



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

EXECUTIVE SUMMARY

Representative Charles Rangel (D-NY) introduced the Trade and Globalization Assistance Act of 2007 (H.R. 3920) on October 22, 2007. The bill was approved by the House Ways and Means Committee on October 24, 2007, by a vote of 27 to 21.

The Rules Committee approved a rule for H.R. 3920 that would incorporate H.R. 3796, which was introduced by Rep. George Miller (D-CA) on October 10, 2007. The Committee on Education and Labor approved H.R. 3796 on October 25, 2007, in a party line vote.

H.R. 3920 reauthorizes and expands the Trade Adjustment and Assistance (TAA) program through fiscal year 2012. The bill extends TAA coverage to additional workers, including for example workers from the services industry as well as public sector employees. It also increases funding authority for training programs, expands unemployment insurance benefit coverage, delays implementation of interest allocation rules, sunsets the health coverage tax credit, and enlarges WARN Act coverage.

The Administration issued a veto threat for the bill in its current form.

FLOOR SITUATION

H.R. 3920 is being considered on the floor pursuant to a structured rule. The rule:

- Provides 60 minutes of debate, with 40 minutes equally divided and controlled by the Chairman and Ranking Republican Member of the Ways and Means Committee and 20 minutes equally divided and controlled by the Chairman and Ranking Republican Member of the Education and Labor Committee.
- Waives all points of order against consideration of the bill except those arising under clause 9 (earmarks) and 10 (PAYGO) of Rule XXI.
- Provides that the amendment in the nature of a substitute recommended by the Ways and Means Committee, modified by the amendment printed in part A of the Rules Committee report accompanying the resolution, shall be considered as adopted and the bill, as amended, shall be considered as read.

- Waives all points of order against provisions in the bill, as amended. This waiver does not affect the point of order available under clause 9 of rule XXI (regarding earmark disclosure).
- Makes in order the amendment in the nature of the substitute printed in part B of the Rules Committee report if offered by Representative McCrery of Louisiana or his designee.
- Provides that the substitute amendment shall be considered as read and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent.
- Provides one motion to recommit with or without instructions.
- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of the bill to a time designated by the Speaker.

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H.R. 3920 is expected to be considered on the floor on October 31, 2007.

BACKGROUND

The Trade Adjustment Assistance (TAA) program is designed to assist workers who have lost jobs or work hours due to increased imports. The program provides job training assistance, income support, a job search allowance, and relocation reimbursement for qualified applicants for a certain period of time. Workers who qualify are also eligible for a tax credit to help cover the cost of purchasing health care coverage.

The program was established by the Trade Expansion Act of 1962. It was reauthorized and expanded in 2002 by P.L. 107-210. Congress passed a short-term, 90-day extension of the program (P.L. 110-89) in September 2007.

According to Rep. Wally Herger (R-CA), the Ranking Republican on the Ways and Means Trade Subcommittee, "TAA can be a valuable tool for getting people retrained and back to work quickly, providing income support in the interim. But, TAA's annual cost of nearly \$1 billion means that any expansion must be done in a cost conscious manner focusing on actual results, particularly because less than 3 percent of long term job loss is due to trade."

SUMMARY

H.R. 3920 reauthorizes and expands the Trade Adjustment and Assistance (TAA) program through fiscal year 2012.

Eligibility: The bill extends TAA coverage to workers who have not been previously eligible. For example, the bill expands coverage to public sector employees, even though the existing program has been focused on providing benefits to private sector workers who must adjust to the new economy. The bill also requires the Secretary of Labor to conduct an investigation into whether TAA eligibility should be extended industry-wide if he certifies that three groups in a domestic industry are eligible within a 180-day period or if requested by the President, the U.S. Trade Representative, the Senate Finance Committee, or the House Ways and Means Committee. The effect of this provision is that a worker does not have to lose his job because of trade to be eligible. Under current law, TAA certification is granted on a firm-by-firm basis, as opposed to an industry-wide certification.

Extending Cash Benefits: The bill grants up to 130 weeks of income support and job training while workers are in training (current law allows 104 weeks).

Funding for Training: The bill increases funding authority for training from its current level of \$220 million to \$440 million in FY2008 and in FY2009, and \$660 million in FY2010. It also instructs the Secretary of Labor, in consultation with the House Ways and Means Committee and the Senate Finance Committee, to develop new formulas for distributing training funds. The bill also requires GAO to study and report on these new allocation procedures and the adequacy of funding for training.

Note: According to Ways and Means Committee Republicans, training “funds have been available for distribution at the end of each fiscal year, and nearly \$300 million is unspent.”

Unemployment Insurance: The bill encourages States to expand unemployment insurance benefit eligibility to cover workers who recently joined the workforce, who are seeking only part-time work, who have quit their jobs for various reasons (including to move with a spouse who is taking a new job in another city), or who are collecting extended unemployment benefits while in training. It does so by offering States a share of \$7 billion in one-time Federal payments if they expand their unemployment benefits to cover those additional categories of workers, or already provide such coverage under current State law.

Federal Unemployment Tax Act Surtax (FUTA Surtax): The bill extends the 0.2 percent FUTA surtax through 2010. The FUTA surtax is a payroll tax levied on employers covering the first \$7,000 in wages for each employee, with the revenues used to support Federal responsibilities under the unemployment insurance program. The surtax is currently scheduled to expire at the end of calendar year 2007.

Note: According to Ways and Means Committee Republicans, this tax is anticipated to raise almost \$5 billion through 2010, “despite the fact that the federal unemployment trust funds currently hold \$35 billion and federal program expenses under current law run about \$4 billion per year.”

State Employee Requirements: The bill requires States to only use State employees who are hired on a merit basis to administer the program.

Note: According to Ways and Means Committee Republicans, 25 states currently utilize employees that would not qualify under “merit based” mandate, meaning “that the states could no longer exercise their discretion to administer the program using local staff, private sector contractors, 501(c)(3) non-profit contractors, or faith or community-based organization contractors.”

Restrictions for illegal immigrants: H.R. 3920 includes a provision titled “Restriction on Eligibility for Program Benefits” involving noncitizens. Despite the title, the provision appears intended to expand noncitizens’ access to TAA benefits compared with current law.

Interest Allocation: In order to pay for the legislation, the bill delays implementation of interest allocation rules enacted as part of The American Jobs Creation Act of 2004 (P.L. 108-357). The interest allocation rules are intended to address a double taxation that is being levied on American companies’ foreign income. The bill delays this correction for 3 years, until tax years beginning after December 31, 2011.

Note: According to Ways and Means Committee Republicans, “it is indeed ironic that legislation that we had hoped would pave the way for consideration of the full trade agenda by restoring confidence in our global trading system would itself make U.S. companies less competitive.”

Manufacturing Redevelopment Zones: The bill requires the Treasury Secretary to designate 24 manufacturing redevelopment zones that together contain no more than 2 million people. Zones would be chosen based on several factors, including population, poverty levels, and manufacturing employment declines.

These zones would be eligible for manufacturing redevelopment tax credit bonds and tax-exempt manufacturing zone facility bonds to be used for promoting development or other economic activity.

- Manufacturing redevelopment tax credit bonds – The maximum amount of tax credit bonds allowed for each zone is \$150 million (the bill authorizes up to \$3.6 billion total). It is estimated to cost \$1.7 billion over 10 years.
- Tax-exempt manufacturing zone facility bonds – The maximum amount of tax-exempt facility bonds allowed for each zone is \$230 million (the bill authorizes up to \$5.52 billion total). It is estimated to cost \$615 million over 10 years.

Note: According to Ways and Means Committee Republicans, “We are concerned that to become a ‘manufacturing redevelopment area’ and obtain the tax incentives under the bill, communities would have to give up their current designation as a renewal community, enterprise zone, or empowerment zone.” The Majority did not include transition relief suggested by Committee Republicans to protect businesses who made investments based on an existing designation.

Health Coverage Tax Credit (HCTC): The bill sunsets the health coverage tax credit on December 31, 2009, which under current law would not sunset. It also significantly expands the current benefit for the two years that the program remains in effect under the bill by increasing the federal tax credit offered to cover the cost of health insurance for eligible individuals, their spouses, and dependents from 65 percent to 85 percent. The bill eliminates the eligibility requirement that recipients be enrolled in training. Furthermore, the credit eligibility is extended for family members in the case that the qualifying person becomes entitled to Medicare, gets divorced, or dies. Finally, the bill requires the GAO to report on the effectiveness of the HCTC.

Note: The HCTC was established by the Trade Act of 2002 (P.L. 107-210). According to “Dissenting Views” of Ways & Means Republicans, “It is a dangerous gamble to terminate health coverage assistance that TAA participants depend on – whether the reason is a budget gimmick to reduce costs or a means to create leverage for a dramatic expansion agenda in the future.”

Provisions Incorporated from H.R. 3796

Worker Adjustment Retraining and Notification (WARN): The bill would, for the first time, expand WARN Act coverage to include employers who have 100 or more employees *including* part-time employees. In addition, it expands definitions of “plant closing” and “mass layoff” under the Act, and requires employers to give 90, rather than 60 days’ advance notice, while automatically doubling the damages. All told, the bill expands liability to that employers are now liable for up to six months of back pay and benefits.

Note: The Worker Adjustment Retraining and Notification (WARN) Act was enacted in 1988 to assist workers who lost their jobs during large scale layoffs in a single area. The WARN Act established requirements for employers of 100 or more full time workers must provide employees with at least 60 days notice prior to a mass layoff or plant closing (Under the WARN Act, a “mass layoff” or “plant closing” is defined as a layoff of 50 or more full-time employees.)

COBRA: The bill also expands COBRA eligibility indefinitely for individuals who have lost health coverage because they lost their job, who are certified as TAA eligible by DOL, and who are either at least 55 years old or have ten years of service with the employer. Individuals who meet these criteria can qualify for COBRA as long as they do not attain coverage from a new employer or become eligible for Medicare – potentially, for some workers, for decades.

Note: Currently, COBRA benefits expire after a defined period (typically 18 or 36 months).

According to the Minority Views of the Committee Report for the Early Warning and Health Care for Workers Affected by Globalization Act (H.R. 3796) which is incorporated in H.R. 3920, “H.R. 3796 will expand exponentially the scope of our nation’s plant closure and health care continuation laws, increasing litigation, regulation, and, most troubling, liability for businesses struggling to stay competitive in a global economy.”

COST

“CBO and the Joint Committee on Taxation (JCT) estimate that enacting H.R. 3920 would increase direct spending by \$0.3 billion in 2008 and \$8.6 billion over the 2008-2017 period. In addition, CBO and JCT estimate that revenues under the bill would increase by \$1.0 billion in 2008 and \$9.4 billion over the 2008-2017 period.”

“CBO also estimates that implementing H.R. 3920 would increase spending for discretionary programs authorized in the bill by \$30 million in 2008, and \$338 million over the 2008-2012 period, assuming appropriation of the estimated amounts.” ([CBO Estimate – H.R. 3920, Trade and Globalization Assistance Act of 2007](#))

Note: According to the “Dissenting Views” of Ways & Means Committee Republicans, “TAA already costs taxpayers \$966.4 million per year, while providing assistance to only about 54,000 workers, costing an average of \$18,000 per worker.”

ADDITIONAL INFORMATION

[Statement of Administration Policy: H.R. 3920, 10/30/2007](#)

[Department of Labor Website: Trade Adjustment Assistance](#)

AMENDMENTS

Self-Enacting Amendment that will be considered approved upon adoption of the Rule

The amendment to H.R. 3920, the Trade and Globalization Assistance Act of 2007, as reported, includes provisions strengthening the TAA for Farmers program and makes clarifying changes to the TAA for Workers program. The amendment also reforms the Worker Adjustment and Retraining Notification Act and extends COBRA continuation coverage for TAA-eligible and Pension Benefit Guaranty Corporation recipients.

Rep. McCrery (R-LA): (REVISED) Amendment in the Nature of a Substitute. Reauthorizes the Trade Adjustment Assistance (TAA) programs for workers, firms and farmers for 5 years. Restructures the TAA to increase training options while retaining the current two years of income support for TAA for workers program participants who remain unemployed and train full-time. Increases the federal share of monthly TAA participant premiums for the Health Coverage Tax Credit (HCTC) from 65% today to 70% and continues HCTC. Allows States to apply for waivers of unemployment compensation program rules. Expands the new markets tax credit to benefit firms and workers in local communities impacted by trade, globalization, and other causes of job loss. Extends Workforce Investment Act (WIA) employment and training programs, creates a consolidated funding stream, and increases State and local flexibility. Provides for collection of Unemployment Insurance overpayments.

STAFF CONTACT

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