



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 30, 2007
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3920 – Trade and Globalization Assistance Act of 2007

(Rep. Rangel (D) NY and 39 Cosponsors)

There is a consensus among economists that trade has an overwhelmingly positive effect on national prosperity, the pace of innovation, and the improvement of individual standards of living. Large benefits accrue at every socioeconomic level and in all states. That is why this Administration is devoted to the continued expansion of free and fair trade.

While the benefits of trade are broadly spread across our economy, some American workers are adversely affected by new competition in certain industries, and so the Administration recognizes that the Federal government has a responsibility to help workers who have been adversely impacted by trade obtain the retraining and interim benefits they need. Trade Adjustment Assistance (TAA) is an important part of our nation's efforts to target these workers with reemployment services that will help them transition to good jobs with good wages.

The Administration strongly supports TAA reauthorization that includes needed reforms to help workers adversely impacted by trade access the training and reemployment services they need to return to work quickly. The Administration will continue to work with Congress to make TAA a more flexible and beneficial program for workers. However, the Administration strongly opposes H.R. 3920 in its current form because it fails to include these essential reforms, and instead converts TAA from a trade-related program to a universal income-support and training program. Accordingly, if this bill were presented to the President in its current form, the President's senior advisors would recommend he veto the bill.

Additionally, the Administration believes H.R. 3943, the Trade Adjustment Assistance and Training Improvements Act of 2007, offers a more effective approach to targeting workers adversely affected by trade with the fullest range of assistance they need to get back to work quickly. H.R. 3943, coupled with legislation to reauthorize the Workforce Investment Act, would make needed reforms to improve the delivery of services, offer greater flexibility, and enhance access to training for eligible workers.

Trade Adjustment Assistance Program Provisions

The Administration believes the current duration of income support under the program is sufficient for retraining purposes. The increased duration of income support under the bill would result in some workers remaining out of the workforce and on assistance for three full years. Detachment from the labor force for such a long period is detrimental to workers who need to reestablish themselves in new employment. The Administration also does not support the bill's continuation and expansion of the Alternative TAA Wage Insurance program (which was

enacted as a five-year demonstration program) because there is little or no evidence to show this model helps workers in the long-term.

In addition, the Administration strongly opposes the provisions in the bill that would significantly expand TAA eligibility to include workers not demonstrably affected by trade. Specifically, the bill's industry-wide eligibility determinations would fail to distinguish between layoffs related to trade and those due to domestic competition, technology change, or other factors, as conditions for firms within industries vary widely. Providing TAA benefits to large numbers of workers not necessarily adversely affected by trade would increase caseloads and costs dramatically and erode TAA's intended purpose as a program designed to ease those limited transitions necessitated by international trade.

Additionally, the bill's expansion of eligibility to include service sector workers and public agency workers is inappropriate and unworkable, in particular because it does not clearly articulate that any separation of such workers from their employment must be attributable to trade. The Administration strongly opposes provisions that would create a duplicative bureaucracy for training and reemployment services rather than improving coordination with other Federal programs that already offer a broader array of services. Mandating the use of State "merit staff" employees to provide services under the program would preclude important State administrative flexibility and hinder coordination with other programs.

Unemployment Insurance Program Changes

The Administration strongly opposes the provisions in the bill that would provide incentive payments to those States that include specified benefit expansions in their State Unemployment Insurance (UI) program. UI benefit eligibility should continue to be a matter determined by the States, without diverting Federal unemployment funds to provide special incentive payments to promote uniform national eligibility standards.

Tax Provisions

The Administration strongly opposes provisions that would increase the level of the current permanent health coverage tax credit (HCTC) from 65 percent of the cost of qualifying coverage to 85 percent. An expanded HCTC is not an efficient way to provide help for American workers affected by trade.

The Administration strongly opposes the provision that would authorize up to \$3.6 billion in expensive and highly inefficient tax credit bonds. Tax credit bonds add significant complexity to the tax law and generally cost more in lost revenues than direct appropriations. The Administration believes that tax credit bonds allow Congress to finance spending through lost revenue and mask the true cost of those bonds outside the annual budget process. The Administration also has concerns about the broad scope of projects eligible for these tax credit bonds, and the tax-exempt private activity bonds in Section 401, that may not be properly targeted to the intended beneficiaries of a trade adjustment assistance program.

The Administration also strongly opposes provisions that would delay the ability of American companies to adopt new rules enacted in the American Jobs Creation Act of 2004 for allocating worldwide interest expense. The new elective rules are necessary to prevent double taxation,

which discourages investment and job creation. The bill's proposed three-year delay would diminish U.S. competitiveness by increasing the tax burden of American companies relative to their foreign competitors.

Benefits for "Non-qualified" Aliens

The Administration has significant concerns with the provision regarding eligibility of certain aliens for TAA program benefits. The eligibility categories are inconsistent with those that currently apply to many Federal public benefit programs, including TAA, under which benefits are confined to "qualified aliens," as defined in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Early Warning and Health Care for Workers Affected by Globalization Act

The Administration understands that the House may consider the provisions of H.R. 3796, the "Early Warning and Health Care for Workers Affected by Globalization Act," in conjunction with H.R. 3920. While committed to assisting workers who are dislocated due to plant closings and mass layoffs, the Administration believes that this bill as drafted upsets the careful balance between employer and workers' needs in the current Worker Adjustment and Retraining Notification (WARN) Act.

The expanded coverage, notice period, and increased penalties could impair the ability of employers to recover from restructuring or to negotiate arrangements that would keep their companies viable and remaining workers employed. The Administration also opposes the addition of a new substantive enforcement role for the Department of Labor under WARN, which would create a new bureaucracy with significant administrative costs.

In addition, the Administration strongly opposes the provisions in H.R. 3796 that would greatly expand COBRA coverage for certain TAA workers far beyond the period provided for any other workers. Many of these workers would be entitled to continue their coverage for 10 years or more, significantly increasing health insurance costs for employers already likely to be experiencing financial hardship. These provisions would likely result in the termination of some health plans and crowd out other insurance that these workers could otherwise obtain from a new employer.

Constitutional Concerns

Section 111 of the bill would require the Secretary of Labor to "promptly initiate an investigation" to determine certain workers' eligibility for trade adjustment assistance upon the resolution of Congressional committees. Section 111 further provides that the Secretary shall develop regulations "in consultation with" these committees. The Administration objects to these provisions and believes they must be removed or amended because, as the Supreme Court explained in *INS v. Chadha* and *Bowsher v. Synar*, the Constitution does not permit congressional committees to direct the Executive branch's execution or enforcement of the laws.

Other Issues

The Administration looks forward to working with Congress to resolve these and other issues

through the legislative process, and to focus TAA reauthorization on providing effective services for workers adversely affected by trade.

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