ultimately be financed by employer contributions to the unemployment insurance system, not by federal taxpayers, Obama aides said.

Another Obama program would offer federal subsidies to laid-off workers trying to purchase continued health insurance through the COBRA system. Under the 22-year-old COBRA law, laid-off workers must be offered access to the insurance offerings of their former employers, but for many unemployed, such plans have been unaffordable.

For the first time, workers laid off from jobs that didn't include health insurance would be allowed to buy into Medicaid, the federal-state insurance program for the poor.

Aides said these programs would expire with the two-year stimulus program.

Robert Bixby, executive director of the budget watchdog Concord Coalition, said turning off such programs will be difficult. A program established in 2002 to subsidize health insurance for workers displaced by free-trade agreements is still in existence, despite that less than 15% of eligible workers have enrolled, said Stan Dorn, a researcher at the Urban Institute, who has studied the program.

"Those aren't stimulus," Rep. Paul Ryan of Wisconsin, the ranking Republican on the House Budget Committee, said of Mr. Obama's health and unemployment proposals. "Those are ideological accomplishments in the guise of economic stimulus."

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