



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 5, 2015

Trade Adjustment Assistance Reauthorization Act of 2015

*As ordered reported by the Senate Committee on Finance
on April 22, 2015*

SUMMARY

The Trade Adjustment Assistance Reauthorization Act of 2015 would temporarily expand coverage of Trade Adjustment Assistance (TAA) for Workers through June 2021, and reauthorize the program through June 2022. The bill also would authorize appropriations for other trade adjustment assistance programs for farmers and firms through 2021. Additionally, the bill would extend the health coverage tax credit (HCTC) through 2019. Finally, it would extend the authority to collect and increase the rate of certain customs user fees, and make changes to the Medicare program.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting the bill would increase direct spending by \$7 million in 2015 and \$1.8 billion over the 2015-2020 period, but would reduce direct spending by \$174 million over the 2015-2025 period. Enacting the bill also would decrease revenues by \$86 million over the 2015-2025 period, JCT estimates.

On net, CBO and JCT estimate that enacting the bill would reduce deficits by \$88 million over the 2015-2025 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

The bill would increase spending subject to appropriation by \$636 million over the 2015-2015 period, assuming appropriation of the authorized amounts.

CBO has determined that the nontax provisions of the bill contain no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs incurred by state governments to administer trade adjustment assistance programs would result from participation in voluntary federal programs.

CBO has determined that the nontax provisions of the bill contain private-sector mandates on entities required to pay merchandise processing fees. CBO estimates the aggregate cost of the mandates would exceed the annual threshold established in UMRA for private-sector mandates (\$154 million in 2015, adjusted annually for inflation).

JCT has determined that the tax provisions of the bill contain no intergovernmental or private-sector mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of the Trade Adjustment Assistance Reauthorization Act of 2015 are summarized in Table 1. The costs of this legislation fall within budget functions 350 (agriculture), 450 (community and regional development), 500 (education, training, employment, and social services), 550 (health), 570 (Medicare), 600 (income security), and 750 (administration of justice).

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF THE TRADE ADJUSTMENT ASSISTANCE ACT OF 2015

	By Fiscal Year, in Millions of Dollars												2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
CHANGES IN DIRECT SPENDING^a														
Estimated Budget Authority	38	445	389	403	421	406	356	-11	-55	-66	-2,500	2,102	-174	
Estimated Outlays	7	175	384	400	416	404	374	214	18	-66	-2,500	1,786	-174	
CHANGES IN REVENUES														
Estimated Revenues	0	-42	-25	-7	-7	1,975	-1,980	0	0	0	0	1,894	-86	
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES														
Impact on Deficit	7	217	409	407	423	-1,571	2,354	214	18	-66	-2,500	-108	-88	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION														
Authorization Level	0	106	106	106	106	106	106	0	0	0	0	530	636	
Estimated Outlays	0	6	25	83	102	106	106	100	81	23	4	322	636	

Note: For direct spending, negative numbers indicate a decrease in outlays; for revenues, negative numbers indicate a reduction in revenues.

- a. On April 22, 2015, the Senate Committee on Finance approved multiple trade bills: Each of those bills would extend the authority to collect merchandise processing fees for a specific period of time. Because of interactions among the provisions in those bills, and for the purposes of this estimate, CBO assumes that the three bills will be enacted in the order that would extend those fees chronologically. If the bills are enacted in a different order, the estimated costs would be different.

BASIS OF ESTIMATE

CBO and JCT assume that the Trade Adjustment Assistance Reauthorization Act of 2015 will be enacted by July 1, 2015. Because provisions of this bill that would extend the authority to collect merchandise processing fees for a specific period of time would interact with similar provisions in two other bills approved by the Senate Committee on Finance on April 22, 2015, CBO assumes that the three bills will be enacted in the order that would extend those fees chronologically. If the bills are enacted in a different order, the estimated costs of this bill would be different.

Direct Spending

CBO and the staff of the Joint Committee on Taxation estimate that enacting the bill would increase outlays by \$7 million in fiscal year 2015 and \$1.8 billion over the 2015-2020 period, but would reduce net direct spending by \$174 million over the 2015-2025 period. Increased spending for TAA for Workers and the health coverage tax credit would be more than offset by: extensions to the authority to collect customs user fees (which are reflected in the federal budget as offsetting receipts and are treated as reductions indirect spending); changes in eligibility for the refundable portion of the child tax credit (the refundable portion of tax credits are treated as direct spending in the budget); a change in coverage for dialysis services paid for by Medicare; and a modification to sequestration for Medicare. (See Table 2).

TAA for Workers. TAA for Workers provides job training, extended unemployment compensation, and wage insurance benefits to workers who lose their jobs because of international trade. Although the authorization for TAA for Workers expired at the end of December 2014, it continues to operate at the so-called “Reversion 2014” levels because the Congress provided a full-year appropriation for fiscal year 2015. Under CBO’s baseline, outlays for those benefits total \$575 million in fiscal year 2015. Consistent with the rules for budget projections in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, most of the costs of extending TAA for Workers at its current level are included in CBO’s baseline and are therefore not included in the costs attributable to the proposed legislation. The spending assumed to continue in CBO’s baseline totals \$8.9 billion over the 2016-2025 period.

The bill would temporarily extend certain provisions of the TAA for Workers program that originally were enacted in 2009 and expired December 31, 2013. Among other things, the bill would extend coverage to workers in service industries. (Under current law, only workers involved in manufacturing can qualify for benefits under the TAA for Workers program, though service workers were temporarily covered through December 2013.) Beginning in January 2014, the program reverted to the way it operated before the 2009 amendments were enacted. The bill would reinstate the expanded coverage that expired at

the end of December 2013, and increase funding for training; those changes would extend through June 2021. Under the bill, TAA for Workers would then return to the level at which it currently operates for one year and expire at the end of June 2022.

TABLE 2. ESTIMATED EFFECTS OF THE TRADE ADJUSTMENT ASSISTANCE ACT OF 2015

	By Fiscal Year, in Millions of Dollars											2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025
CHANGES IN DIRECT SPENDING													
Trade Adjustment Assistance for Workers													
Estimated Budget Authority	38	478	425	430	441	446	412	45	0	0	0	2,528	2,715
Estimated Outlays	7	208	420	427	436	444	430	270	73	0	0	1,942	2,715
Health Coverage Tax Credit													
Estimated Budget Authority	0	5	20	28	28	7	0	0	0	0	0	87	87
Estimated Outlays	0	5	20	28	28	7	0	0	0	0	0	87	87
Customs User Fees ^a													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	-1,734	0	-1,734
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	-1,734	0	-1,734
Child Tax Credit													
Estimated Budget Authority	0	-38	-36	-35	-28	-27	-26	-26	-26	-26	-26	-165	-293
Estimated Outlays	0	-38	-36	-35	-28	-27	-26	-26	-25	-26	-26	-165	-293
Coverage and Payment for Dialysis Services													
Estimated Budget Authority	0	0	-20	-20	-20	-20	-30	-30	-30	-40	-40	-80	-250
Estimated Outlays	0	0	-20	-20	-20	-20	-30	-30	-30	-40	-40	-80	-250
Medicare Sequestration													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	-700	0	-700
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	-700	0	-700
Total Changes													
Estimated Budget Authority	38	445	389	403	421	406	356	-11	-55	-66	-2,500	2,102	-174
Estimated Outlays	7	175	384	400	416	404	374	214	18	-66	-2,500	1,786	-174

Note: Components may not sum to totals because of rounding.

a. On April 22, 2015, the Senate Committee on Finance approved multiple trade bills: Each of those bills would extend the authority to collect merchandise processing fees for a specific period of time. Because of interactions among the provisions in those bills, and for the purposes of this estimate, CBO assumes that the three bills will be enacted in the order that would extend those fees chronologically. If the bills are enacted in a different order, the estimated costs would be different.

CBO estimates that the legislation would increase costs for TAA for Workers by \$7 million in 2015 and \$2.7 billion over the 2015-2025 period, relative to CBO's baseline projections. The details of those costs are as follows:

- *Expanded Coverage.* The bill would restore the eligibility criteria that expired on December 31, 2013. Most notably, the bill would allow individuals in the service sector who lose their jobs as the result of either increased imports of similar services or shifts in production of those services to apply for assistance. CBO estimates that the changes in coverage would increase the number of people certified as eligible to receive TAA for Workers by an average of 35,000 annually. Those certified workers would be eligible for extended unemployment benefits. Under CBO's baseline, the cost of those benefits total \$7.0 billion over the 2015-2025 period. Relative to CBO's baseline projections, enacting the bill would increase direct spending for those extended unemployment benefits by \$1.1 billion over the 2015-2025 period, CBO estimates.
- *Increased Funding for Training.* Under current law, funding for the training benefits under TAA for Workers is capped at \$220 million annually. Uncapped funding is also available for administration and other benefits to assist affected workers with costs related to looking for work and for relocating, if necessary, for reemployment. Under CBO's baseline, costs for training, administration, and other benefits total \$2.8 billion over the 2015-2025 period. The bill would increase the cap on training benefits from \$220 million annually to \$450 million through June 2021, thus allowing the people who would be newly certified under the bill to receive training benefits. Under the bill, administrative and other expenses would be subject to the new higher cap. Relative to CBO's baseline projections, direct spending for training and administrative expenses would increase by \$1.2 billion over the 2015-2025 period, CBO estimates.
- *Extended Wage Insurance.* Trade Adjustment Assistance for Workers currently offers a wage insurance program as an alternative to the extended unemployment benefits offered under the regular TAA program. That alternative program pays a wage subsidy to workers who are age 50 or older and do not earn more than \$50,000 annually in their new employment if they are reemployed at a lower wage. Benefit payments may total 50 percent of the difference between the old and new wages, with a maximum of \$10,000 paid over a period of up to two years. Under CBO's baseline, the wage insurance program will cost \$45 million in 2015. Like the other programs authorized under TAA for Workers, the wage insurance program expired at the end of December, 2014, and is currently operating under a full-year appropriation through fiscal year 2015. However, under the rules that govern CBO's baseline projections, and unlike the extended unemployment and training benefits, the costs of the wage insurance program fall out of CBO's projections

beginning in fiscal year 2016. By authorizing the wage insurance program through June 2022, the bill would increase direct spending by \$0.4 billion over the 2015-2025 period, CBO estimates.

Health Coverage Tax Credit. The bill would extend the health coverage tax credit, which expired on December 31, 2013, from January 1, 2014, through December 31, 2019. It would set the credit rate at 72.5 percent of premiums paid for qualifying health insurance, and provide that a person cannot claim both the HCTC and the premium assistance credit provided for in section 36B of the Internal Revenue Code for the same coverage month. JCT estimates those changes would increase direct spending by \$87 million over the 2015-2025 period. The changes also would decrease revenues, as discussed below under the heading “Revenues.”

Customs User Fees. Under current law, the authority to collect merchandise processing fees will expire at the end of fiscal year 2024. The legislation would permit these fees to be collected during the period beginning July 29, 2025, and ending September 30, 2025. For merchandise imported from July 15, 2025, through September 30, 2025, the bill would raise the merchandise processing fee from 0.21 percent to 0.3464 percent of the value of the goods. CBO estimates those actions would increase offsetting receipts by about \$700 million in 2025. To project collections of merchandise processing fees, CBO assumes that the fees collected in future years will grow at the same rate seen in recent years—about 5 percent. In 2014 collections from the merchandise processing fees totaled \$2.3 billion. By 2024, CBO estimates those collections will total about \$2.7 billion under current law. CBO expects that the proposed increase in the fee rate would have a very minor effect on the value of goods entering the United States.

Under current law, authority to collect Customs COBRA (Consolidated Omnibus Budget Reconciliation Act) fees will expire after September 30, 2024. These fees are charged for the entry into the United States of certain vehicles, vessels, persons, and other entities and items. The bill would extend the authority to collect those fees through September 30, 2025. CBO estimates that those changes would increase offsetting receipts by about \$1 billion in 2025.

COBRA fees collected by Customs and Border Protection (CBP) are spent by the agency to fund certain operations. Under the rules CBO uses to set its baseline spending projections, authority for CBP to spend COBRA fees is assumed to continue after the expiration date for the fees in 2024. Those same baseline rules, however, do not provide for the corresponding assumption that the collection of the COBRA fees be assumed to continue beyond their expiration in 2024. Thus, extending the authority to collect COBRA fees reduces future deficits relative to CBO’s baseline projections.

Child Tax Credit. Under current law, a refundable child tax credit of up to \$1,000 per qualifying child is available to taxpayers, with the amount of the credit phasing out for individuals with income above certain thresholds. The legislation would provide that taxpayers who elect to exclude from gross income for a taxable year any amount of foreign earned income or foreign housing costs may not claim the refundable portion of the child tax credit for the taxable year. JCT estimates that provision would reduce direct spending by \$293 million over the 2015-2025 period.

Coverage and Payment for Dialysis Services. Under current Medicare law, freestanding dialysis facilities—including facilities owned by a hospital—may treat patients with end-stage renal disease, but not people with acute kidney injury (AKI). Those free-standing facilities are paid an average of about \$240 per dialysis treatment. Under current law, Medicare beneficiaries with AKI may receive dialysis services from hospital outpatient departments (which are distinct from hospital-owned dialysis facilities). Those facilities are paid according to the hospital-outpatient prospective payment and the cost is about \$600 per dialysis treatment.

Under the bill, freestanding facilities would be allowed to treat beneficiaries with AKI, and would be paid at the rate for freestanding facilities. CBO estimates that allowing those lower-priced dialysis services to be furnished to beneficiaries with AKI would save about \$250 million over the 2015-2025 period.

Medicare Sequestration. The bill would modify sequestration of Medicare spending for fiscal year 2024. In Medicare, sequestration is applicable to spending on an April through March basis, resulting in half of the spending reductions occurring in the following fiscal year. Under current law, the Medicare sequestration for fiscal year 2024 is -4.0 percent for April 2024 through September 2024 and zero percent for October 2024 through March 2025. The bill would change the second half of the fiscal year 2024 sequestration (October 2024 through March 2025) to -0.25 percent. CBO estimates that change would reduce direct spending by \$700 million in fiscal year 2025.

Revenues

Enacting the Trade Adjustment Assistance Reauthorization Act of 2015 would increase revenues by \$1.9 billion over the 2015-2020 period and decrease them by \$86 million over the 2015-2025 period.

Health Coverage Tax Credit. As discussed above in the section on direct spending, the bill would extend the HCTC through December 31, 2019. JCT estimates those changes would decrease revenues by \$86 million over the 2015-2025 period.

Shift in Payment of Corporate Estimated Tax. The bill would shift payments of corporate estimated taxes between fiscal years 2020 and 2021. For corporations with at least \$1 billion in assets, the bill would increase the portion of corporate estimated payments due from July through September in 2020. JCT estimates that those changes would increase revenues by \$2.0 billion in 2020 and reduce revenues by the same amount in 2021.

Spending Subject to Appropriation

The trade Adjustment Assistance Reauthorization Act of 2015 would authorize appropriations for TAA for Farmers and TAA for Firms for fiscal years 2016 through 2021. TAA for Farmers did not receive an appropriation for 2015, while TAA for firms received appropriations totaling about \$13 million for 2015.

TAA for Farmers. The bill would authorize the appropriation of \$90 million a year over the 2016-2021 period to provide TAA for Farmers. CBO estimates this provision would cost \$450 million over the 2016-2020 period, and \$90 million after 2020, assuming appropriation of the authorized amounts.

TAA for Farmers provides technical and financial assistance to certain eligible agricultural producers to develop and implement plans to improve the competitiveness and profitability of their businesses. Those eligible for the program have produced agricultural commodities that have experienced a decline in market share or price because of imported commodities.

TAA for Firms. The bill would authorize the appropriation of \$16 million a year over the 2016-2021 period for TAA for Firms. CBO estimates that that implementing this provision would cost about \$41 million over the 2016-2020 period and \$55 million after 2020, assuming appropriation of authorized amounts.

TAA for Firms provides technical assistance to help U.S. firms become more competitive in the global market. The Economic Development Administration (EDA) within the Department of Commerce has entered into cooperative agreements with 11 regional Trade Adjustment Assistance Centers which provide assistance to firms to design and implement business recovery plans that the EDA must approve.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 3.

TABLE 3. CBO Estimate of Pay-As-You-Go Effects for the Trade Adjustment Assistance Act of 2015 as ordered reported by the Senate Committee on Finance on April 22, 2015

	By Fiscal Year, in Millions of Dollars												2015-	2015-
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2020	2025	
NET INCREASE OR DECREASE (-) IN THE DEFICIT^a														
Statutory Pay-As-You-Go Impact	7	217	409	407	423	-1,571	2,354	214	18	-66	-2,500	-108	-88	
Memorandum:														
Changes in Outlays	7	175	384	400	416	404	374	214	18	-66	-2,500	1,786	-174	
Changes in Revenues	0	-42	-25	-7	-7	1,975	-1,980	0	0	0	0	1,894	-86	

Note: For direct spending, negative numbers indicate a decrease in outlays; for revenues, negative numbers indicate a reduction in revenues.

a. On April 22, 2015, the Senate Committee on Finance approved multiple trade bills: Each of those bills would extend the authority to collect merchandise processing fees for a specific period of time. Because of interactions among the provisions in those bills, and for the purposes of this estimate, CBO assumes that the three bills will be enacted in the order that would extend those fees chronologically. If the bills are enacted in a different order, the estimated costs would be different.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

CBO has determined that the nontax provisions of the bill contain no intergovernmental mandates as defined in UMRA. Any costs incurred by state governments to administer trade adjustment assistance programs would result from participation in voluntary federal programs. JCT has determined that the tax provisions of the bill also contain no intergovernmental mandates.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

CBO has determined that the nontax provisions of the Trade Adjustment Assistance Reauthorization Act of 2015 would impose private-sector mandates, as defined in UMRA, on entities required to pay merchandise processing fees. The bill would extend those fees through September 30, 2025 and raise the fee rate beginning July 15, 2025 and ending September 30, 2025. CBO estimates that the aggregate costs of the mandates would exceed the annual threshold established in UMRA for private-sector mandates (\$154 million in 2015, adjusted annually for inflation).

JCT has determined that the tax provisions of the bill contain no private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On May 4, 2015, CBO transmitted a cost estimate of the budgetary effects of H.R. 1892, as ordered reported by the House Committee on Ways and Means on April 23, 2015. The costs of the Trade Adjustment Assistance Act of 2015 are the same as the costs shown in the estimate for H.R. 1892.

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- Mark Grabowicz – Customs User Fees
- Lara Robillard and Jamease Miles – Dialysis Services
- Lori Housman – Medicare Sequestration
- Dave Hull – TAA for Farmers
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