Elizabeth Wynne Johnson, Captiol News Connection

Description:

The President's budget plan for FY2012 includes a provision that would give states a two-year reprieve from having to pay interest they owe to the federal government. 30 states had to borrow more than $40B to pay unemployment benefits.
Transcript:

No sooner than the President's budget lands today, the work of dissecting gets underway.

Good morning, I'm Elizabeth Wynne Johnson; this is Power Breakfast from Capitol News Connection.

There's a section in the budget that could be of some help for struggling states. Congressman Peter Welch, a Democrat from Vermont, is the one who got it in there.

WELCH The states didn't cause this recession but they're paying a disproportionate burden. Unemployment is brutal, and the states have had to deplete their unemployment funds and borrow from the federal government.

The idea is to give states two more years before they have to repay the interest. Thirty states owe a total of 41-billion dollars. The first interest payments – about 1.3 billion – are due in September.

WELCH This bill will give them breathing room. The fed government will be repaid. It won't really cost the taxpayer any money...

Wait – come again?

WELCH In good times an unemployment fund is increased, and in bad times it gets depleted; and in really bad times, and that's what we're in now, the states often have to borrow money from the federal government in order to meet unemployment benefit obligations.

States will still have to repay the money they've borrowed. The hope is that in two years, the economy will be better, unemployment will be lower and it will be easier for states to repay the money.

The measure wouldn't add anything to the debt, says Welch. Still -

WELCH I think we have to explain it, because if you are talking about the federal government postponing receipt of the interest, some folks are worried that this is adding to the expense of the federal government – but it's not.

Not in the sense of writing a new check, at least. There is technically an opportunity cost associated with not having that money for two years.

States are hurting, and governors – Republicans and Democrats alike – speak with a loud voice on Capitol Hill. So Welch is hoping they'll lean on their members of Congress to make sure this piece of the budget puzzle stays put.

That's Power Breakfast from Capitol News Connection.