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H.R. 2832, Generalized System of Preferences Act, **LEGISLATIVE BULLETIN**

CENTRAL POINTS:

- H.R. 2832 will extend the Generalized System of Preferences (GSP) program, which expired in 2010, retroactively and through July 31, 2013. The GSP program provides non-reciprocal duty-free tariff treatment to 4,800 products from 129 developing countries.
- In 2009, total GSP imports were \$20.2 billion and in 2008 were \$31.7 billion. The worldwide economic downturn is to blame for the 36% decrease.
- For nearly 50 years, Trade Adjustment Assistance (TAA) has provided support to workers whose jobs are threatened by increased import pressure or are shipped overseas. In 2009, TAA was expanded to include service-industry workers and those workers whose jobs have been shipped to countries like China and India, where we don't have trade agreements. This expansion, which benefited nearly 200,000 American workers, expired in February. As a result, service-industry workers and workers whose jobs were offshored to China and India have been shut out of the program and denied the benefits to retrain and get a new job.
- This amendment would restore these and other important provisions from the 2009 package.

BACKGROUND

On December 31, 2010, the Generalized System of Preferences (GSP) Act expired. Likewise, the expanded Trade Adjustment Assistance (TAA) benefits passed as part of the 2009 stimulus act expired on February 12, 2011. As a result, workers who lost their jobs due to trade with China, India and other countries with which the U.S. does not have a free trade agreement are no longer eligible to receive TAA benefits. The 2009 reforms also included more robust training opportunities and improved health coverage assistance, which also expired in February. Senate Republicans blocked a number of Democratic attempts to extend the 2009 TAA reforms before they expired in February. In June, Senate Finance Committee Chairman Max Baucus and House Ways & Means Chairman Dave Camp announced the bipartisan TAA deal that the Senate will vote on this week.

On September 7, the House passed H.R. 2832, the Generalized System of Preferences Act, by voice vote. The amendment that Chairmen Baucus and Camp negotiated would reauthorize the key provisions of the lapsed TAA law. On September 16, Leader Reid filed cloture on the motion to proceed to consideration of the GSP Act, which will be the vehicle for TAA.

President Obama has repeatedly pledged that he will not move forward with the three pending free trade agreements until TAA is extended. According to CQ, "After the Senate passes the GSP and TAA bill, the House is expected to clear it, at which point Obama would submit the trade deals to Congress if he had not done so already."

KEY FACTS

- This legislation, with the amendment Senator Baucus will introduce that reflects an agreement with House Ways and Means Chairman Camp, will renew and extend both the Generalized System of Preferences (GSP) and Trade Adjustment Assistance (TAA) while preserving the key reforms enacted in the 2009 TAA expansion.
- The Generalized System of Preferences (GSP) program provides non-reciprocal, duty-free tariff treatment to certain products from particular beneficiary developing countries (BDCs). The program was designed to help developing countries strengthen their economies, but has now become integral in helping American manufacturers that import goods under GSP keep production costs low and remain competitive. GSP expired on December 31, 2010. This bill would extend GSP retroactively and through July 31, 2013.
- According to the Coalition for GSP, "U.S. manufacturers benefitted from GSP duty-free treatment for industrial supplies, raw material, capital goods, and parts worth \$16.6 billion in 2010. These products represented nearly three quarters of total imports under the GSP program." It is estimated that since GSP expired on December 31, 2010, U.S. companies lost \$394 million in the first seven months of 2011.
- Prior to expiration, GSP provided duty-free treatment to 4,800 types of products entering the U.S. from 129 developing countries.
- The leading U.S. imports from GSP beneficiaries were mineral oils and fuels, precious metals and stones, plastics, rubber, iron, steel, aluminum, wood, and medical instruments. In 2009, total GSP imports were \$20.2 billion and in 2008 were \$31.7 billion. The worldwide economic downturn is to blame for the 36% decrease.
- Trade Adjustment Assistance (TAA) provides benefits and support to U.S. workers who lose their jobs due to the negative effects of international trade. TAA programs offer necessary retraining opportunities, health insurance assistance, and other crucial support initiatives to workers affected by globalization. TAA also helps small businesses and farmers become more competitive through the TAA for Firms and TAA for Farmers program. These programs were expanded in 2009 to cover more workers and offer more benefits, but those robust reforms expired in February 2011.
- The Baucus amendment to H.R. 2332 would include the TAA improvements passed in 2009 such as guaranteeing access to training for American services workers and manufacturing workers. It would allow workers to qualify for TAA benefits if their firms shifted production to any country, including China and India, not just counties with which the U.S. has entered into a free trade agreement.

- The Baucus amendment would ensure that workers in industries suffering from unfair trade and import surges as a result of unfair foreign subsidies, dumping of foreign goods, and unexpected surges would automatically be eligible to receive TAA benefits if their layoffs occurred within one year before or after an affirmative injury determination by the International Trade Commission.
- The 2009 TAA bill increased training money from \$220 million to \$575 million; the Baucus amendment would preserve that increase, although it would make the \$575 million the cap for states to spend on training, job search and relocation, and program administration, rather than authorizing the money solely for training purposes. The amendment would authorize the \$575 million for fiscal years 2012 and 2013 and would prorate funds for the period beginning October 1, 2013 and ending December 31, 2013 to ensure that states have enough funding for provide long-term job training in these tough economic times. To stay under the cap, the Baucus amendment would streamline administration program costs by consolidating administration, case management, job search, and relocation funding.
- The Baucus amendment would provide training for up to 117 weeks, giving all workers the opportunity to receive long-term training. The amended version would also provide an additional 13 weeks of training for workers if the training leads towards the completion of a degree of an industry-recognized credential.
- The 2009 bill increased the health insurance subsidy for health care premiums for TAA-eligible individuals from 65% of the premium to 80% of the premium. Since the 2009 law expired earlier this year, the subsidy has reverted to 65%. The Baucus amendment would set the subsidy halfway between the 65% and 80%, at 72.5% of the premium. The amendment would also provide workers with retroactive payments to help cover the up-front costs of obtaining health coverage and provide coverage for the worker's spouse and dependents.
- The amendment would allow workers called up for active duty military or full-time National Guard service to restart their TAA enrollment process after completing their service.
- The Baucus amendment would maintain the 2009 reforms in the TAA for Firms program aimed to help small manufacturing and services firms improve their competitiveness internationally; however, it would reduce the annual authorization level from \$50 million to \$16 million.
- Likewise, the Baucus amendment would retain the 2009 changes to the TAA for Farmers program that provided benefits and technical assistance to farmers and fishermen, but would reduce the annual authorization to \$90 million.

STATE-BY-STATE RESOURCES

GSP Expiration Impacts by State, including dollar amount of imports and local companies supporting GSP renewal: <http://renewgsptoday.com/gsp-state-reports/>

TAA Statistics by State, including number of workers who benefited in Fiscal Year 2010:
<http://www.doleta.gov/tradeact/StatMap.cfm>

Database to find TAA applications and approvals in your state or city:
http://www.doleta.gov/tradeact/taa/taa_search_form.cfm

SECTION-BY-SECTION SUMMARY

TITLE I – EXTENSION OF GENERALIZED SYSTEM OF PREFERENCES

Sec. 101. *Extension of Generalized System of Preference (GSP)*. Extends GSP through July 31, 2013, provides that the extension shall take effect fifteen days after enactment of the bill, and retroactively applies duty-free treatment to eligible products that entered the United States after GSP expired on December 31, 2010 and before the extension becomes effective.

TITLE II – TRADE ADJUSTMENT ASSISTANCE

Subtitle A – Extension of Trade Adjustment Assistance

Part 1 – Application of Provisions Relating to Trade Adjustment Assistance

Sec. 201. *Extension of Provisions Relating to Trade Adjustment Assistance (TAA)*. Extends the Trade and Globalization Assistance Act (TGAA) as in effect on February 12, 2011 and applies those provisions to TAA petitions filed on or after the date of enactment of this bill. This section extends coverage to almost all workers under the TGAA, including services sector workers, workers whose jobs shift to non-FTA partner countries, automatic certification of workers laid off from a firm suffering from unfair trade and import surges, and secondary services sector workers.

Part 2 – Trade Adjustment Assistance for Workers

Sec. 211. *Group Eligibility Requirements*. Eliminates the eligibility of public sector workers from the TAA for Workers program.

Sec. 212. *Reductions in Waivers from Training*. Eliminates three previously applicable waivers from TAA's training requirements: the recall, marketable skills, and retirement waivers. Adds a federal good cause waiver.

Sec. 213. *Limitation of Trade Readjustment Allowances*. Establishes a maximum amount of Trade Readjustment Allowance (TRA) benefits of 113 weeks but allows for an additional 13 weeks of TRA benefits if the worker completes training during that period.

Sec. 214. *Funding of Training, Employment and Case Management Services, and Job Search and Relocations Allowances*. Establishes a \$575 million cap on training and consolidates funding for administration, case management, and job search and relocation allowances under that cap.

Sec. 215. *Reemployment Trade Adjustment Assistance*. Provides wage insurance – 50 percent of the wage differential between the old job and the new job, up to \$10,000 – to workers 50 years of age or older. Allows workers to switch from (TRAs to wage insurance payments at any time during their training. Allows a worker who completes training and is reemployed to receive wage insurance in lieu of TRA benefits for the remainder of the worker's TRA eligibility.

Sec. 216. *Program Accountability*. Refines performance metrics and adds additional reporting requirements for the TAA for Workers program.

Sec. 217. *Extension*. Extends the authorization of appropriations for the TAA for Workers program until December 31, 2013.

Part 3 – Other Adjustment Assistance

Sec. 221. *Trade Adjustment Assistance for Firms*. Establishes additional reporting requirements for the TAA for Firms program and authorizes \$16 million in appropriations for the program annually.

Sec. 222. *Trade Adjustment Assistance for Communities*. Establishes additional reporting requirements for the TAA Community College and Career Training Grant Program.

Sec. 223. *Trade Adjustment Assistance for Farmers*. Establishes additional reporting requirements for the TAA for Farmers program. Authorizes \$90 million in discretionary appropriations for the program annually.

Part 4 – General Provisions

Sec. 231. *Applicability of Trade Adjustment Assistance Provisions*. Allows petitions to be filed retroactively beginning on or after February 13, 2011 for the TAA for Workers and TAA for Firms programs.

Sec. 232. *Termination Provisions*. Terminates the provisions in this bill for the TAA for Workers, TAA for Firms, and TAA for Farmers programs after December 31, 2013.

Sec. 233. *Sunset Provisions*. Provides for the TAA for Workers, TAA for Firms, and TAA for Farmers programs to revert to the 2002 law that was in effect on February 13, 2011 after the provisions in this bill terminate at the end of 2013.

Subtitle B – Health Coverage Improvement

Sec. 241. *Health Care Tax Credit (HCTC)*. Provides for the availability of health care benefits retroactively to February 13, 2011, sets the HCTC at 72.5 percent until December 31, 2013, and terminates the HCTC beginning on January 1, 2014.

Sec. 242. *TAA Pre-Certification Period Rule for Purposes of Determining Whether there is a 63-Day Lapse in Creditable Coverage*. Extends through December 31, 2013 the rule under which the period between an individual's loss of coverage and seven days after the worker's TAA certification is disregarded in determining whether there is a 63-day lapse in creditable coverage for the HIPAA health coverage protections.

Sec. 243. *Extension of COBRA Benefits for Certain TAA-Eligible Individuals and PBGC Recipients*. Extends COBRA benefits for certain TAA-eligible workers and Pension Benefit Guaranty Corporation (PBGC) recipients through December 31, 2013.

Subtitle C – Offsets

Part 1 – Unemployment Compensation Program Integrity

Sec. 251. *Mandatory Penalty Assessment on Fraud Claims*. Amends the Social Security Act (SSA) to require states to assess a penalty of not less than 15 percent of the amount overpaid on any claim for benefits that is determined due to the claimant's fraud.

Sec. 252. *Prohibition on Noncharging Due to Employer Fault*. Amends the Federal Unemployment Tax Act to prohibit states from relieving an employer of benefit charges due to a benefit overpayment if: (1) the employer has caused the overpayment by failing to provide timely or adequate information in response to

a request from the state unemployment compensation agency; and (2) if the employer has established a pattern of failing to respond timely or adequately to such requests.

Sec. 253. *Reporting of Rehired Employees to the Directory of New Hires.* Amends title IV-D of the SSA to require, as a condition of the state's child support enforcement grant, that rehires be reported by all employers to the state directory of new hires.

Part 2 – Additional Offsets

Sec. 261. *Improvements to Contracts with Medicare Quality Improvement Organizations (QIOs) in Order to Improve the Quality of Care Furnished to Medicare Beneficiaries.* Amends current law to (1) change the geographic scope of QIO contracts to include national entities and multiple QIOs within a geographic area; (2) grant the Centers for Medicare and Medicaid Services the authority to award QIO contracts within a state or region to different contractors for administrative case review and quality improvement; (3) grant the Secretary of Health and Human Services greater ability to limit conflicts of interests within QIOs; (4) allow QIO contracts to be awarded for a period of five years; (5) grant the Secretary enhanced ability to terminate underperforming QIOs; and (6) enhance the program's administrative operations and bring QIO contracting principles in line with other government contracts by introducing competition and incentives.

Sec.262. *Rate for Merchandise Processing Fees.* Increases the rate of merchandise processing fees from .21 percent to .3464 percent for the period beginning on October 1, 2011, and ending on November 30, 2015. It then decreases the rate of merchandise processing fees from .21 percent to .1740 percent for the period beginning on October 1, 2016 and ending on September 30, 2019.

Sec. 263. *Time for Remitting Certain Merchandise Processing Fees.* Requires importers of record to pay by September 25, 2012 merchandise processing fees for merchandise entered on or after October 1, 2012 and before November 12, 2012. It also provides for the Secretary of the Treasury to reconcile fees prepaid with the fees for services actually provided, and to provide refunds with interest for overpayments.



Trade and Globalization Adjustment Assistance Act (TGAAA) Worker Certifications 5/18/2009 – 6/27/2011

State	Estimated Total Workers Certified Under New Provisions	Estimated Total Workers Certified Under All Provisions	Estimated Percent of Workers Certified Under New Provisions
Alabama	4,710	11,277	41.77%
Alaska	3	3	100.00%
Arizona	4,969	8,540	58.16%
Arkansas	807	6,192	13.03%
California	20,942	30,619	68.40%
Colorado	2,755	3,652	75.44%
Connecticut	2,916	4,728	61.68%
DC	50	50	100.00%
Delaware	13	1,281	1.01%
Florida	2,867	6,196	46.27%
Georgia	1,887	5,684	33.20%
Hawaii	43	43	100.00%
Idaho	1,549	2,228	69.52%
Illinois	6,997	19,772	35.39%
Indiana	3,717	17,047	21.80%
Iowa	1,479	4,380	33.77%
Kansas	1,065	6,076	17.53%
Kentucky	3,519	9,755	36.07%
Louisiana	601	2,261	26.58%
Maine	914	3,506	26.07%
Maryland	1,556	3,118	49.90%
Massachusetts	6,821	9,745	69.99%
Michigan	14,440	49,642	29.09%
Minnesota	4,325	9,166	47.19%
Mississippi	392	2,566	15.28%
Missouri	2,889	9,328	30.97%
Montana	316	658	48.02%
Nebraska	1,130	2,121	53.28%
Nevada	61	89	68.54%
New Hampshire	382	1,471	25.97%
New Jersey	4,744	6,329	74.96%
New Mexico	1,467	2,412	60.82%
New York	9,411	18,795	50.07%
North Carolina	9,674	19,569	49.44%
North Dakota	905	905	100.00%
Ohio	7,706	33,905	22.73%
Oklahoma	1,473	1,976	74.54%
Oregon	6,045	11,981	50.45%
Pennsylvania	9,932	27,401	36.25%
Puerto Rico	42	821	5.12%
Rhode Island	579	1,401	41.33%
South Carolina	4,133	8,358	49.45%
South Dakota	350	925	37.84%
Tennessee	6,676	17,712	37.69%
Texas	11,706	20,441	57.27%
Utah	2,233	3,328	67.10%
Vermont	344	964	35.68%
Virginia	4,256	10,951	38.86%
Washington	2,547	7,269	35.04%
West Virginia	1,760	3,688	47.72%
Wisconsin	5,731	16,864	33.98%
Wyoming	0	46	0.00%
Total	185,783	447,235	41.54%