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Obama Considers Major Expansion in Aid to Jobless

By JACKIE CALMES and CARL HULSE

CHICAGO — President-elect Barack Obama and Congressional Democrats are considering major expansions of government-assisted health care insurance and unemployment compensation as they begin intensive work this week on a two-year economic recovery package.

One proposal, as described by Democratic advisers, would extend unemployment compensation to part-time workers, an idea that Congressional Republicans have blocked in the past.

Other policy changes would subsidize employers' expenses for temporarily continuing health insurance coverage to laid-off and retired workers and their dependents, as mandated under a 22-year-old federal law known as Cobra, and allow workers who lose jobs that did not come with insurance benefits to be eligible, for the first time, to apply for Medicaid coverage.

The proposals indicate the sorts of potentially long-range changes that Mr. Obama intends to push in his promised American Recovery and Reinvestment Plan, as he named it in his weekly Saturday address on the radio and YouTube. They will be combined with one-time measures that are more typical of federal stimulus packages to jump-start a weak economy, like spending for roads and other job-creating public works projects.

As the economy worsened in the weeks after Mr. Obama's election, advisers and Congressional leaders suggested that a stimulus plan would be ready by the new year for House votes this week. But the House is not expected to vote until next week at the earliest, which will most likely push final action into February, Democratic aides said.

The aides said delays were probably inevitable given the holiday interruptions, the big ambitions of the undertaking and internal tensions over the plan's components and their costs.

Obama advisers have said the package will carry a total cost of at least \$775 billion.

Still, Democrats are wary of slowing down the economic stimulus by provoking the opposition of Republicans, who have warned in recent days that the package must be neither excessive nor rushed. They are also fielding concerns from fiscally conservative Democrats.

In his address on Saturday, Mr. Obama, just off a two-week vacation, also announced that, as expected, he would begin meeting in Washington on Monday with Congressional leaders of both parties in a bid for bipartisan cooperation.

"Economists from across the political spectrum agree that if we don't act swiftly and boldly," Mr. Obama said, "we could see a much deeper economic downturn that could lead to double digit unemployment and the American dream slipping further and further out of reach."

Mr. Obama has pledged to "create or save" three million jobs over the next two years. In his address, he omitted the word "save," suggesting he would create three million jobs, a goal that many economists consider unattainable under current conditions.

His plan, he said in his address, would "put people back to work today and reduce our dependence on foreign oil tomorrow" through spending and tax incentives to double production of renewable energy;

make government buildings more energy efficient; build and renovate roads, bridges and schools; and modernize health care technology.

A main factor slowing down the Obama team's drafting, it is now apparent, has been the difficulty of reconciling his sometimes conflicting directives.

The president-elect called for including in the plan only proposals that would quickly stimulate the economy. Typically that means one-time spending that gets money into consumers' hands quickly to spark demand for goods and services.

Both Mr. Obama and Congressional leaders are intent on keeping the price tag below the politically charged figure of \$1 trillion.

In the emerging Obama plan, such items will include \$140 billion to \$200 billion in relief to states to offset their budget-busting costs for Medicaid and education; extension of unemployment compensation for former full-time workers, which runs out in March; and billions of dollars for construction projects that Mr. Obama has called "shovel ready."

But Mr. Obama has also said his recovery plan must make down-payments on his campaign promises for permanent changes that will reshape the economy, especially for the good of low-wage and middle-class workers. Such changes could carry permanent costs for new energy, education, health care and tax policies.

For example, Mr. Obama previously indicated that he would seek money to develop a national energy grid to harness and distribute power from wind, water and other local alternative energy sources.

Additional money to subsidize local governments' education costs in the downturn could become a fixture, increasing the once-small federal role beyond its expansion under President Bush. Besides money for school construction and renovations, Congressional aides said they expected an increase in financing to educate students with disabilities and special needs. Officials also are exploring potential increases for Head Start childhood education programs and Pell Grant scholarships for college students.

Rather than propose a one-time tax rebate for all but the most affluent Americans, Mr. Obama is likely to propose what he called during his campaign a "Making Work Pay" tax credit of \$500 for eligible individuals and \$1,000 for couples. Those who earn too little to pay federal income taxes would receive the credit in the form of a check, intended to offset the payroll taxes they pay for Social Security and Medicare.

Disputes also are percolating in the Obama camp and between Congressional committees over what constitutes spending earmarks for special projects, which Mr. Obama has sworn to oppose. The disputes are similar to, if less testy than, past tiffs between Mr. Bush and Congress.

Democratic leaders in Congress say they are serious about helping Mr. Obama keep the emerging legislation free of the pork-barrel projects that could invite criticism from Republicans and foster public skepticism.

"Every dollar will have to be justified as to whether it is targeted to our economy," Speaker Nancy Pelosi, Democrat of California, said last week. "This is not a bill that will be an excuse to put things in that otherwise might not be justified."

To get around Mr. Obama's potential objections, some lawmakers are including projects that Congress previously authorized but failed to pass in appropriations. In a 41-page memorandum, the House Transportation and Infrastructure Committee has outlined \$85 billion in previously authorized infrastructure spending over two years, including \$30.2 billion for highway projects and \$12 billion for local public transportation.

The House approved money for many of the projects in September as part of a \$61 billion stimulus package that was blocked by Republicans in the Senate.

Still, officials said the size of the proposed two-year stimulus, equivalent to nearly a year of federal discretionary spending, had tested imaginations both in Congress and the Obama camp. Aides and advisers are struggling to identify enough projects that would meet Mr. Obama's criteria that they be truly stimulative, create jobs and not be open to being branded as pork.

"This has really forced people to think outside the box," one aide on the House Appropriations Committee said, "because this is more money than anybody expected to be spending."

Tensions on the opposite side involve demands from fiscally conservative Blue Dog Democrats in the House and from some Senate Democrats — notably the Senate Budget Committee chairman, Kent Conrad of North Dakota — for provisions imposing budgetary controls on future spending and tax cuts for the long-term health of the economy.

According to both sides, Obama officials have assured the fiscal conservatives that Mr. Obama would propose long-term controls in his first five-year budget, which is due by late February. But the Blue Dogs see the recovery package as their best chance to get budget reforms enacted quickly.

While the fiscally conservative Democrats support deficit spending to jump-start the economy, "these are debts that will have to be paid," said Representative Jim Cooper, Democrat of Tennessee.

"We have to combine short-term stimulus with a focus on the long term," he continued.

Among their ideas are a bipartisan commission to propose limits on future benefits for Social Security, Medicare and Medicaid, the entitlement programs whose projected future costs would squeeze out all other spending; a nonpartisan entity to designate infrastructure projects, like roads and public buildings, based on merit; and federal pay-as-you-go rules that require offsetting savings for spending increases and new tax cuts.

Jackie Calmes reported from Chicago, and Carl Hulse from Washington. David M. Herszenhorn contributed reporting from Washington.

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