CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 28, 2002

S. 1209
Trade Adjustment Assistance for Workers, Farmers, Communities, and Firms Act of 2001

As ordered reported by the Senate Committee on Finance on December 4, 2001

SUMMARY

S. 1209 would extend the Trade Adjustment Assistance (TAA) programs for workers and for firms through fiscal year 2006. The authorizations for these programs expired at the end of fiscal year 2001, but the Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, 2002, funded these programs for 2002. The bill also would expand the existing TAA program; create a number of new trade-related federal programs designed to benefit farmers, fishermen, and communities; and subsidize health insurance for those who qualify for TAA. This legislation also would increase the personal duty exemption for travelers entering the United States. In addition, S. 1209 would authorize appropriations for 2002 and 2003 for the U.S. Customs Service, the Office of the U.S. Trade Representative, and the International Trade Commission.

For fiscal years 2002-2011, CBO estimates that enacting the bill would increase direct spending by about $12.4 billion and reduce revenues by $39 million. Because the bill would affect revenues and direct spending, pay-as-you-go procedures would apply. However, the costs of extending TAA are assumed in CBO's estimates of baseline spending. Pay-as-you-go procedures would apply only to the new direct spending above the costs already assumed in baseline. Those net costs above baseline spending—as projected in CBO's May 2001 baseline—would total $8.6 billion in outlays over the 2002-2011 period. We also estimate that implementing the bill would cost about $3 billion, subject to appropriation of the necessary funds.

S. 1209 contains three intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). Two of those mandates would impose no costs on state, local, and tribal governments. CBO cannot estimate the costs of a third mandate (regarding the closure of ports of entry), but it is unlikely that any such costs over the next five years would exceed the threshold established in UMRA ($58 million in 2002, adjusted annually for inflation).

Other provisions of the bill would enable states to expand their Medicaid program and provide benefits to individuals who would be eligible for trade adjustment assistance. CBO estimates state spending for increased enrollment and Medicaid coverage of a portion of health insurance premiums would total about $142 million over the 2002-2006 period. The bill also would provide assistance to some communities for strategic management and job development.

S. 1209 would impose several private-sector mandates, as defined by UMRA. These include new requirements on:

- Certain private-sector employers who provide health insurance coverage for their employees;

- Transporters requiring clearances under U.S. customs laws;

- Retailers and suppliers for country-of-origin labeling of certain fish, fresh fruits, and vegetables; and

- Certain importers of sugar and sugar-containing products.

CBO estimates the direct costs of the first two mandates would not exceed the annual threshold established by UMRA ($115 million in 2002, adjusted for inflation), but that the third would. CBO has no basis on which to estimate the direct costs of the last mandate.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1209 is shown in Table 1. The costs of this legislation fall within budget functions 150 (international affairs), 450 (community and regional development), 500 (education, training, employment, and social services), 550 (health), 600 (income security), 750 (administration of justice), and 800 (general government).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 1209, THE TRADE ADJUSTMENT ASSISTANCE FOR WORKERS, FARMERS, COMMUNITIES, AND FIRMS ACT OF 2001

	By Fiscal Year, in Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CHANGES IN DIRECT SPENDING										
Title I, TAA for Workers [a]										
Estimated Budget Authority	117	726	921	962	982	999	1,018	1,039	1,061	1,081
Estimated Outlays	10	643	874	934	971	995	1,014	1,034	1,056	1,077
Title IV, TAA for Farmers [b]										
Estimated Budget Authority	90	90	90	90	90	0	0	0	0	0
Estimated Outlays	68	88	90	90	90	23	2	0	0	0
Title V, TAA for Fishermen										
Estimated Budget Authority	10	10	10	10	10	0	0	0	0	0
Estimated Outlays	0	3	5	8	10	9	7	5	3	0
Title VI, Health Insurance Coverage [b]										
Estimated Budget Authority	54	262	286	309	331	353	375	398	428	454
Estimated Outlays	54	262	286	309	331	353	375	398	428	454
Total										
Estimated Budget Authority	271	1,088	1,307	1,371	1,413	1,352	1,393	1,437	1,489	1,535
Estimated Outlays	132	996	1,255	1,341	1,402	1,380	1,398	1,437	1,486	1,531
Offsets, Spending Assumed in May 2001 Baseline [a]										
Estimated Budget Authority	417	396	397	404	410	417	425	439	448	456
Estimated Outlays	417	396	397	404	410	417	425	439	448	456
Net Changes in Direct Spending										
Estimated Budget Authority	271	692	910	967	1,003	935	968	998	1,041	1,079
Estimated Outlays	132	600	858	937	992	963	973	998	1,038	1,075
CHANGES IN REVENUES										
Estimated Revenues	-3	-4	-4	-4	-4	-4	-4	-4	-4	-4

(Continued)

TABLE 1. Continued

	By Fiscal Year, in Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION										
Title II, TAA for Firms										
Estimated Authorization Level	5	16	16	16	16	0	0	0	0	0
Estimated Outlays	2	4	7	14	16	13	10	7	3	0
Title III, TAA for Communities										
Estimated Authorization Level	5	10	10	10	10	0	0	0	0	0
Estimated Outlays	1	3	5	7	9	8	6	4	2	0
Title IX, Customs Service and Trade Agency Reauthorization										
Estimated Authorization Level [c]	107	2,825	0	0	0	0	0	0	0	0
Estimated Outlays	46	2,342	401	143	0	0	0	0	0	0
Total										
Estimated Authorization Level	117	2,851	26	26	26	0	0	0	0	0
Estimated Outlays	49	2,349	413	164	25	21	16	11	5	0

a. Although authorization for the TAA program expired at the end of fiscal year 2001, the costs of extending it are assumed in CBO's May 2001 baseline as required under section 257 of the Balanced Budget and Emergency Deficit Control Act. The Departments of Labor, Heath and Human Services, Education and Related Agencies Appropriations Act, 2002, appropriates $416 million for these programs for 2002.

b. Under section 257 of the Balanced Budget and Emergency Deficit Control Act, the costs of extending programs first enacted after 1997 are to be contained in baseline only at the direction of the budget committees. The Senate Budget Committee has directed that spending for these provisions should be assumed to continue beyond 2006.

c. An appropriation for these agencies for fiscal year 2002 has been enacted. Most of the additional funding that would be authorized by S. 1209 would be for reestablishment of customs operations in New York City.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1209 will be enacted in the spring of 2002. We estimate that enacting the bill would increase direct spending, relative to CBO's May 2001 baseline projections, by about $8.6 billion over the 2002-2011 period. Enacting the bill also would reduce revenues by about $4 million a year. Assuming the appropriation of the necessary funds, we estimate that implementing the bill would cost about $50 million in 2002, $2.3 billion in 2003, and about $3 billion over the 2002-2010 period.

Direct Spending

S. 1209 would extend and expand TAA for workers through 2006, in part by merging the regular TAA program for workers with the TAA program established for workers who lost their jobs due to implementation of the North American Free Trade Agreement (NAFTA). The bill also would create TAA programs for fishermen and farmers, and would help subsidize health insurance for TAA beneficiaries. CBO estimates that these provisions would result in total direct spending of $12.4 billion over the 2002-2011 period, an increase of $8.6 billion over spending assumed in CBO's May 2001 baseline.

Trade Adjustment Assistance for Workers. Title I of S. 1209 would reauthorize TAA for workers through fiscal year 2006. This program provides extended unemployment compensation and training benefits for workers who lose their jobs because of increases in imports. In addition, it would expand eligibility for the program to include secondary workers, workers who lose their jobs due to shifts in production, and certain other workers. Secondary workers would include workers laid off from firms that supply companies that experience a trade-related loss of employment. S. 1209 also would increase the maximum number of weeks a beneficiary could collect TAA, and would increase the caps on certain benefits. Finally, it would create a new program that would provide wage subsidies to certain workers. Together, the changes would cost about $8.6 billion over the 2002-2011 period. This figure represents an increase of $4.8 billion over spending assumed in baseline for TAA for workers. Over 50 percent of the increase—about $2.7 billion—is for increased caseload that would result from enacting the bill. Another $1.3 billion would result from the increases in the average time allowed to draw benefits. The proposal to provide wage insurance to certain workers makes up $0.6 billion of the increase. The remainder—about $250 million—would be for increases in administrative costs.

Expanded Eligibility. The bill would merge the regular and NAFTA TAA programs, creating one TAA program with similar eligibility criteria. Under the proposed provisions, secondary workers and workers who lose their jobs due to shifts in productions (plant relocations) would be eligible. In addition, petitioning workers would no longer need to show that sales of their employer decreased absolutely. Instead, they could petition for coverage under TAA if their layoff was precipitated by increased imports. Finally, the bill includes a special provision for workers involved in the production of taconite pellets. CBO estimates that these changes would nearly double the TAA caseload. In order to provide training benefits for these additional people, the current cap on training (a combined total of $110 million per year for the regular and NAFTA TAA programs) would be raised to $300 million annually. CBO estimates that these increases in caseload would result in additional spending of about $2.6 billion over the next 10 years.

In the past five years, the Department of Labor (DOL) certified an average of 125,000 workers each year, although there was considerable annual variation. Based on information provided by the Bureau of Labor Statistics, the DOL's Employment and Training Administration, and a report of the General Accounting Office, CBO estimates that these provisions would increase the number of certified workers by about 100,000 per year. The provision covering secondary workers would make up about three-fourths of the increase in caseload. Covering shifts in production would make up about one-fifth of the increase, with the remainder split among the other eligibility provisions. CBO assumes that roughly 25 percent of certified workers would ultimately draw the extended unemployment and training benefits, which total about $10,000 per beneficiary under current law.

Increases in Benefits. Title I also would increase the number of weeks that individuals could draw TAA cash benefits. In addition, it would increase the maximum benefits for job search and relocation allowances to $1,200 and $1,500, respectively. Under current law, each category is capped at $800 per beneficiary. The estimated costs of these benefit enhancements total about $1.2 billion over 10 years.

The bill would allow beneficiaries to collect TAA benefits for an additional 26 weeks. Currently, TAA beneficiaries may draw up to 52 weeks of benefits after their regular unemployment compensation has expired. This bill would permit beneficiaries to collect these cash payments for up to 78 weeks. CBO estimates that this provision would lead to an increase of about 11 weeks in the average duration of benefits, resulting in a cost of about $1.2 billion over 10 years. In addition, CBO estimates that provisions of S. 1209 that would subsidize the cost of health insurance for TAA beneficiaries would result in slightly longer stays on TAA. CBO estimates this interaction to cost roughly $100 million over 10 years. The increase in amounts permitted for job search and relocation allowances is expected to have only a minimal impact on the costs of this bill.

Wage Insurance Program. S. 1209 would require DOL to create a new wage insurance program. Workers over 50 years of age who are certified under the TAA program could be eligible to receive a wage subsidy of up to $10,000, if they take a lower paying job and meet certain other criteria. Eligible workers who receive less than $40,000 in their new job would receive up to 50 percent of the difference between their previous job's wage and the new one. Workers with annual salaries between $40,000 and $50,000 would receive a subsidy of 25 percent of the difference. CBO estimates this program—when fully phased in—would cost about $85 million annually. These costs are based on data from the Displaced Worker Supplement to the February 1998 Current Population Survey.

Administrative Expenses. Currently the Department of Labor provides to the states about 15 percent of total training costs for administrative expenses. Although this is not set in law or regulation, CBO assumes this practice will continue. Combined training benefits are capped at $110 million under current law, this cap would increase to $300 million under S. 1209. Thus, under this assumption, administrative costs would increase from about $17 million per year to about $45 million annually.

Trade Adjustment Assistance for Farmers. Title IV would require the Department of Agriculture to provide funds to eligible farmers when the price of an agricultural commodity is less than 80 percent of the national average price for such commodity for the five marketing years preceding the most recent marketing year, and increases in imports contributed importantly to the decline in price. The bill would provide $90 million a year for fiscal years 2002 through 2006 to carry out this purpose. For this estimate, CBO assumes that the additional assistance for farmers would not continue beyond 2006. CBO estimates that these provisions would increase direct spending by $426 million over the 2002-2006 period, and $450 million over the 2002-2011 period.

Trade Adjustment Assistance for Fishermen. Title V would require the Department of Commerce to provide funds to fishermen when the price of their catches declines a certain amount because of foreign competition. The bill would provide $10 million a year during the next five years for this purpose. Based on information from the Department of Commerce, CBO estimates that these provisions would increase direct spending by $27 million over the 2002-2006 period and by $50 million over the 2002-2011 period.

Health Insurance Coverage Options. Title VI would subsidize private health insurance coverage for certain individuals certified as eligible for adjustment assistance. The bill also would permit states to enroll in Medicaid certain individuals (and members of their families) who are eligible for adjustment assistance but are not eligible for the subsidy of private health insurance. The federal government would reimburse states at the enhanced federal medical assistance percentage (FMAP) that applies to the State Children's Health Insurance Program (SCHIP). CBO estimates those provisions would increase federal spending by $87 million in 2002 and $3.3 billion over the 2002-2011 period.

*Premium Assistance for COBRA Continuation Coverage***.** The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 permits certain individuals with health insurance obtained through their employer to maintain that insurance coverage for up to 18 months (in some cases, up to 36 months) after leaving their job by paying the full COBRA premium (the employee's share and the employer's share of the regular premium for health insurance plus a 2 percent administrative fee).

S. 1209 would require the Secretary of the Treasury to establish a program to pay 75 percent of the COBRA premium for individuals eligible for COBRA who are certified as eligible for adjustment assistance. The subsidy would be available for up to 12 months of COBRA coverage. The bill would require the Secretary to establish the subsidy program within 90 days of enactment, and would permit implementation before the issuance of final regulations. The bill would authorize the subsidy program through 2006. However, based on instructions from the staff of the Senate Budget Committee, this estimate assumes the program would continue after 2006.[1]

The bill would also permit state Medicaid programs to pay the remaining 25 percent of the COBRA premium for individuals participating in the federally subsidized program whose family income is no higher than 200 percent of the federal poverty level. The federal government would reimburse each state at the enhanced FMAP that applies to SCHIP, which is 70 percent on average. CBO assumes that states with half of the eligible population would offer the additional subsidy for Medicaid coverage.

Under current law, about 25 percent of eligible individuals purchase unsubsidized COBRA continuation coverage. CBO assumes that participation in the subsidized program would rise from that level as eligible individuals become aware that a subsidy is available, and as implementation of the program eliminates the need for participants to pay the full COBRA premium and claim reimbursement.

CBO estimates that about 75 percent of eligible individuals would purchase continuation coverage with a 75 percent subsidy, as would about 95 percent of those offered a 100 percent subsidy.[2] In aggregate, CBO estimates that about 80 percent of eligible individuals would participate in the subsidized COBRA program once it is fully implemented. The estimate assumes that participation in the COBRA subsidy would achieve that level beginning with those who become eligible for COBRA coverage in April 2002.

CBO estimates that about 110,000 people would become eligible for the subsidy of COBRA continuation coverage each year, and that about 90,000 would participate in the COBRA subsidy. The estimate assumes that participants would receive COBRA continuation coverage for an average of six months, with those receiving a 100 percent subsidy averaging eight months. Of the 90,000 people getting a COBRA subsidy, CBO estimates that 20,000 would participate in the state-run program through Medicaid and receive the 100 percent COBRA subsidy.

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1. The budget committees are responsible for determining whether new programs with direct spending that is estimated to exceed $50 million in the last year authorized are assumed to expire or to continue in the baseline.

2. CBO estimates that about 20 percent of participants would receive a 100 percent subsidy of the COBRA premium by combining the federal 75 percent subsidy with the state-administered 25 percent subsidy.

COBRA premiums will average about $450 a month in 2002. On average, therefore, the 75 percent subsidy would cost about $340 a month in 2002, while the federal share of the state-administered 25 percent subsidy would cost about $80 a month. In 2002, CBO estimates that spending for the program offering a 75 percent subsidy would total $41 million, and the federal share of the state-administered program offering a 25 percent subsidy would total $3 million. Estimated spending for these subsidies would total $1 billion over the 2002-2006 period and $2.6 billion over the 2002-2011 period.

State option to provide temporary Medicaid coverage for certain uninsured individuals. The bill would allow states to provide Medicaid coverage to individuals who are certified as eligible for adjustment assistance, are not eligible for COBRA continuation coverage, and are uninsured. In addition, states would have the option to cover the dependents of those individuals. States could adopt eligibility criteria used in their Medicaid programs or could use less restrictive standards; they could also require certain beneficiaries to pay a limited premium amount.

States would provide up to 12 months of Medicaid coverage; however, benefits would cease if the individual gained health insurance before the end of the 12-month period. States would also have the option of providing up to three months of retroactive benefits.

The federal share of benefits for each state would equal the state's reimbursement rate under SCHIP, which is 70 percent on average. The territories, whose federal Medicaid reimbursement is capped, would receive an increase in their federal cap for the temporary coverage in this bill.

Based on an analysis of insurance status of workers from the Current Population Survey, CBO anticipates that between 20 percent and 25 percent of the individuals who are eligible for adjustment assistance (about 50,000 people in fiscal year 2002) would be eligible if all states took up this option to the fullest extent. Under the assumption that states with two-thirds of the eligible individuals take up the option for people under 200 percent of poverty and that states with one-quarter of eligible individuals extend coverage for individuals with higher incomes, CBO estimates that the number of affected workers eligible for the Medicaid coverage would be about 27,000 a year. After accounting for dependents and people who would otherwise become eligible for Medicaid, the number of new Medicaid eligibles would be about 60,000 a year. About 60 percent of those eligible would be adults; the balance would be children.

CBO assumed that on average 55 percent of those eligible would participate; while we anticipate high participation for the poor and near poor, it is likely to be much lower for those with higher incomes. In estimating the costs of this proposal, we assumed that people would be on the rolls for 11 months on average and that there would be a lag of several months between the loss of employment and enrollment in the Medicaid program. CBO also expects that about half the states taking up this option would choose to provide retroactive benefits. CBO estimates that the provision would increase enrollment by about 10,000 full-year-equivalent individuals in fiscal year 2002 and 30,000 annually after that.

CBO assumes the federal share of benefits at the enhanced match rate would be about $1,960 per adult and $1,400 per child (in 2002 dollars). CBO estimates that the federal costs of the provision would be about $300 million over the 2002-2006 period and about $700 million over the 2002-2011 period.

Revenues

S. 1209, if enacted, would decrease federal revenues by about $39 million over the 2002-2011 period. The bill would increase the personal-duty exemption for persons entering the United States from $400 to $800. This provision would increase the amount of goods that travelers from abroad could bring in free of duty. Based on information from the Customs Service, CBO estimates that this provision would decrease revenues by about $3 million in 2002 and by $4 million in each year thereafter.

S. 1209 also would require that persons who prepared, stored, handled, or distributed certain fish and shellfish products labeled such products with the country of origin. Persons who failed to comply with the labeling requirements would be subject to civil penalties, which are deposited in the general fund and counted as revenues. Based on information from the Department of Agriculture, CBO estimates that revenues from such penalties would increase by less than $500,000 a year.

The bill also would require the Secretary of the Department of Agriculture to identify imports of articles that circumvent tariff-rate quotas (TRQs) on sugars, syrups, or sugar-containing products. A report would be provided to the President detailing the articles found to be circumventing such TRQs, which would be used to include such articles in the appropriate TRQ provisions of the Harmonized Tariff Schedule of the United States. Based on information from the Department of Agriculture, the International Trade Commission, and other trade sources, CBO expects that certain sugar-containing products would be included under the TRQ. There would consequently be fewer imports of such articles. CBO estimates that the revenue loss from the reduction in imports would be less than $500,000 a year.

Spending Subject to Appropriation

Assuming appropriation of the necessary amounts, CBO estimates that implementing the bill would cost about $3 billion over the 2002-2006 period. (About $2.8 billion of this total would be for spending by the Customs Service.) For this estimate, CBO assumes that the amounts authorized by the bill will be appropriated near the start of each fiscal year and that outlays generally will follow historical spending rates for the authorized activities or for similar programs.

TAA for Firms. Title II would authorize the appropriation of $16 million each year over the 2002-2006 period for the Secretary of Commerce to provide trade adjustment assistance to firms. Based on information from the Department of Commerce, CBO estimates that implementing this provision would cost $43 million over the five-year period and $76 million over the 2002-2010 period, assuming the appropriation of the necessary amounts.

TAA for Communities. Title III would establish the Office of Community Trade Adjustment to coordinate federal agencies that provide assistance to communities with high unemployment rates and would provide grants for economic initiatives to create and retain jobs in such communities. Based on information from the Economic Development Administration, CBO estimates that title III would cost $25 million over the 2002-2006 period and $45 million over the 2002-2010 period, assuming the appropriation of the necessary amounts.

Customs Service and Trade Agency Reauthorization. Title IX would authorize appropriations for 2002 and 2003 for the U.S. Customs Service, the Office of the U.S. Trade Representative, and the International Trade Commission. The authorizations for the Customs Service would include funds for salaries and expenses, its Automated Commercial Environment computer system, air and marine interdiction, reestablishment of Customs operations in New York City, and a program to prevent child pornography.

Because an appropriation for fiscal year 2002 for the Customs Service has already been enacted, CBO assumes that implementing title IX would authorize spending of only an additional $107 million in that year. CBO estimates that implementing title IX would cost about $2.9 billion over the 2002-2006 period, assuming appropriation of the authorized and estimated amounts.

Based on information from the Customs Service, CBO estimates that title IX of the bill would cost roughly $100 million over the 2002-2004 period to reestablish its operations in New York City. The agency's main facility in lower Manhattan, which housed 800 employees and contained several laboratories, was destroyed by the terrorist attacks on

September 11, 2001. Funds would be used mostly to equip new office space for Customs Service employees and to replace the materials testing and crime investigation laboratories that were destroyed.

Small Business Administration. S. 1209 would authorize the Small Business Administration (SBA) to establish a pilot program to train workers adversely affected by foreign trade to become self-employed. Based on information from SBA about the costs of existing training programs, CBO estimates that implementing this new program would cost less than $500,000 a year during the three-year life of the program, subject to the availability of appropriated funds.

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. Such procedures would apply to S. 1209. The changes in outlays and revenues that would be subject to pay-as-you-go procedures are shown in the following table. For the purposes of pay-as-you-go procedures, only the effects through 2006 are counted.

	By Fiscal Year, in Millions of Dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	132	600	858	937	992	963	973	998	1,038	1,075
Changes in receipts	-3	-4	-4	-4	-4	-4	-4	-4	-4	-4

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1209 contains three intergovernmental mandates as defined by UMRA, but CBO estimates that the cost of complying with those mandates would be unlikely to exceed the threshold specified by UMRA ($58 million in 2002, adjusted annually for inflation). Two of the three mandates would impose no costs on state or local governments; CBO cannot estimate the costs of the third mandate, but we expect that any such costs are not likely to exceed the UMRA threshold over the next five years.

Intergovernmental Mandates

Section 231 would require states that do not have voluntary agreements with the DOL to administer the federally funded TAA program to make sure that workers are informed of their potential eligibility for benefits and given instructions on how to apply for assistance. This requirement would be an intergovernmental mandate as defined in UMRA. However, all states currently administer the TAA program under voluntary agreements, and it is likely that they would continue to do so. Consequently, there would be no budgetary impact on states as a result of this intergovernmental mandate.

Section 601 would prohibit state and local governments from considering COBRA premium assistance when determining an individual's eligibility for public benefits. This prohibition would be a preemption and an intergovernmental mandate as defined in UMRA. However, since the premium assistance would be a new benefit for individuals and the base used by governments to determine eligibility for benefits would remain constant, the mandate would impose no additional costs on state or local governments.

Finally, Section 931 would preempt local authority by authorizing the Commissioner of Customs to temporarily close U.S. ports of entry under certain circumstances. Since some port authorities are owned and operated by local government entities, such a preemption would be an intergovernmental mandate as defined in UMRA. CBO cannot determine the costs of this mandate, however, because we cannot predict either the likelihood of such closures or the magnitude of losses to any affected local government entities.

Other Impacts

The bill also would make two options available to states in their Medicaid program. First, they could offer Medicaid coverage to uninsured individuals (and their families) who are eligible for TAA but who are not eligible for COBRA assistance or Medicaid under existing rules. This coverage could be provided for up to 12 months, and states providing this optional coverage would be eligible for an enhanced federal match of about 70 percent. CBO estimates that increased state spending as a result of this option would total $118 million over the 2002-2006 period. Secondly, for individuals who are eligible for the 75 percent COBRA premium assistance from the federal government, states would be able to cover the remaining 25 percent of premiums through Medicaid if the individual's family income was below 200 percent of the poverty line. This optional coverage also would be available for up to 12 months. CBO estimates that increased state spending as a result of this option would total $24 million over the 2002-2006 period.

Finally, the bill would authorize grants to certain communities with high unemployment rates. Grants would be awarded for developing strategic plans or for implementing parts of those plans designed to spur job growth and business activity. CBO estimates that $30 million would be available for such grants over the 2002-2006 period.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1209 would impose several private-sector mandates, as defined by UMRA, on certain employers providing health insurance coverage for their employees, transportation firms seeking approval from the U.S. Customs Service for entry into the United States or for clearance to proceed from a port or place in the United States, retailers selling certain fish, fresh fruit, and vegetables, and importers of sugar and other sugar containing products. CBO estimates that each of the mandates relating to health insurance and to U.S. Customs Service manifests would not involve costs that exceed the $115 million threshold (for 2002) established by UMRA. In contrast, the mandate related to country-of-origin labeling for certain fish, fresh fruit, and vegetables has estimated costs exceeding the threshold. Finally, CBO cannot determine the direct costs of the mandate affecting the import of certain sugar and sugar-containing products.

Premium Assistance for COBRA Continuation Coverage

Under current law, the Consolidated Omnibus Budget Reconciliation Act of 1985 imposes a mandate on private-sector employers by requiring them to continue to provide health insurance coverage to certain workers who are separated from employment. Although separated workers who elect to continue their coverage can be required to pay the employer 102 percent of the average cost of the insurance to obtain such coverage, research suggests that the actual cost of providing that coverage generally is greater than 102 percent. By increasing the number of separated workers who elect to continue their COBRA coverage, the provision of subsidies in title VI of S. 1209 would effectively increase the cost of the existing mandate on employers to provide continued coverage. Although CBO expects that the average cost of employees who are induced to take COBRA coverage because of the subsidies would be less than the cost of those who accept unsubsidized COBRA coverage under current law, there is still likely to be some added cost to employers. CBO estimates the direct cost of this provision would be small because few workers would participate.

U.S. Customs Manifest Requirements

Section 932 would require trucks, buses, and trains required to make entry or obtain clearance under the U.S. custom laws to provide by electronic transmission cargo manifest information in advance of such entry or clearance. The bill also would require trucks, buses, and trains with passengers arriving or departing the United States that must make entry or obtain clearance under the U.S. custom laws to provide by electronic transmission certain passenger and crew manifest information in advance of such entry or clearance. The costs for trucks, buses, and trains to provide the information when arriving or departing the United States would depend on regulations to be prescribed by the Secretary of the Treasury. According to representatives of the transportation industry, the cost to implement an advanced electronic manifest system for such land carriers could be about $45 million for the first year, mostly in start-up costs. The cost for such a system in the following years would drop to about $15 million annually.

Country-of-Origin Labeling Requirements

Section 1001 would require retailers to inform consumers, at the final point of sale, of the country of origin of certain fish, fresh fruits, and vegetables. Suppliers of those commodities would be required to provide the same information to retailers. The major costs associated with the new country-of-origin labeling requirements are related to the cost to segregate and preserve commodity identity, to label the commodity, and to maintain records.

The incremental cost of this mandate is uncertain. Although rare, some grocers and farmers voluntarily use labels to identify U.S. products. Also, data to estimate all of the compliance costs are not available. Moreover, compliance costs depend on the specific standards to be established by the Secretary of Agriculture. According to information from a representative for retailers of fresh fruit and vegetables, CBO estimates that labeling those commodities could cost $200 million annually.

Tariff-Rate Quota Requirements

Section 1002 would require the President to include any article circumventing the tariff-rate quotas on sugar and other sugar-containing products in the appropriate provision of the Harmonized Trade Schedule of the United States (HTS) based on reports to be provided by the Secretary of Agriculture. The inclusion of any such articles could be a new mandate on certain importers. However, because of the uncertainty regarding the findings of future reports, the timing of potential changes made by the President to the HTS, and the magnitude of the changes, CBO has no basis for estimating the direct cost of this provision on the private sector.

ESTIMATE PREPARED BY:

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Revenues: Erin Whitaker

Impact on State, Local, and Tribal Governments: Leo Lex and Elyse Goldman

Impact on the Private Sector: Ralph Smith and Paige Piper/Bach

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