



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 21, 1997

H.R. 2621 **Reciprocal Trade Agreement Authorities Act of 1997**

*As ordered reported by the House Committee on Ways and Means
on October 8, 1997*

SUMMARY

H.R. 2621, the Reciprocal Trade Agreement Authorities Act of 1997, would restore the President's authority to enter into multilateral and bilateral trade agreements with Congressional approval or rejection of, but not amendment to, those agreements. In addition, H.R. 2621 would extend the Trade Adjustment Assistance (TAA) programs for both workers and firms, which will expire on September 30, 1998. CBO estimates this extension would result in direct spending of \$750 million over the 1999-2002 period and discretionary spending of \$12 million over the same period, subject to the appropriation of the estimated amounts. For Congressional scoring and pay-as-you-go purposes, only \$101 million in direct spending would be counted because the remainder is already included in the budget resolution baseline, as required by law. The bill would also repeal a special rule within the Internal Revenue Code pertaining to the rental usage of vacation homes. The Joint Committee on Taxation (JCT) estimates that enacting this provision would increase revenues by \$23 million in 1998 and by \$123 million over the 1998-2002 period. Because enacting the bill would affect revenues and direct spending, pay-as-you-go procedures would apply.

The bill contains one new private-sector mandate, but does not contain any intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would not impose any costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2621 is shown in the following table.

By Fiscal Year, in Millions of Dollars

1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007

CHANGES IN REVENUES

Restoration of Fast Track Authority	0	0	0	0	0	0	0	0	0	0	0
Repeal of Special Rule for Vacation Homes	0	23	23	24	26	27	28	29	30	31	33

DIRECT SPENDING

Baseline Spending Under
Current Law for TAA for Workers

<i>Estimated</i>											
<i>Budget Authority</i>	311	340	315	331	332	333	333	334	334	334	337
<i>Estimated Outlays</i>	300	343	328	335	332	333	333	334	334	334	337

Proposed Changes

<i>Estimated</i>											
<i>Budget Authority</i>	0	0	50	51	0	0	0	0	0	0	0
<i>Estimated Outlays</i>	0	0	39	48	12	3	0	0	0	0	0

Baseline Spending Under
H.R. 2621 for TAA for Workers

<i>Estimated</i>											
<i>Budget Authority</i>	311	340	365	383	332	333	333	334	334	334	337
<i>Estimated Outlays</i>	300	343	367	383	344	336	333	334	334	334	337

By Fiscal Year, in Millions of Dollars

	1997	1998	1999	2000	2001	2002
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SPENDING SUBJECT TO APPROPRIATION

Spending Under Current Law
for TAA for Firms

<i>Estimated Authorization Level^a</i>	9	10	0	0	0	0
<i>Estimated Outlays</i>	10	9	9	6	5	2

Proposed Changes

<i>Estimated Authorization Level</i>	0	0	10	10	0	0
<i>Estimated Outlays</i>	0	0	0	3	4	5

Spending Under
H.R. 2621 for TAA for Firms

<i>Estimated Authorization Level^a</i>	9	10	10	10	0	0
<i>Estimated Outlays</i>	10	9	9	9	9	7

^aThe 1997 level is the amount actually appropriated. The 1998 level is the amount in H.R. 2267, the House-passed version of the bill making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1998, and for other purposes.

BASIS OF ESTIMATE

Revenues

Before their expiration on June 1, 1993, sections 1102 and 1103 of the Omnibus Trade and Competitiveness Act of 1988 granted the President the authority to enter into multilateral and bilateral trade agreements. The President could reduce certain tariffs by proclamation within specified bounds prescribed by the law. For provisions subject to Congressional approval, the Congress could not amend implementing legislation once it was introduced. Furthermore, as long as the President met statutory requirements concerning Congressional consultation during the negotiation process, the Congress was required to act on the legislation following a strict timetable. This consideration process was known as the "fast track" procedure. Public Law 103-40 temporarily extended these provisions through April 16, 1994, for any trade agreement resulting from the Uruguay Round negotiations taking place under the General Agreement on Tariffs and Trade.

The Reciprocal Trade Agreement Authorities Act of 1997 would restore the President's authority to implement certain tariff changes. This provision of H.R. 2621 would have no direct effect on revenues, because future trade agreements would require implementing legislation. The effect of any changes implemented by the President would be attributed to the legislation implementing the agreement.

The bill would also repeal a special rule within the Internal Revenue Code pertaining to the rental usage of vacation homes. The Joint Committee on Taxation (JCT) estimates that enacting this provision would increase revenues by \$23 million in 1998 and by \$123 million over the 1998-2002 period.

Direct Spending

The Trade Adjustment Assistance program, which was established by the Trade Expansion Act of 1962, and was most recently extended until September 30, 1998, by the Omnibus Reconciliation Act of 1993, provides transitional adjustment assistance for workers and firms dislocated as a result of increased imports. The bill would extend Trade Adjustment Assistance for Workers through fiscal year 2000 at an estimated cost of \$750 million over the 1999-2002 period. For Congressional scoring and pay-as-you-go purposes, however, only the cost of assistance resulting from the North American Free Trade Agreement (NAFTA) Implementation Act would count as additional spending, because the other costs of extending TAA for workers, averaging about \$325 million annually in 1999 and 2000, are

included in the budget resolution baseline, as required by the Balanced Budget and Emergency Deficit Control Act of 1985.

CBO estimates that extending the NAFTA TAA program for two years would result in additional outlays of \$101 million over the 1999-2002 period. For purposes of this estimate, CBO assumes that the number of workers receiving benefits would continue to be about 5,000 each year. We estimate that cash assistance benefits would average \$220 per beneficiary per week for an average of 30 weeks, and that training benefits would cost about \$3,500 per beneficiary.

Spending Subject to Appropriation

CBO estimates that the authorization of such sums as necessary for Trade Adjustment Assistance for Firms in each of fiscal years 1998 through 2000 would result in new spending subject to appropriation of about \$12 million over the 1999-2002 period. This estimate assumes that the amount appropriated each year under this authorization would be about \$9.5 million, the amount provided for 1998 in H.R. 2267, the House-passed version of the bill making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1998. (An identical amount is designated in the Senate-passed version of this year's appropriation bill.) Outlays are estimated based on historical spending rates for the Economic Development Administration.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The projected changes in direct spending and revenues through 2007 are shown in the following table. For purposes of enforcing pay-as-you-go procedures, however, only the effects in the budget year and the succeeding four years are counted.

By Fiscal Year, in Millions of Dollars

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Change in Outlays	0	39	48	12	3	0	0	0	0	0
Change in Receipts	23	23	24	26	27	28	29	30	31	33

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The Joint Committee on Taxation has determined that H.R. 2621 contains one new private-sector mandate, as defined in UMRA. The provision relating to the repeal of the 14-day rule on rental of vacation properties (Internal Revenue Code, section 280A(g)) is estimated to increase tax revenue by \$123 million over fiscal years 1998 through 2002, which is the estimated amount that the private sector would be required to spend in order to comply with this federal private-sector mandate. The bill would not impose an intergovernmental mandate on state, local, or tribal governments, as such governmental entities are generally exempt from federal income tax.

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