

TRADE ADJUSTMENT ASSISTANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE						
(Dollars in Thousands)						
	FY 2008 Enacted	FY 2009 Enacted	Diff. FY08 Enacted / FY09 Enacted	Recovery Act	FY 2010 Request	Diff. FY09 Enacted / FY10 Req
Activity Appropriation	929,700	958,800	29,100	0	1,818,400	859,600
FTE	0	0	0	0	0	0

Introduction

The Trade Adjustment Assistance for Workers, Alternative Trade Adjustment Assistance (ATAA), and Reemployment Trade Adjustment Assistance (RTAA) programs are authorized under the Trade Act of 1974, as amended. These programs, collectively referred to as Trade Adjustment Assistance (TAA), provide assistance to workers who have been adversely affected by foreign trade. Economic globalization has led to dynamic changes in many business sectors. While many new jobs are created, others are lost. The current global economic crisis has intensified this phenomenon. In the global economy, the TAA program is an important tool for keeping our nation's workforce competitive.

On February 17, 2009, President Obama signed into law the Trade and Globalization Adjustment Assistance Act of 2009, as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Recovery Act is an unprecedented effort to jumpstart our economy by creating or saving millions of jobs. The provisions in the Recovery Act, including the reauthorized and reformed TAA program, are necessary to help the millions of families whose lives have been upended by the economic crisis.

The newly reauthorized TAA program allows trade-affected American firms and workers to become more competitive by expanding TAA coverage to more workers and firms, including workers and firms in the service sector; making benefits available to workers whose jobs have been off-shored to any country, as opposed to only covering countries in a free-trade agreement with the United States; and improves workers' training opportunities and opportunities for health insurance coverage. The reauthorization under the Recovery Act extends the TAA program until December 31, 2010. The new TAA program also expands the scope of the program to better assist trade-dislocated workers in finding new employment. It includes additional funding for employment services and case management and encourages the types of long-term training necessary for jobs in the 21st century economy through an extension of income support, increased funding for training, and earlier access to training for some employees.

The TAA program currently offers the following services to eligible individuals: training, weekly income support, out-of-area job search and relocation allowances, employment and case management services, assistance with health insurance coverage through the utilization of the Health Coverage Tax Credit (HCTC) offered by the Internal Revenue Service, and wage insurance for some workers through RTAA or ATAA. RTAA is a wage insurance option available to older workers authorized by the Recovery Act. RTAA replaces the ATAA program, which provided wage insurance to reemployed older workers as a pilot project under the TAA

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Reform Act of 2002. Workers previously eligible for ATAA, or certified on petitions filed before May 18, 2009, will continue eligibility under that program.

The Recovery Act amended the TAA program and the benefits available in several substantial ways. The statutory cap on funds that may be allocated to the States for training was raised from \$220,000,000 to \$575,000,000 per year. The maximum amount of Trade Readjustment Allowance (TRA) income support a worker may receive was extended, and the deadlines for enrolling in training were lengthened to ease the enrollment process. The Recovery Act also raised the amount of the HCTC from 65 percent to 80 percent of the amount trade-affected workers pay for qualifying coverage under qualified health insurance.

As discussed above, the Recovery Act renamed the ATAA program the Reemployment Trade Adjustment Assistance, or RTAA, program. Under the RTAA, workers at least 50 years of age who obtain different, full-time employment at wages less than the wages earned in the adversely-affected employment may receive 50 percent of the wage differential, up to a maximum of \$12,000, during their eligibility period. To be eligible for the RTAA program, workers may not earn more than \$55,000 per year in the new full-time employment. RTAA is also available to qualified workers employed at least 20 hours per week and enrolled in a training program approved under TAA.

Additionally, the Recovery Act included a requirement that case management and employment services be available to TAA program participants. At a minimum, TAA participants must be offered the following: comprehensive and specialized assessments of skill levels and needs; individual employment plans for each impacted worker; information on available training and how to apply for training (if appropriate); information on how to apply for financial aid; short-term prevocational services (if appropriate); individual career counseling; employment statistics information (labor market information); and information on the availability of supportive services.

There are now two separate funding vehicles to pay for these case management and employment services. First, states are required to use not more than 1/3 of the administrative funds made available yearly to the state to cover administrative expenses and for the provision of employment and case management services. Second, the states are provided a yearly dedicated funding stream of \$350,000 to provide the required case management and employment services.

Performance Measures

Current Program Performance Measures for TAA are:

Entered Employment Rate: Percent of TAA participants employed in the first quarter after exiting the program.

Employment Retention Rate: Percent of TAA participants employed in the first quarter after exit who are still employed in the second and third quarters after exit.

Average earnings: Earnings in the second and third quarters after program exit.

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FY 2010 Program Performance Measures (Core Indicators):

Beginning in FY 2010 the program will use the following measures as prescribed by the Trade and Globalization Adjustment Assistance Act of 2009.

Entered Employment Rate: Percent of TAA participants receiving benefits who are employed during the second calendar quarter following the calendar quarter in which the workers cease receiving TAA benefits.

Employment Retention Rate: Percent of TAA participants employed in each of the third and fourth calendar quarter following the calendar quarter in which the workers cease receiving TAA benefits.

Average earnings: Earnings in the third and fourth calendar quarters following the calendar quarter in which the workers cease receiving TAA benefits.

In FY 2006-07, TAA achieved its performance goals; however, due to the downturn in the economy the entered employment rate dropped in FY 2008 and consequently, the program did not achieve its goal for that period. Accordingly, performance targets have been adjusted for FY 2009-10 to reflect the impact of the increase in unemployment rates. In FY 2008, the results for entered employment, retention, and average earning were 69%, 90%, and \$14,281, respectfully. Targets for FY 2010 are 64.9% for entered employment, 87.30% for retention, and \$13,319 for average earnings. Improvement plans include making adjustments to the formula for allocating training funds to states and developing a review process to verify the accuracy of trade petition certifications and denials. ETA is also documenting steps and requirements for petition processes to develop standard operating procedures.

Funding Mechanism

The Department provides grants to states for the operation of the TAA program. Funding provided to states is used to support the training needs of TAA-certified individuals, job search allowances, relocation allowances, income support, and case management and employment services for individuals adversely affected by foreign trade. Training expenditures are subject to a legislative cap of \$575,000,000 a year. Income maintenance and RTAA benefits are uncapped. The TAA reauthorization in the Recovery Act made changes in the way TAA training funds are distributed to the States, and the Department will be developing the necessary regulations.

States also receive an additional 15 percent of their training allocation for administrative expenses. States are required to use not less than 1/3 of the amount they receive for TAA administration to cover employment and case management services, and each state is provided \$350,000 to cover these costs as well. Administrative costs of providing income support are funded through discretionary grants out of the State Unemployment Insurance and Employment Service Operations account.

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Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2005	1,057,300	0
2006	966,400	0
2007	837,600	0
2008	888,700	0
2009	958,800	0

NOTE: Excludes Recovery Act Funding. See budget activity head table.

FY 2010

For FY 2010, ETA requests \$1,818,400,000. The request is an increase of \$859,600,000 over the FY 2009 level, which reflects not only the expansions to the program under the Recovery Act reauthorization, but also takes into account the significant increase in program applications and certifications due to the recession. Based on a projected 30 percent increase in applications due to program expansions authorized by the 2009 legislation, it is estimated that 213,000 trade affected workers will be certified in FY 2010.

To be eligible for TAA benefits, a group of workers, a company official, a union or other duly authorized representative, or a One-Stop operator or One-Stop partner must file a petition with the Department of Labor. In response to the petition, the Department institutes an investigation to determine whether the workers' jobs were affected as a result of foreign trade. If the Department determines that the workers meet the statutory criteria, it issues a certification of eligibility for the workers in the group to apply for benefits and services through the One-Stop Career Center system

Once covered by a certification, individual workers apply for benefits and services through the One-Stop Career Center system. Each benefit and service has specific individual eligibility criteria that must be met, such as previous work history, unemployment insurance eligibility, and individual skill levels.

FY 2009

The FY 2009 appropriation was \$958,800,000, which included funds for training, job search and relocation allowances, administration, TRA, and ATAA.

In FY 2009, petition activity increased sharply and TAA expects an increase in the number of petitions to be filed on or after May 18, 2009, as a result of the TAA expansions in the Recovery Act. As of FY 2009, 2nd Quarter, over 100,000 estimated workers have been certified for TAA. By the end of FY 2009, it is estimated that 164,000 workers will be certified.

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Performance in FY 2009 will largely reflect FY 2008 data, as TAA performance indicators lag 5.5 quarters. FY 2009 reports the TAA participants from 2007/2008. These individuals exiting the TAA program face deteriorating economic conditions and will be competing in a saturated job market characterized by long-term unemployment.

Individuals who are TAA certified in FY 2009 will not be captured in a performance measure until at least 2011.

Recovery Act

As discussed, the Recovery Act included the reauthorization and reform of TAA, but appropriated no funds under that law for FY 2009. If additional resources are needed, funds can be transferred from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent that funds are available.

FY 2008

The FY 2008 appropriation for the TAA program was \$929,700,000, which included \$41,000,000 in transfers from the Advances to the Unemployment Trust Fund and Other Funds account. Of the funds available, \$259,700,000 were for TAA training, job search and relocation allowances, and administration; \$652,000,000 were for trade readjustment allowances; and \$28,000,000 were for wage subsidies (ATAA).

During FY 2008, approximately 126,370 individuals were certified as eligible for TAA services and benefits; 42,000 new recipients received TRA and 81,000 received training.

In FY 2008, the TAA program exceeded one of three targets: average earnings were \$231 higher than the target of \$14,050. Entered employment was not met since the results were four percentage points lower than the target of 73% and retention was one percentage point short of the 91% target.

WORKLOAD SUMMARY			
(Dollars in Thousands)			
	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Federal Unemployment Benefits and Allowances			
Participants	81,051*	105,366	136,975
Cost per Participant	\$11,471	\$9,100	\$13,275
Budget Activity Total	929,700	958,800	1,818,400

*FY 2008 enacted participant is derived by taking the total number of TAA participants in training on the last day of the previous FY and adding the total number of TAA participants entering training for FY 2008 FY 2009 and FY 2010 projections are based on a 30% increase from the previous FY, TAA reauthorization has vastly extended TAA eligibility criteria.

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PERFORMANCE GOAL INDICATORS

Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program.										
	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009	FY 2010
	Goal Not Achieved		Goal Achieved		Goal Achieved		Goal Not Achieved			
Performance Indicator	Target	Result	Target	Result	Target	Result	Target	Result	Target	Target
1. Percent of participants employed in the first quarter after exit.	70%	70%	70%	72%	70%	70%	73%	69%	65.2%	64.9%
2. Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit.	89%	91%	85%	90%	85%	88%	91%	90%	87.5%	87.3%
3. Average earnings in the second and third quarters after exit. (Results and targets for FY 2003-2006 are for a wage replacement rate.)	80%	76%	80%	77%	Baseline	\$13,915	\$14,050	\$14,281	\$13,386	\$13,319
Baseline(s): The average earnings measure was added in FY 2007.										
Data Sources: TAPR (Trade Act Participant Report) submitted by the states to the Department of Labor.										
Comments: Targets from FY 2008 through 2010 adjusted using a regression model that accounts for the impact of the unemployment rate on program performance.										

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BUDGET ACTIVITY by OBJECT CLASS						
(Dollars in Thousands)						
		FY 2008 Enacted	FY 2009 Enacted	Recovery Act	FY 2010 Request	Change FY 10 Req / FY 09 Enacted
41.0	Grants, subsidies, and contributions	929,700	958,800	0	1,818,400	859,600
Total		929,700	958,800	0	1,818,400	859,600

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CHANGES IN FY 2010

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

TAA Training

200

TAA Benefits

829,000

RTAA

30,400

Built-Ins Subtotal

859,600

	Estimate	FTE
Base	1,818,400	0