



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 21, 2007

H.R. 3375 **A bill to extend the trade adjustment assistance program under the Trade Act of 1974 for three months**

*As ordered reported by the House Committee on Ways and Means
on September 18, 2007*

SUMMARY

H.R. 3375 would extend certain programs authorized under the Trade Act of 1974 for three months, through December 31, 2007. Under current law, the authority for those Trade Adjustment Assistance (TAA) programs—TAA for Firms, TAA for Farmers and Fishermen, and TAA for Workers—is scheduled to expire on September 30, 2007.

Assuming appropriation of the authorized amount, CBO estimates that implementing H.R. 3375 would increase discretionary spending for TAA for Firms by \$4 million over the next two years. CBO estimates that enacting the bill also would increase mandatory spending by \$9 million in fiscal year 2008, under the TAA for Farmers program. The costs of extending TAA for Workers are assumed in the current baseline; thus, we estimate no additional costs for that extension. In addition, the bill would affect direct spending and revenues for tax credits for health insurance, but those effects also are assumed in the current baseline. The net effects of the bill that are already assumed in the baseline would add \$214 million to the deficit in 2008.

H.R. 3375 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA); any costs to state governments would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3375 is shown in the following table. The costs of this legislation fall within budget functions 350 (agriculture) and 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012

CHANGES IN SPENDING SUBJECT TO APPROPRIATION

TAA for Firms					
Authorization Level	4	0	0	0	0
Estimated Outlays	1	3	0	0	0

CHANGES IN DIRECT SPENDING

TAA for Farmers and Fishermen					
Budget Authority	9	0	0	0	0
Estimated Outlays	9	0	0	0	0

Notes: The costs of continuing TAA for Workers are assumed to continue in CBO's baseline, consistent with section 257 of the Deficit Control Act. Beneficiaries under the TAA for Workers program also are eligible for a health care tax credit, which would affect outlays and revenues. The outlay and revenue effects of extending that credit to those beneficiaries also are assumed to continue in the current baseline.

TAA = Trade Adjustment Assistance.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that H.R. 3375 will be enacted by the end of fiscal year 2007, and that amount authorized for 2008 will be appropriated. H.R. 3375 would extend the authorization of TAA programs for workers, farmers and fishermen, and firms for three months, through December 31, 2007. Under current law, authorizations for those programs expire on September 30, 2007.

Spending Subject to Appropriation

H.R. 3375 would authorize the appropriation of \$4 million for the three-month period beginning on October 1, 2007, for the Secretary of Commerce to provide financial assistance to domestic firms experiencing a decline in sales and employment to become more competitive. CBO estimates that implementing this provision would cost \$4 million over the next two years, assuming appropriation of the specified amount.

Direct Spending and Revenues

The TAA for Farmers program provides compensation to agricultural producers who, as a consequence of increased imports, face prices that are less than 80 percent of the average price over the previous five years for their products. The bill would appropriate \$9 million for the TAA for Farmers program for the three-month period from October 1, 2007, to December 31, 2007. Under current law, \$90 million was appropriated for each year over the 2003-2007 period, although spending was well below the amounts provided in those years—a total of \$47 million through 2006. CBO estimates that the \$9 million provided in this bill would be spent in 2008 to cover administrative costs and payments to producers of any commodities that may qualify for compensation during the three-month period.

In addition, the bill would reauthorize the TAA for Workers program through December 31, 2007. The authority for that program, which provides extended unemployment and training benefits for workers who lose their job as a result of increased international trade, would otherwise expire on September 30, 2007. Consistent with the budget projection rules in section 257 of the Deficit Control Act, the costs of extending TAA for Workers are included in CBO's baseline. CBO estimates that outlays for that program would total about \$200 million over the three-month period covered by H.R. 3375.

Workers who are certified as eligible for TAA also may be eligible for a health care tax credit (HCTC) to subsidize the cost of health insurance. The TAA-related costs of that program, which include both increased outlays and reduced revenues, also are assumed to continue in CBO's baseline. The Joint Committee on Taxation estimates that outlays for the HCTC related to TAA beneficiaries would total \$9 million over the three-month period covered by H.R. 3375. Reduced revenues over that period are estimated at \$5 million.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3375 contains no intergovernmental or private-sector mandates as defined in UMRA. States that provide employment services, training, and supplemental assistance under cooperative agreements with the U.S. Department of Labor would benefit from the program extension authorized in the bill. Any costs those states might incur to comply with program conditions would be incurred voluntarily.

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