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SENATE

{ REPORT  
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**AN ORIGINAL BILL TO EXTEND THE TRADE ADJUSTMENT ASSISTANCE PROGRAM, AND FOR OTHER PURPOSES**

MAY 12, 2015.—Ordered to be printed

Mr. HATCH, from the Committee on Finance,  
submitted the following

**R E P O R T**

[To accompany S. 1268]

Including cost estimate of the Congressional Budget Office

The Committee on Finance, having considered an original bill (S. 1268) to extend the trade adjustment assistance program, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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## I. REPORT AND OTHER MATERIALS OF THE COMMITTEE

### A. REPORT OF THE COMMITTEE ON FINANCE

The Committee on Finance, having considered an original bill (S.1268) to extend the trade adjustment assistance program, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

### B. SUMMARY OF CONGRESSIONAL CONSIDERATION OF THE BILL

#### 1. *Background*

On April 16, 2015 Senator Collins introduced S.1003 on behalf of herself and Senator Wyden. On April 16, Senator Wyden introduced S.1005.

#### 2. *Committee consideration*

The Senate Committee on Finance met in open executive session on April 22, 2015 to consider the Chairman's Mark to reauthorize the TAA program and to amend provisions of the program. The Committee also considered an extension and modification of the Health Coverage Tax Credit (HCTC). The proposal the Committee considered was based on S.1003 and S.1005. During the Committee's consideration of the bill, one amendment was offered and was not agreed to. The Committee approved the proposal by a vote of 17 ayes and 9 nays.

### C. TRADE ADJUSTMENT ASSISTANCE PROGRAMS

TAA programs are intended to mitigate concentrated negative effects that may be experienced by certain industries and workers that face increased competition as a result of expanded international trade policies. The program benefits and services that are available to individual workers are administered by the states through agreements between the Secretary of Labor and each state Governor. TAA was created as part of the Trade Expansion Act of 1962 in order to help companies and workers that would be harmed by increased international trade. Throughout the years, Congress amended the TAA programs several times.

#### 1. *Trade Adjustment Assistance for workers*

TAA for workers is the largest TAA program. It directly supports displaced workers by providing funding for retraining and income support while the worker is enrolled in training, unless an eligible worker is provided a waiver. Other benefits and services may also be available, including wage supplements for older workers. TAA for workers is administered by the U.S. Department of Labor (DOL).

TAA for workers was established by the Trade Expansion Act of 1962 (P.L. 87-794). To counter higher program costs in the early 1980s, the Omnibus Budget Reconciliation Act of 1981 cut benefits and emphasized reemployment measures. The program's 1988 reauthorization restructured the program to increase emphasis on retraining. In the 1990s, the core TAA program was supplemented with a separate program that supported workers who were ad-

versely affected by increased competition as the result of the North American Free Trade Agreement (NAFTA-TAA).

The Trade Act of 2002 (P.L. 107–210) reauthorized and amended TAA alongside other trade laws. The 2002 reauthorization merged NAFTA-TAA with the main program and expanded eligibility to secondary firms (e.g. component parts) that were indirectly affected by trade. The 2002 law established the HCTC, a refundable tax credit equal to 65% of qualified premium costs for TAA-eligible workers who purchased qualified health insurance.

In 2009, TAA was amended as part of the American Recovery and Reinvestment Act (ARRA, P.L. 111–5). The ARRA provisions expanded TAA eligibility to include service-sector workers who face an increase in competitive imports or a shift in production to any country, in addition to countries with which the U.S. has a free trade agreement. Prior to ARRA, TAA was limited to workers who produced “articles.” ARRA also increased funding for TAA-sponsored training, increased the maximum duration of income support, and raised the HCTC to 80% of eligible health coverage expenses.

The ARRA provisions of TAA expired in February 2011 and the program reverted back to the levels authorized under the Trade Act of 2002. The Trade Adjustment Assistance Extension Act, enacted in October 2011 (TAAEA, Title II of P.L. 112–40) reinstated many eligibility and benefit provisions to near-ARRA levels. Under the provisions enacted in 2011, the HCTC was limited to 72.5% of qualified expenses and was scheduled to sunset at the end of calendar year 2013.

TAAEA specified that the TAA program would operate under the provisions enacted in 2011 through calendar year 2013. The program would then revert to a more narrow set of provisions. The changes were implemented as scheduled beginning January 1, 2014.

In accordance with the termination provisions in TAAEA, the TAA for Workers program was scheduled to be phased out beginning January 1, 2015. However, the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113–235) provided full funding for the program and continued operation of the program, including the certification of new workers, through September 2015.

TAA for Workers is supported by mandatory appropriations. The appropriation level is impacted by statutory caps and expected program use. Depending on actual program use, outlays may vary substantially from appropriation levels. In fiscal year 2015, total funding for all DOL-administered components of the program was \$710.6 million.

## *2. Trade Adjustment Assistance for firms and farmers*

In addition to the TAA for workers program, the Trade Act of 1974, as amended, also authorized programs for firms and farmers. The TAA for Firms and TAA for Farmers programs are typically reauthorized alongside the larger TAA for workers program. Both were reauthorized by TAAEA in 2011.

The Trade Adjustment Assistance program for Firms (TAAF) was established alongside the Workers program in 1962. The Firms program, administered by the U.S. Department of Commerce Economic Development Administration (EDA), currently provides technical assistance to help trade-impacted firms make strategic ad-

justments that may allow them to remain competitive in a global economy. The technical assistance is provided through 11 regional Trade Adjustment Assistance Centers (TAACs), which operate under cooperative agreements with EDA. Funding for TAAF in fiscal year 2015 was \$13 million.

TAA for Farmers was established by the Trade Act of 2002 (P.L. 107–210). It is administered by the U.S. Department of Agriculture (USDA) and is authorized to provide technical support and cash benefits to producers of agricultural commodities and fishermen who are adversely affected by increased imports. TAA for Farmers last received funding in the first quarter of fiscal year 2011.

#### D. GENERAL DESCRIPTION OF THE BILL

##### TITLE I: EXTENSION OF THE TRADE ADJUSTMENT ASSISTANCE PROGRAM

###### *Section 1—Short title*

Sec. 1. This section contains the short title of the bill, the “Trade Adjustment Assistance (TAA), and for other purposes Act of 2015.”

###### *Section 2—Application of provisions relating to Trade Adjustment Assistance*

On January 1, 2014, the TAA program largely reverted to the provisions in place prior to the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA). These provisions, which are current law, are referred to as “Reversion 2014.”

Reversion 2014 maintains the same number of allowable weeks for Trade Readjustment Assistance (TRA), but has a different eligibility criteria and funding level for worker training. For instance, to be eligible for TRA a worker must enroll in training within 8 weeks of certification or 16 weeks of layoff, whichever is later. Moreover, funding for worker training is capped at \$220 million with an additional 15% for state-based administration. Additional funds are available for job search and relocation allowances; however, case management and employment services are not included. Currently, a manufacturing sector worker is eligible for TAA benefits, and that worker must demonstrate a nexus between their job loss and a country with which the U.S. has a free trade agreement.

This section repeals the sunset provision—section 233 of the TAAEA of 2011—and reinstates prior law as of December 31, 2013 as the date of enactment.

Repealing this provision allows for Section 233 to snap-back to benefit and service levels as amended in the TAAEA of 2011. Without repealing this provision, benefit and service levels would apply according to Reversion 2014. This amendment contains technical and conforming changes to bring the bill into compliance with the intended level of benefits and services.

###### *Section 3—Extension of Trade Adjustment Assistance Program*

Authorization for TAA lapsed on December 31, 2013 and the program has been operating under Reversion 2014. The Consolidated and Further Continuing Appropriations Act, 2015 provided funding for the TAA for Workers program through fiscal year 2015.

This section modifies the authorization termination date for TAA for Workers, TAA for Firms, TAA for Farmers, and the Reemployment TAA programs from December 31, 2013 to June 30, 2021.

The bill would amend section 236(a)(2)(A) of the Trade Act to cap total annual funding for training, employment and case management services (section 235), job search allowances (section 237), and relocation allowances (section 238) at \$450 million for fiscal years 2015 through 2021.

Because the bill reinstates the amendments from the TAA Extension Act of 2011, the following requirements apply to the \$450 million cap: (i) no more than 10% of the amount provided may be spent for Administration; (ii) no less than 5% of the amount provided may be spent for case management and employment services; (iii) the Department of Labor (DOL) may recapture from the states funds remaining unobligated after two or three years and distribute such funds to states in need of funds. In addition, the modification eliminates individual entitlement to job search and relocation allowances, instead granting States the discretion to offer such allowance based on fund availability.

The bill would amend section 246(b)(1) to extend the termination date for the Reemployment Trade Adjustment Assistance (RTAA) from December 31, 2013 to June 30, 2021.

The bill would amend sections 245(a), 255(a), and 298(a) to modify the authorization of appropriations for TAA for Workers through June 30, 2021, and for TAA for Firms and Farmers, respectively, through fiscal year 2021.

This section reflects an agreement for a 7-year extension of the TAA program for Workers, Firms and Farmers. This is a longer-term extension compared to the TAAEA of 2011 (34 months); the AARA of 2009 (12 months); and the Trade Act of 2002 (5 years). The 7-year extension captures the projected impact of increased imports or the outsourcing of jobs to a foreign country from the anticipated conclusion of on-going and future negotiations, including the Trans Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP) negotiations.

The training cap of \$450 million is an increase compared to the \$220 million cap in 2002; however, the cap is a decrease compared to 2009 (over \$600 million) and 2011 (\$575 million).

#### *Section 4—Performance measurement and reporting*

Under current law, section 239(j) of the Trade Act of 1974 dictates the TAA data reporting requirements for a cooperating state. A comprehensive performance accountability report shall be made to the Secretary of Labor on a quarterly basis which consists of core indicators of performance, the identification of additional indicators designed to ensure accuracy and verifiability of such data, and a description of efforts made to improve outcomes for workers under the TAA program.

Under current law, section 239(j)(2) of the Trade Act of 1974 dictates the core indicators to be used for reporting data by a cooperating state. Core indicators of performance include (i) percentage of workers receiving benefits who are employed during the first or second calendar quarter after the worker ceases receiving TAA benefits; (ii) the percentage of workers employed during the 2 calendar quarters following the earliest calendar quarter during which the

worker was employed; (iii) the average earnings of such workers who are employed during the 2 calendar quarters; and (iv) the percentage of workers who obtain a recognized postsecondary credential.

This bill amends section 239(j) of the Trade Act of 1974 in order to align it with the performance accountability measures and reporting requirements under similar federally funded job training programs, such as those implemented under the Workforce Innovation and Opportunity Act (WIOA).

This section requires cooperating states and the Secretary of Labor to prepare performance reports on an annual basis, which must be available in an easily understandable format through electronic means, and requires the Department of Labor to make available certain performance data.

This bill amends section 249(B) of the Trade Act of 1974 to make technical and conforming changes to information on workers for the collection and publication of data and reports.

This bill amends section 247 of the Trade Act of 1974 to include a new definition for a recognized postsecondary credential, which includes industry-recognized certificates/certification, a certificate of completion of an apprenticeship, a license recognized by a state or Federal Government, or an association or baccalaureate degree, which also aligns with similar provisions in WIOA.

In a 2012 U.S. Government Accountability Office (GAO) Report, several state workforce officials noted that data from performance measures did not adequately reflect the program's effect on its participants, and further commented that these measures were not particularly useful for improving program management.

Valuable information on TAA and its impact was not captured by the criteria set forth in the current data reporting requirement. This, in turn, inhibited Congress' ability to perform its oversight responsibilities, to refine and improve the program, its performance, and worker outcomes. The modification to the reporting requirement seek to remedy this problem. Additionally, the new reporting requirement enhances the accountability of the TAA program by making available all performance measures collected annually.

#### *Section 5—Applicability of Trade Adjustment Assistance provisions*

This section establishes the applicable provisions of TAA for Workers who file petitions on or after January 1, 2014 and prior to the date of enactment of this bill. Such gap-period workers who were denied benefits are to be reconsidered for and, if qualified, receive benefits and services in accordance with this bill. Pending applicants that fall within this gap-period will also be considered under the provisions of this bill. The section also narrows the eligibility window for certified workers to 90 days after the date of the enactment of this bill.

In addition, this section provides similar eligibility determination and reconsideration rules for firms under the TAA for Firms program.

#### *Section 6—Sunset provisions*

This section creates a sunset provision requiring the TAA program to revert to the January 1, 2014 parameters after June 30,

2021. This bill amends section 231(c) of the Trade Act of 1974 reverting the TAA for Workers, Alternative Trade Adjustment Assistance (ATAA), TAA for Firms, and TAA for Farmers programs back to the level in effect January 1, 2014 as of July 1, 2021.

While beneficiaries certified for benefits prior to July 1, 2021 will continue to receive benefits to the extent funds are available and the recipient is eligible to receive benefits. The authorization for TAA for Workers, ATAA, TAA for Firms, and TAA for Farmers will terminate on June 30, 2022.

*Section 7: Extension and modifications of the Health Coverage Tax Credit*

In the case of an eligible individual, an advanceable, refundable tax credit is provided for 72.5 percent of the individual's premiums for qualified health insurance of the individual and qualifying family members for each eligible coverage month beginning in the taxable year.<sup>1</sup> The credit is commonly referred to as the Health Coverage Tax Credit (HCTC). The credit is available only with respect to amounts paid by the individual for the qualified health insurance.

Eligibility for the credit is determined on a monthly basis. In general, an eligible coverage month is any month if (1) the month begins before January 1, 2014, and (2) as of the first day of the month, the individual is an eligible individual, is covered by qualified health insurance, the premium for which is paid by the individual, does not have other specified coverage, and is not imprisoned under Federal, State, or local authority. In the case of a joint return, the eligibility requirements are met if at least one spouse satisfies the requirements.

An eligible individual is an individual who is (1) an eligible TAA recipient, (2) an eligible alternative TAA recipient, or (3) an eligible Pension Benefit Guaranty Corporation (PBG) pension recipient.

The provision amends the definition of eligible coverage month for HCTC purposes to include months beginning before January 1, 2020, if the requirements for an eligible coverage month are otherwise met.<sup>2</sup>

In order to coordinate eligibility for the premium assistance credit with eligibility for the HCTC, under the provision, to be eligible for the HCTC for any eligible coverage month during a taxable year, the eligible individual must elect allowance of the HCTC. Further, except as the Secretary of Treasury may provide, the election applies for that coverage month and all subsequent eligible coverage months during the taxable year. The election also must be made no later than the due date, with any extension, for filing his or her income tax return for the year, and is irrevocable. Further, the period for assessing any deficiency attributable to the election (or revocation of the election, if permitted) does not expire before one year after the date on which the Secretary of Treasury is noti-

<sup>1</sup>Sec. 35. Qualifying family members are the individual's spouse and any dependent for whom the individual is entitled to claim a dependency exemption. Any individual who has certain specified coverage is not a qualifying family member. Except where otherwise specified, for purposes of this explanation of section 7 of H.R. 1892, all section references are to the Internal Revenue Code of 1986, as amended (the "Code").

<sup>2</sup>The bill generally also provides for extension of certain expired provisions of the Trade Act of 1974, Pub. L. No. 93-618, as amended, including provisions related to individuals eligible for trade adjustment assistance.

fied of the election (or revocation). The taxpayer is not entitled to the premium assistance credit for any coverage month for which the individual elects the HCTC.

The provision eliminates the 30-day requirement as a requirement for individual health insurance to be qualified health insurance for purposes of the HCTC, but the provision adds a requirement that the individual health insurance not be purchased through an American Health Benefit Exchange, pursuant to the Affordable Care Act. The provision otherwise extends pre-2014 law for qualified health insurance with regard to the Health Coverage Tax Credit, including the rules for State-based coverage, and the treatment of COBRA continuation coverage and coverage under certain Voluntary Employees' Beneficiary Associations as qualified health insurance.

The Secretaries of the Treasury, Health and Human Services, and Labor and the Director of Pension Benefit Guaranty Corporation are directed to carry out programs of public outreach, including on the Internet, to inform potential HCTC eligible individuals of the extension of HCTC availability and the availability of the election to claim such credit retroactively for coverage months beginning after December 31, 2013.

The legislation extends the HCTC through 2019 so that health coverage continues to be affordable for eligible TAA recipients, alternative TAA recipients, and PBGC recipients, as under pre-2014 law.

The provision is generally effective for coverage months beginning after December 31, 2013. For any taxable year beginning after December 31, 2013, but before the date of enactment of the provision, the election to claim the HCTC may be made any time on or after the date of enactment and before the expiration of the 3-year period of limitation with respect to such taxable year,<sup>3</sup> and may be made on an amended income tax return. The requirement that, in order to be qualified health insurance, individual health insurance not be purchased through an American Health Benefit Exchange, pursuant to the Affordable Care Act, is effective for coverage months in taxable years beginning after December 31, 2015.

#### *Section 8: 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.

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.

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<sup>3</sup>Section 6511(a).



*Section 9: Child tax credit not refundable for taxpayers electing to exclude foreign earned income from tax*

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.

*Section 10: Time for payment of corporate estimated taxes*

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.

*Section 11: Coverage and payment for renal dialysis services for individuals with acute kidney injury*

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.

*Section 12: Modification of the Medicare sequester for fiscal year 2024*

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 (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).

The bill would modify sequestration of Medicare spending for the second half of fiscal year 2024 (October 2024 through March 2025) by changing the sequester from  $0.0$  percent to  $-0.25$  percent.

## **II. BUDGETARY IMPACT OF THE BILL**

### **TAA**

#### **COMMITTEE ESTIMATES**

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the following statement is made concerning the estimated budget effects of the revenue provisions of the bill as reported.

The bill, as reported, is estimated to have the following effect on Federal budget receipts for fiscal years 2015–2025:

BUDGET AUTHORITY AND TAX EXPENDITURES

*Budget authority*

In compliance with section 308(a)(1) of the Congressional Budget and Impoundment Control Act of 1974 (“Budget Act”),<sup>4</sup> the Committee states that the [revenue] provisions of the bill as reported involve no new or increased budget authority.

*Tax expenditures*

In compliance with section 308(a)(1) of the Budget Act, the Committee states that the provision of the bill relating to the Health Coverage Tax Credit involves increased tax expenditures and the provision of the bill relating to the child tax credit involves reduced tax expenditures (see revenue table in part A., above).

MAY 5, 2015.

Hon. ORRIN G. HATCH,  
*Chairman, Committee on Finance,*  
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for the Trade Adjustment Assistance Reauthorization Act of 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Christina Hawley Anthony.

Sincerely,

KEITH HALL.

Enclosure.

*S. 1268—Trade Adjustment Assistance Reauthorization Act of 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.

<sup>4</sup>Pub. L. No. 93–344.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015– 2020	2015– 2025
CHANGES IN DIRECT SPENDING <sup>a</sup>													
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.  
<sup>a</sup>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 in direct 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015– 2020	2015– 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 <sup>a</sup>													
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.  
<sup>a</sup>On April 22, 2015, the Senate Committee on Finance approved multiple trade bills. Each of these 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 freestanding 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015– 2020	2015– 2025
Statutory Pay-As-You-Go Impact .....	7	217	409	407	423	-1,571	2,354	214	18	-66	-2,500	-108	-88
<b>Memorandum:</b>													
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.  
<sup>a</sup>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.

Estimate prepared by: Federal Costs: Christina Hawley Anthony—Trade Adjustment Assistance for Workers; Mark Grabowicz—Customs User Fees; Lara Robillard and Jamease Miles—Dialysis Services; Lori Housman—Medicare Sequestration; Dave Hull—TAA for Farmers; Martin von Gnechten—TAA for Firms; Mark Booth and Pamela Greene—Federal Revenues; Impact on State, Local, and Tribal Governments: Jon Sperl; Impact on the Private Sector: Paige Piper/Bach.

Estimate approved by: H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

### III. VOTES OF THE COMMITTEE

In compliance with paragraph 7(b) of rule XXVI of the Standing Rules of the Senate, the following statements are made concerning the roll call votes in the Committee's consideration of the bill.

#### MOTION TO REPORT THE BILL

The original bill to extend the Trade Adjustment and Assistance (TAA) program, and for other purposes, and to amend the Internal Revenue Code of 1986 to expand and modify the credit for health insurance costs of certain eligible individuals, and for other purposes was ordered favorably reported by a roll call vote of 17 ayes and 9 nays on April 22, 2015. The vote, with a quorum present, was as follows (proxy votes are not counted in the total vote on a motion to order a bill reported):

Ayes.—Senators Burr (proxy), Portman, Toomey, Coats, Heller, Wyden, Schumer, Stabenow, Cantwell, Nelson, Menendez, Carper, Cardin, Brown (proxy), Bennet, Casey (proxy), Warner.

Nays.—Senators Hatch, Grassley, Crapo, Roberts, Enzi, Cornyn (proxy), Thune, Isakson, Scott (proxy).

## VOTE ON AMENDMENT

(1) An amendment by Senator Brown (en bloc) to increase funding levels for TAA Workers to \$575 million; expand TAA eligibility to public sector workers; increase funding levels for TAA Firms from \$16 million to \$50 million, was defeated by a roll call vote, 13 ayes and 13 nays.

Ayes.—Portman, Wyden, Schumer (proxy), Stabenow, Cantwell, Nelson, Menendez, Carper, Cardin, Brown, Bennet, Casey (proxy), Warner.

Nays.—Hatch, Grassley, Crapo, Roberts, Enzi, Cornyn (proxy), Thune, Burr (proxy), Isakson, Toomey, Coats, Heller, Scott (proxy).

**IV. REGULATORY IMPACT OF THE BILL**

## TRADE ADJUSTMENT ASSISTANCE

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact of the reported bill.

The bill makes a number of amendments extending the trade adjustment assistance programs. Overall, the bill does not result in an increase in regulatory burdens for States, municipalities or business.

Responsibilities for implementing the trade adjustment assistance program falls principally on the Federal Government, but regulatory burdens are also imposed on the States and, to a lesser extent, municipalities and business.

States—States play a critical role in implementing the trade adjustment assistance program. Under existing law once a petition is certified by the Department of Labor’s Employment and Training Administration (ETA), state workforce agency staff members contact the employer of the adversely affected firm to offer services and obtain a list of affected workers. The state agency then contacts the workers on the list and invites them in for services and to make a determination of individual TAA eligibility. Services include: (i) training; (ii) trade readjustment allowances (TRA); (iii) waivers; (iv) alternative trade adjustment assistance for older workers (ATAA); (v) case management and reemployment services; and (vi) job search and relocation allowances.

The reported bill allows for the continuation of the state’s role and imposes no additional regulatory burden.

Municipalities—There is no regulatory impact of the bill on municipalities.

Businesses—The reported bill will not increase the regulatory burden and does not impose additional paperwork requirements on businesses.

Personal Privacy—The reported bill does not affect the personal privacy of individuals.

Intergovernmental Mandates—The following information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995. (Pub. L. No. 104–4). The Committee has reviewed the provisions of S. 1003 as approved by the Committee on April 22, 2015. In accordance with the requirements of Pub. L. No. 104–04, the Committee has determined that the bill does not contain intergovernmental mandates as defined in the UMRA.

## HEALTH COVERAGE TAX CREDIT

*Impact on individuals and businesses, personal privacy and paperwork*

The HCTC provisions of the bill are not expected to impose additional administrative requirements or regulatory burdens on individuals or businesses. The HCTC provisions of the bill do not impact personal privacy.

*Unfunded Mandates Statement*

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995.<sup>5</sup>

The Committee has determined that the HCTC provisions of the bill do not contain Federal mandates on the private sector. The Committee has determined that the HCTC provisions of the bill do not impose a Federal intergovernmental mandate on State, local, or tribal governments.

*Tax Complexity Analysis*

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (“IRS Reform Act”)<sup>6</sup> requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses. For each such provision identified by the staff of the Joint Committee on Taxation a summary description of the provision is provided along with an estimate of the number and type of affected taxpayers, and a discussion regarding the relevant complexity and administrative issues.

The staff of the Joint Committee on Taxation has determined that a complexity analysis is not required under section 4022(b) of the IRS Reform Act because the bill contains no provisions that amend the Internal Revenue Code and that have “widespread applicability” to individuals or small businesses, within the meaning of the rule.

**V. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED**

In the opinion of the Committee, in order to expedite the business of the Senate, it is necessary to dispense with the requirements of paragraph 12 of rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill as reported by the Committee).

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<sup>5</sup>Pub. L. No. 104-4.

<sup>6</sup>Pub. L. No. 105-206.

## **Why is International Trade & Investment Important to Rhode Island?**

- **International trade, including exports and imports, supports 132,416 Rhode Island jobs – more than 1 in 5.** While Rhode Island's total employment declined from 2004 to 2013, trade-related jobs grew by 17 percent.
- **Rhode Island exported \$2.2 billion in goods and \$1.8 billion in services in 2013, including scrap products, nonferrous metals, misc. manufactured commodities and travel services.** Of Rhode Island's 1,694 exporters, 89 percent are small and medium sized companies with less than 500 workers.
- **Customers in 164 countries and territories buy Rhode Island-made goods and services,** including significant annual exports to top markets like Canada, Germany and Mexico. Rhode Island's goods exports have grown nearly three times faster than state GDP since 2003.
- **Free trade agreements (FTAs) have helped fuel rapid export growth from Rhode Island to partner countries.** In 2013, \$899 million of Rhode Island's goods exports, or 42 percent, went to FTA partners. This represents a 42 percent increase since 2003.

### **Rhode Island's Metropolitan Exports**

To put things in a more local context, in 2013, the metropolitan area Providence-Warwick recorded merchandise exports of ~\$6.6 billion.

### **Top Rhode Island Exports**

Rhode Island ranks 10th in recycled products (\$565 million), 14th in marine products (\$32 million), 20th in nonferrous metals (\$217 million), and 21st in ships & boats (\$21 million).

**One of Rhode Island's fastest growing export categories is resins & synthetic fibers,** which have increased by 13 percent per year since 2003. In 2013, exports of these products reached \$56 million.

**Rhode Island's goods exports have grown nearly three times faster than state GDP since 2003.** The average annual export growth during this period was 7.5 percent, while the average annual state GDP growth was 2.8 percent.

**In 2013, FTA partners purchased 10.4 times more goods per capita from Rhode Island than non--FTA partners.** This is an astounding number and goes to show that when countries must compete fairly with American businesses and ingenuity, Americans and the American economy win.

### **Rhode Island Agriculture**

Rhode Island's agricultural exports reached an estimated \$40 million in 2013\*, up from \$34 million in 2009. Rhode Island's exports help boost farm prices and income, while supporting about 300 jobs both on the farm and in related industries such as food processing, transportation, and manufacturing.

Rhode Island's top five agricultural exports in 2013 were:

1. Vegetables, processed – \$2.1 million
2. Fruits and nuts, processed – \$1.6 million
3. Vegetables, fresh – \$1.1 million
4. Fruits, fresh – \$0.7 million
5. Dairy products – \$0.6 million

And Rhode Island farmers are extremely successful even though they face an average applied tariff to agriculture products of 19% in Japan, 8.9% in Malaysia, and 16.2% in Vietnam. Meanwhile, in the U.S. our average applied tariff is 5.3%. We must have TPA so that Rhode Island farmers can benefit from trade agreements that will lower or eliminate the tariffs and non-tariff barriers they are facing abroad.

Let's help lower tariffs and eliminate non-tariff barriers for Rhode Island's farmers by passing Trade Promotion Authority. When we give Rhode Island's a fair shot at competing globally, it is Rhode Island farmers and the American economy that most benefit.

### **Rhode Island Manufacturing**

Trade supports Rhode Island's high value-added goods, which create high paying and stable jobs. For instance, Rhode Island's key manufacturing exports include:

1. Chemicals - \$375 million
2. Primary Metal Products – \$237 million
3. Miscellaneous Manufactured Goods – \$211 million
4. Electrical Equipment – 163 million
5. Machinery – \$151 million



Rhode Island manufacturers contribute greatly to Rhode Island's economy. Manufacturers in Rhode Island account for 7.74 percent of the total output in the state, employing 8.69 percent of the workforce. Total output from manufacturing was \$4.11 billion in 2013. In addition, there were 41,600 manufacturing employees in Rhode Island in 2014, with an average annual compensation of \$67,501 in 2013.

Leading the export trade in Rhode Island are companies like **Seafreeze, Ltd.**

Seafreeze is a producer of sea frozen fish on the U.S. east coast based in North Kingstown, Rhode Island, supplying sea frozen and land frozen fish to a worldwide range of markets. Its HACCP-certified trawlers target underutilized species, such as Illex Squid, Loligo Squid, Atlantic Mackerel, Atlantic Butterfish, and Atlantic Herring.

The company has long relied on sales to overseas markets through exports. Seafreeze's main markets for exports include TPP countries Canada and Japan, as well as China, the Philippines, Italy, Spain, Iceland, the Faroe Islands, and South Africa. 60% of the company's sales are from exports.

Seafreeze...

- Ships to TPP partner countries
- 60% of total sales are from exports
- Faces tariffs as high as 18% in TPP countries

Let's give Seafreeze the opportunity they need to create more high paying American jobs by passing TPA today. Let's help eliminate the tariffs that are costing Seafreeze, Rhode Island, and the American economy so dearly. Let's help them succeed by removing unfair and artificial impediments to trade so that Seafreeze can create more high paying American jobs!

I urge my colleague(s) from Rhode Island to encourage the entrepreneurial and innovative spirit in Rhode Island by passing Trade Promotion Authority.

## **Why is International Trade & Investment Important to South Carolina?**

- **International trade, including exports and imports, supports 559,329 South Carolina jobs – more than 1 in 5.** These trade---related jobs grew 4.6 times faster than total employment from 2004 to 2013.
- **South Carolina exported \$26.0 billion in goods and \$5.0 billion in services in 2013**, including motor vehicles, rubber products, engines & turbines and travel services. Of South Carolina's 5,966 exporters, 85 percent are small and medium sized companies with less than 500 workers.
- **Customers in 204 countries and territories buy South Carolina-made goods and services**, including billions of dollars in annual exports to top markets like China, Canada and Germany. South Carolina's goods exports have grown nearly three times faster than state GDP since 2003.
- **Free trade agreements (FTAs) have helped fuel rapid export growth from South Carolina to partner countries.** In 2013, \$8.6 billion of South Carolina's goods exports, or 33 percent, went to FTA partners. This represents a 94 percent increase since 2003.

### **South Carolina's Metropolitan Exports**

To put things in a more local context, in 2013, the following metropolitan areas in South Carolina recorded merchandise exports: Greenville-Anderson-Mauldin (\$12.2 billion), Charleston-North Charleston (\$3.5 billion), Spartanburg (\$2.3 billion), Columbia (\$1.7 billion), Florence (\$620 million), Sumter (\$187 million), Hilton Head Island-Bluffton-Beaufort (\$120 million), and Myrtle Beach-Conway-North Myrtle Beach (\$367 million, portions of this MSA are shared with one or more other states).

### **Top South Carolina Exports**

South Carolina ranks among the top 10 state exporters in 16 industries, including first in rubber products (\$2.0 billion), second in motor vehicles (\$7.7 billion) and pulp, paper & paperboard (\$1.1 billion), and third in foundry products (\$62 million).

**One of South Carolina's fastest growing export categories is electrical equipment, which have increased by 27 percent per year since 2003.** In 2013, exports of these products reached \$624 million.

**South Carolina's goods exports have grown nearly three times faster than state GDP since 2003.** Average annual export growth during this period was 9.0 percent, while the average annual state GDP growth was 3.4 percent

**In 2013, FTA partners purchased 7.1 times more goods per capita from South Carolina than non-FTA partners.** This is an astounding number and goes to show that when countries must compete fairly with American businesses and ingenuity, Americans and the American economy win.

### **South Carolina Agriculture**

South Carolina's agricultural exports reached an estimated \$913 million in 2013\*, up from \$635 million in 2009. South Carolina's exports help boost farm prices and income, while supporting about 6,900 jobs both on the farm and in related industries such as food processing, transportation, and manufacturing.

South Carolina ranks among the top 10 exporters of noncitrus fruits, tobacco, peanuts, and poultry.

South Carolina's top five agricultural exports in 2013 were:

1. Broiler meat – \$206 million
2. Cotton – \$170 million
3. Wheat – \$61 million
4. Soybeans – \$58 million
5. Fruits and nuts, processed – \$32 million

And South Carolina farmers are extremely successful even though they face an average applied tariff to agriculture products of 19% in Japan, 8.9% in Malaysia, and 16.2% in Vietnam. Meanwhile, in the U.S. our average applied tariff is 5.3%. We must have TPA so that South Carolina farmers can benefit from trade agreements that will lower or eliminate the tariffs and non-tariff barriers they are facing abroad.

Let's help lower tariffs and eliminate non-tariff barriers for South Carolina's farmers by passing Trade Promotion Authority. When we give South Carolina's a fair shot at competing globally, it is South Carolina farmers and the American economy that most benefit.

## **South Carolina Manufacturing**

Trade supports South Carolina's high value-added goods, which create high paying and stable jobs. For instance, South Carolina's key manufacturing exports include:

1. Transportation Equipment – \$12.1 billion
2. Machinery – \$3.9 billion
3. Chemicals - \$2.7 billion
4. Plastics & Rubber Products – \$2.6 billion
5. Electrical Equipment - \$1.4 billion

South Carolina manufacturers contribute greatly to South Carolina's economy. Manufacturers in South Carolina account for 17.30 percent of the total output in the state, employing 12.03 percent of the workforce. Total output from manufacturing was \$31.76 billion in 2013. In addition, there were 236,800 manufacturing employees in South Carolina in 2014, with an average annual compensation of \$66,556 in 2013.

Leading the export trade in South Carolina are companies like **Transfer Point**.

Transfer Point, based in Columbia, South Carolina, is a woman-owned small company that manufactures dietary supplements, specializing in a very high quality, pure form of Beta-1, 3D Glucan. Thanks to exports, which last year led roughly to one third of total sales, Transfer Point was able to successfully weather the 2008 global financial crisis and even increase sales.

Transfer Point exports to markets in North America, Asia, and Europe. Three of its top markets are current FTA partners and 6 are prospective FTA partners. Transfer Point CEO Marilyn Becker emphatically asserts that expanding FTA partners through TPP and T-TIP could help Transfer Point tackle regulatory barriers and would eliminate tariffs on its products, thus enabling the company to continue to succeed and expand abroad.

For Transfer Point...

- Exports comprise one third of total sales; and
- Benefits greatly from current FTAs

Let's give Transfer Point the opportunity they need to create more high paying American jobs by passing TPA today. Let's help eliminate the barriers that are

costing Transfer Point, South Carolina, and the American economy so dearly. Let's help them succeed by removing unfair and artificial impediments to trade so that Transfer Point can create more high paying American jobs!

I urge my colleague(s) from South Carolina to encourage the entrepreneurial and innovative spirit in South Carolina by passing Trade Promotion Authority.

If, however, my colleague(s) needs more encouragement, perhaps the families and business of South Carolina can encourage them.

## **South Carolina Local Support**

### **Thirty-Two South Carolina Employers, SC (Letter)**

*Signees to the letter were: ABB Inc.; ACS, Inc.; BASF Corporation; Caterpillar; Cummins Inc.; DuPont; Eaton; Ethox Chemicals; Gap Inc.; General Electric; Georgia-Pacific; Honda of South Carolina Mfg, Inc.; Honeywell; Illinois Tool Works Inc.; International Paper; ITRON; Kraft Foods Group, Inc.; MeadWestvaco; Medtronic; Nation Ford Chemical; Nestlé; Resolute Forest Products; Schneider Electric; Siemens Corporation; Solvay; The Coca-Cola Company; The Michaels Stores, Inc.; The Procter and Gamble Company; United Technologies; UPS; W.S. Badcock Corp; Xerox Corporation.*

**TPA Opens The Door To New Opportunities For Business, Farms, Workers, And Families.** “Trade already has clear benefits to South Carolina's economy, and TPA opens the doors to new markets and opportunities for South Carolina businesses, workers, farmers, and families.” (Thirty- Two South Carolina Businesses, Letter to South Carolina Delegation, 4/1/2015)

**TPA Secures The Best Possible Deal.** “TPA also ensures our negotiating partners can be comfortable coming forward with their best offers, since they know Congress will give a final deal full consideration.” (Thirty-Two South Carolina Businesses, Letter to South Carolina Delegation, 4/1/2015)

The Post And Courier, SC (Editorial)

**Congress Needs To Give The President TPA So That Trade Deals Can Be Passed.** “The administration is negotiating a ‘Trans-Pacific Partnership’ with a number of Asian nations (not including China), and has asked Congress to restore a rule that a final agreement cannot be amended afterward by Congress. The House and Senate should give him that authority.” (Post and Courier Editorial Board, “Support trade pact ‘Fast Track’, *Post and Courier*, 4/10/15)

**The President Should Pressure Democrats To Pass TPA.** “The president needs to keep the pressure on his party for trade promotion authority, recognizing the benefits of the Trans-Pacific Partnership. Fast Track needs to pass.” (Post and Courier Editorial Board, “Support trade pact ‘Fast Track’, *Post and Courier*, 4/10/15)

**Rock Hill Herald, SC (Op-Ed)**

*Drew Johnson is a resident of Chester.*

**International Trade Supports South Carolina Jobs And, On Average, Pays Better.** “International trade supports more than one of every five jobs in South Carolina. These jobs grow almost five times faster and they pay about 18 percent more than non-trade-related jobs – exactly the kind of jobs that we need in north central South Carolina.” (Drew Johnson, “Stand for trade and bring back prosperity,” *Rock Hill Herald*, 2/22/2015)

**TPA Gives Congress An Early Voice In Negotiations.** “In order to encourage more of these jobs, I urge Rep. Mulvaney to work with Rep. Paul Ryan, R-Wis., to pass Trade Promotion Authority (TPA), or fast track authority, which gives us a voice early in the negotiations.” (Drew Johnson, “Stand for trade and bring back prosperity,” *Rock Hill Herald*, 2/22/2015)

**Anderson Independent-Mail, SC (Op-Ed)**

*Myron Brilliant is executive vice president and head of international affairs at the U.S. Chamber of Commerce.*

**TPA Enables The President And Congress To Work Together On Trade.** “However, the United States has never entered into a major trade deal without TPA. It’s based on the commonsense notion that Congress and the White House should work together on trade.” (Myron Brilliant, “Congress considering ‘fast-

tracking’,” *Anderson Independent-Mail / Tribune News Service*, 4/11/15)

**TPA Is A Way To Strengthen Congress’ Negotiating Ability.** “TPA does not give the president a blank check; in fact, it strengthens the voice of Congress on trade. It lets lawmakers set objectives for trade negotiations and requires the administration to consult closely with Congress throughout trade talks. And, important, it gives lawmakers the final say on a trade deal in the form of an up-or-down vote.” (Myron Brilliant, “Congress considering ‘fast-tracking’,” *Anderson Independent-Mail / Tribune News Service*, 4/11/15)

**Trade Has Been A “Bright Spot” For American Farmers And Manufacturers.** “Trade has been a bright spot for the U.S. economy over the past five years, with exports rising by more than 50 percent. About one in four manufacturing jobs depends on exports, and they pay wages that are typically 18 percent higher than those that aren’t. One in three acres on American farms is planted for consumers overseas.” (Myron Brilliant, “Congress considering ‘fast-tracking’,” *Anderson Independent-Mail / Tribune News Service*, 4/11/15)

**Trade Agreements Are The Best Way To Eliminate Trade Barriers For U.S. Companies.** “However, the international playing field is often unfairly tilted against American workers and companies. While our market is generally open, U.S. exports face foreign tariffs that often soar into double digits as well as a tangle of nontariff barriers. Trade agreements are the only way to tear down these barriers. By creating a level playing field, they help U.S. companies and the workers they employ compete in overseas markets. But without a proactive and determined trade agenda, we’ll be on the outside looking in.” (Myron Brilliant, “Congress considering ‘fast-tracking’,” *Anderson Independent-Mail / Tribune News Service*, 4/11/15)

**TPA Is Critical To South Carolina's Long-Term Success.** “In short, TPA is critical to the long-term success of South Carolina's small, medium, and large globally engaged businesses and farmers in addition to their workers and families. We encourage you to support it.” (Thirty-Two South Carolina Businesses, [Letter to South Carolina Delegation](#), 4/1/2015)

