

*Remarks by Congressman Phil English on Trade Adjustment Assistance
October 5, 2004*

The Trade Adjustment Assistance (TAA) program lends a helping hand through unemployment benefits and job training to workers displaced by foreign trade. The program represents a unique economic development tool which can help entire communities retain jobs and prepare those displaced by trade for new, sustainable jobs.

TAA for Firms provides us with the tools to expand employment opportunities by allowing domestic employers to better compete with foreign firms. Furthermore, TAA saves and creates jobs and helps communities contend with imports without creating artificial barriers to trade or restricting the free flow of goods; this is the only U.S. trade remedy which can make this claim. Both TAA and TAA for Firms have experienced an undisputable record of success. Congress must continue these programs and adequately fund them to ensure that they function in a manner useful to their constituencies.

Since 1975, over 3 million American workers have been certified as eligible for assistance under TAA, and approximately 1.9 million workers have received assistance. The development and utilization of one-stop shops has streamlined the TAA certification process, increasing the re-placement rate for workers and increasing resources for responding to the needs of displaced workers.

TAA for Firms, created by the Trade Act of 1974, helps small and medium sized businesses compete with foreign competition by providing technical assistance in areas as diverse as marketing, distribution, systems development and integration, product development, production, finance, and information management. This vital program contributed to saving and creating 59,106 jobs for the period of 1996-2000. TAA for Firms has helped businesses save and increase sales by over \$6.7 billion since 1996. A 1998 independent study of TAA for Firms conducted by the Urban Institute found that TAA for Firms had a 261-348% return on investment.

Chronic problems persist with TAA, however, that limit the program's potential to transition those displaced by trade. Pennsylvania proves an excellent case study in what Congress and the Administration must do in order to improve TAA. As a result of the historical method states sought funds for TAA expenditures - which by all accounts was a spend first, ask for reimbursement later policy - Pennsylvania accrued a \$51 million deficit by the end of FY2002. These deficits eventually resulted in the suspension of new certifications in the state for several months.

Upon examination, the Department of Labor Inspector General found that TAA funding deficits were not unique to Pennsylvania. In response, the Department of Labor instituted a new "planning estimate" system for states in order to avoid large deficits of this kind. But, while the planning estimate system has been helpful and user friendly it has not eliminated the root cause of problem: chronic underfunding of the TAA program.

Rather, the new planning estimate system has shifted the deficit from after TAA benefits have been granted to before benefits are approved, forcing states to be approved for National Emergency Grants or curtail their programs before they begin each fiscal year. As a result,

National Emergency Grants must continue make up the difference between what the Department of Labor is providing to states and actual need – \$18 million for Pennsylvania in FY04 – otherwise TAA programs will cease to function in many states. **Congress must continue to increase the authorization for TAA and TAA for Firms to keep pace with demand and funds must be appropriated to the maximum authorized levels.**

Not all reforms may be on the federal level, however. **States should examine the administration of their TAA programs and streamline them where possible in order to achieve cost savings and enhanced service for beneficiaries.** For example, in 2002 the Department of Labor Inspector General, after conducting a programmatic review of Pennsylvania's program found:

- A very small central office making all decisions relative to training requests; there were four staff and a supervisor handling all requests from 120 field officers;
- Every part of the training process was done manually, on paper;
- Entitlement mentality drove the program; almost every enrolled participant was placed in training and assessment was very inconsistent – even prior to the Trade Act of 2002 certification timeline changes; and
- Performance reports were produced manually, were consistently late, and data was not reliable.

In response to the Inspector General's audit, Pennsylvania undertook substantial reforms and made significant investment in the administration of TAA. Cost savings have been the result and the program has benefited.

In addition to streamlining operations at the state level, we must **develop distinct and effective data reporting in order to evaluate patterns relating to trade impacted workers.** Only with such data in hand can we begin to fine tune the TAA programs and assist displaced workers and impacted firms with the greatest efficiency.

Finally, Congress must make common sense changes to the organization of the TAA for Firms program. Currently TAA for Firms is administered by Commerce's Economic Development Administration. The program's authorizing committees in Congress, however, do not have jurisdiction over the agency that administers TAA for Firms. **A more logical place in the Department of Commerce for TAA for Firms would, therefore, be in the International Trade Administration.** While TAA for Firms already achieves impressive results and return on investment, this disconnect between authorizing authority and oversight authority for the program creates unique, and unnecessary challenges for legislators.

While the Trade Act of 2002 added many new features to TAA, the most significant was the Health Coverage Tax Credit. It would be premature to evaluate the overall effectiveness of the credit due to the staggered implementation of the advanceable and the end of the year credits. It is clear, however, that this program has, and will continue to, fill a critical void for those displaced by trade or affected by a previous employer's bankruptcy.

Thanks to the quick response of many states to embrace the HCTC, beneficiaries began to have access to continued health care coverage with certain guaranteed consumer protections. Already, the HCTC has played a major role in supporting Pennsylvania families and retirees; Pennsylvania, as of July 2004, had the highest number of individuals (2,265) enrolled for the advance HCTC.

But, with any new program of this magnitude, initial hiccups must be ironed out. In a GAO report released yesterday, *Health Coverage Tax Credit: Simplified and More Timely Enrollment Process Could Increase Participation*, the initial implementation process was examined in detail. The recommendations which GAO makes in its report are a good start to expanding utilization of the program among eligibles, as well as generally simplifying the process of qualifying for the credit. It is my hope that Congress and the Administration will look favorably upon GAO's recommendations on the HCTC and make improvements, either statutorily or through rulemaking, as soon as possible.