



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 16, 1999

A bill to amend the Trade Act of 1974 to extend the authorization for trade adjustment assistance

As ordered reported by the Senate Committee on Finance on June 22, 1999

SUMMARY

This bill would amend the Trade Act of 1974 to extend the authorization for trade adjustment assistance through September 30, 2001. Authorization for the trade adjustment assistance programs expired June 30, 1999. In addition, the bill would add certain vaccines against streptococcus pneumonia to the list of taxable vaccines and would increase the elective withholding rate for nonperiodic distributions from deferred compensation plans from 10 percent to 15 percent. The Joint Committee on Taxation (JCT) estimates that the bill would increase receipts to the federal government by \$152 million over fiscal years 1999 through 2009. CBO estimates that the bill would increase direct spending by \$151 million over the 1999-2009 period. In total, the bill would increase the surplus by \$1 million over 11 years. The bill also would increase authorizations of appropriations by \$20 million over the same period. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

The JCT has determined that the two revenue provisions constitute private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). However, the cost of those mandates would not exceed the private-sector threshold specified in UMRA (\$100 million in 1996, adjusted annually for inflation). The provision to impose the vaccine excise tax on the streptococcus pneumonia vaccine would also impose an intergovernmental mandate with costs that do not exceed the threshold established in UMRA (\$50 million in 1996, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. In addition to affecting revenues, the bill would affect spending in budget functions 450 (community and regional development), 500 (education, employment, training, and social services), 550 (health), and 600 (income security).

By Fiscal Year, in Millions of Dollars

	1999	2000	2001	2002	2003	2004
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DIRECT SPENDING

Baseline Spending Under Current Law ^a

Estimated Budget Authority	108,359	117,481	125,798	135,945	147,157	160,248
Estimated Outlays	108,359	117,493	125,800	135,945	147,157	160,248

Proposed Changes

Estimated Budget Authority	10	42	45	6	6	7
Estimated Outlays	5	25	40	28	12	7

Spending Under the Bill

Estimated Budget Authority	108,369	117,523	125,843	135,951	147,163	160,255
Estimated Outlays	108,364	117,518	125,840	135,973	147,169	160,255

CHANGES IN REVENUES

Include Streptococcus Pneumonia Vaccine in the
Federal Vaccine Insurance Program

	0	4	7	9	10	10
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Optional Withholding for Nonqualified
Deferred Compensation

	<u>6</u>	<u>46</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
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Total Revenues

	6	50	8	10	11	11
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SPENDING SUBJECT TO APPROPRIATION

Trade Adjustment Assistance for Firms

Spending Under Current Law

Budget Authority ^b	10	0	0	0	0	0
Estimated Outlays	9	9	6	5	2	0

Proposed Changes

Estimated Authorization Level	0	10	10	0	0	0
Estimated Outlays	0	c	3	4	5	5

Spending Under the Bill

Estimated Authorization Level ^b	10	10	10	0	0	0
Estimated Outlays	9	9	9	9	7	5

a. Baseline spending under current law includes Trade Adjustment Assistance for Workers (\$321 million in 1999), the National Vaccine Injury Compensation Trust Fund (\$61 million in 1999), and Medicaid (\$108 billion in 1999).

b. The 1999 level is the amount appropriated for that year.

c. Less than \$500,000.

BASIS OF ESTIMATE

Direct Spending

The trade adjustment assistance (TAA) program for workers provides transitional adjustment assistance for workers who are dislocated as a result of federal policies that reduce barriers to foreign trade. The program has two components—one for all workers and one for workers dislocated due to implementation of the North American Free Trade Agreement (NAFTA). Both programs provide income support and job training assistance to workers who are certified to receive benefits. Together, the two programs are estimated to have outlays of \$321 million for fiscal year 1999. These programs expired on June 30, 1999. The bill would extend them through fiscal year 2001. The costs of extending the main TAA program are included in the baseline, as required by the Balanced Budget and Emergency Deficit Control Act. However, the costs of extending the NAFTA portion of TAA are not included in the baseline.

CBO estimates that extending the NAFTA portion of TAA would cost \$91 million over the 1999-2004 period. The proposed legislation would authorize the program through fiscal year 2001, and it would raise the cap on training for the NAFTA program to \$30 million. When Congress extended the program in October 1998, it reduced the annual cap on training costs from \$30 million to \$15 million. Although enactment of the bill would return the cap to its original level, CBO estimates that spending under the training program would be less than the capped amount.

In addition, the bill would add conjugate vaccines against streptococcus pneumonia to the list of taxable vaccines and thus would allow for compensation for injuries related to those vaccines from the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision will increase outlays by \$4 million over the 1999-2004 period. This provision would also increase federal Medicaid outlays by \$21 million over the 1999-2004 period because the Medicaid vaccines for children program would be required to pay the excise tax on purchases of vaccines against streptococcus pneumonia. The federal government purchases about one-half of all vaccines through this program.

Revenues

The bill would add certain vaccines against streptococcus pneumonia to the list of taxable vaccines and would increase the elective withholding rate for nonperiodic distributions from deferred compensation plans from 10 percent to 15 percent. JCT estimates that including the

additional vaccines in federal insurance programs would bring in an additional \$40 million over the 1999-2004 period. JCT estimates that the change in the optional withholding rate change would increase revenues by \$56 million over the same period.

Spending Subject to Appropriation

The bill would authorize the application of such sums as necessary for trade adjustment assistance for firms for fiscal years 2000 and 2001. CBO estimates that this provision would result in outlays of about \$17 million over the 2000-2004 period, assuming appropriation of the necessary amounts. This estimate assumes that the amount appropriated each year under this authorization would be about \$10 million, the same as the amount appropriated in 1999. Estimated outlays are based on historical spending rates for this program.

Also, by adding conjugate vaccines against streptococcus pneumonia to the list of taxable vaccines, the cost of vaccines purchased under section 317 of the Public Health Service Act could rise. Section 317 authorizes grants to states for the purchase of vaccines under federal contracts with vaccines manufacturers. Any increase in spending under this section would be subject to the annual appropriation process.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	5	25	40	28	12	7	7	7	7	7	7
Changes in receipts	6	50	8	10	11	11	11	11	11	11	12

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The JCT has determined that the two revenue provisions constitute private-sector mandates as defined in UMRA. However, the cost of those mandates would not exceed the private-sector threshold specified in UMRA (\$100 million in 1996, adjusted annually for inflation). The provision to impose the vaccine excise tax on the streptococcus pneumonia vaccine would also impose an intergovernmental mandate of less than the threshold established in UMRA (\$50 million in 1996, adjusted annually for inflation).

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