CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 25, 2007

H.R. 3796
Early Warning and Health Care for Workers Affected by Globalization Act

As ordered reported by the House Committee on Education and Labor on October 18, 2007

SUMMARY

H.R. 3796 would amend the Worker Adjustment and Retraining Notification (WARN) Act, which requires employers to provide advance notice of closings and layoffs. The bill would expand the number of employers and employees covered by the act, and would require employers to provide notice 30 days earlier than under current law. In addition, the bill would increase civil penalties against employers that violate the law and would authorize the Department of Labor (DOL) to investigate violations of the law and seek civil action. Under current law, redress is available only through the courts. Finally, H.R. 3796 would amend the Employee Retirement Income Security Act of 1974 (ERISA) to allow certain beneficiaries under the Trade Adjustment Assistance (TAA) for Workers program to retain health insurance coverage beyond the 18 months provided under current law.

CBO estimates that enacting H.R. 3796 would affect direct spending and revenues by increasing costs of the Health Care Tax Credit (HCTC) that subsidizes a portion of the health insurance costs of individuals eligible for TAA. Because that tax credit is refundable a portion of its budget impact is recorded as outlays. The Joint Committee on Taxation (JCT) estimates that enacting H.R. 3796 would result in additional outlays of $16 million over the 2008-2012 period and $55 million from 2008 through 2017. Additionally, JCT estimates that revenues would fall by $6 million over the 2008-2012 period and $21 million over the 2008-2017 period.

H.R. 3796 contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would broaden an existing mandate on governmental entities to provide written notice of plant closings or layoffs to affected employees, and it would increase the number of governmental entities that must provide such a notice. CBO estimates that the total cost to governmental entities of complying with the mandates in the bill would

be small and well below the threshold established in UMRA ($66 million in 2007, adjusted annually for inflation).

H.R. 3796 would impose a number of mandates, as defined in UMRA, on the private sector. It would require more private employers to notify their employees before closing a plant or taking a mass layoff action. It would also reduce the threshold in the definition of a mass layoff and plant closing so that more events would require advance notification. CBO estimates that the aggregate cost of complying with those mandates would not exceed the threshold established by UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3796 is shown in the following table. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services) and 550 (health).

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	2	3	3	4	4	5	6	8	9	11	16	55
Estimated Outlays	2	3	3	4	4	5	6	8	9	11	16	55
CHANGES IN REVENUES												
Estimated Revenues	-1	-1	-1	-1	-2	-2	-2	-3	-4	-4	-6	-21

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 3796 will be enacted near the beginning of fiscal year 2008.

Direct Spending and Revenues

H.R. 3796 would amend ERISA to authorize certain individuals eligible for TAA (those aged 55 and older or those with 10 or more years of service with their employer) to maintain their continuation health insurance coverage under COBRA for longer than the 18-month limit for other employees. That change would allow those individuals to receive a subsidy of their COBRA costs for their full TAA eligibility, which is up to two years. The Joint Committee on Taxation estimates that the provision would increase direct spending associated with the health care tax credit by $16 million over the 2008-2012 period and $55 million over the 2008-2017 period.

Additionally, JCT estimates that revenues would fall by $6 million over the 2008-2012 period and $21 million over the 2008-2017 period.

Spending Subject to Appropriation

H.R. 3796 would allow the Department of Labor to receive, investigate and attempt to resolve complaints of violations under the WARN Act. Under current law, DOL has no enforcement requirements, but receives inquiries and provides information regarding the act. CBO estimates that carrying out the additional requirements would cost less than $500,000 annually.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The WARN Act requires employers to provide at least 60 days notice to employees who are likely to be affected by a plant closing or mass layoff. H.R. 3796 would increase that notification period to 90 days and thus would expand an existing intergovernmental mandate. CBO estimates that the additional costs to governmental entities would be minimal. The bill also would amend the definition of affected employees to include part-time employees and would amend the definitions of plant closing and mass layoff. Those amendments would increase the number of governmental entities that would be required to comply with the act. CBO estimates that few new governmental entities would be required to comply with the mandate and that any additional costs would be small and well below the threshold established in UMRA ($66 million in 2007, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 3796 would impose a number of private-sector mandates, as defined in UMRA, on employers who close plants or take layoff actions by changing the thresholds used to define which employers and which actions are subject to advance notification. Under the bill, part-time employees would no longer be excluded from the count of employees. Thus, more employers would meet the definition of a covered employer. Under the bill, the thresholds of affected employees that define the covered actions would be reduced. Thus more layoff and plant closing actions would meet the definition of an action requiring advance notification. Under the bill, notification would be required 90 days before the planned plant closing or mass layoff action, up from 60 days under current law. The direct cost of these mandates is the cost of preparing and distributing the additional notices. CBO estimates that the aggregate cost of complying with those mandates would not exceed the threshold established by UMRA for private-sector mandates ($131 million in 2007, adjusted annually for inflation).

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