

FY 2011

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

Federal Unemployment Benefits and Allowances

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

TABLE OF CONTENTS

Appropriation Language	1
Explanation of Language Change	2
Analysis of Appropriation Language.....	3
Amounts Available for Obligation.....	4
Summary of Changes	5
Summary Budget Authority and FTE by Activity	6
Budget Authority by Object Class	7
Appropriation History	8
Budget Activities	9
Trade Adjustment Assistance	9

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

APPROPRIATION LANGUAGE

For payments during fiscal year [2010] *2011* of trade adjustment benefit payments and allowances under part I of subchapter B of chapter 2 of title II of the Trade Act of 1974, and section 246 of that Act; and for training, employment and case management services, allowances for job search and relocation, and related State administrative expenses under part II of subchapter B of chapter 2 of title II of the Trade Act of 1974, including benefit payments, allowances, training, and related State administration provided pursuant to paragraphs (1) and (2) of section 1891(b) of the Trade and Globalization Adjustment Assistance Act of 2009, [\$1,818,400,000] *\$1,938,200,000*, together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15, [2010] *2011*. (Department of Labor Appropriations Act, 2010.)

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

EXPLANATION OF LANGUAGE CHANGE

Not applicable.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

ANALYSIS OF APPROPRIATION LANGUAGE

Not applicable.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

AMOUNTS AVAILABLE FOR OBLIGATION								
(Dollars in Thousands)								
	FY 2009 Enacted		Recovery Act		FY 2010 Enacted		FY 2011 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	958,800	0	0	0	1,818,400	0	1,938,200
Other Supplementals and Rescissions	0	0	0	0	0	0	0	0
Appropriation, Revised	0	958,800	0	0	0	1,818,400	0	1,938,200
Subtotal Appropriation	0	958,800	0	0	0	1,818,400	0	1,938,200
Comparative Transfer To:	0	0	0	0	0	0	0	0
Comparative Transfer From:	0	0	0	0	0	0	0	0
Offsetting Collections From:	0	0	0	0	0	0	0	0
Reimbursements	0	40,000	0	0	0	40,000	0	40,000
Advances	0	0	0	0	0	0	0	0
Fees	0	0	0	0	0	0	0	0
Subtotal Offsetting Collections From:	0	40,000	0	0	0	40,000	0	40,000
B. Gross Budget Authority	0	998,800	0	0	0	1,858,400	0	1,978,200
Offsetting Collections	0	0	0	0	0	0	0	0
Deduction	0	0	0	0	0	0	0	0
Reimbursements	0	-40,000	0	0	0	-40,000	0	-40,000
Advances	0	0	0	0	0	0	0	0
Subtotal Offsetting Collections	0	-40,000	0	0	0	-40,000	0	-40,000
C. Budget Authority	0	958,800	0	0	0	1,818,400	0	1,938,200
Before Committee	0	958,800	0	0	0	1,818,400	0	1,938,200
Legislative Proposal	0	0	0	0	0	0	0	431,300
Offsetting Collections From:	0	0	0	0	0	0	0	0
Reimbursements	0	40,000	0	0	0	40,000	0	40,000
Advances	0	0	0	0	0	0	0	0
Adjustment for Appropriated	0	0	0	0	0	0	0	0
Subtotal Budget Authority	0	998,800	0	0	0	1,858,400	0	2,409,500
D. Total Budgetary Resources	0	998,800	0	0	0	1,858,400	0	2,409,500
Other Unobligated Balances	0	0	0	0	0	0	0	0
Unobligated Balance Expiring	0	0	0	0	0	0	0	0
E. Total, Estimated Obligations	0	998,800	0	0	0	1,858,400	0	2,409,500

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2010 Enacted	FY 2011 Request	Net Change
Budget Authority			
General Funds	1,818,400	1,938,200	+119,800
Trust Funds	0	0	0
Total	1,818,400	1,938,200	+119,800
Full Time Equivalents			
General Funds	0	0	0
Trust Funds	0	0	0
Total	0	0	0

Explanation of Change	FY 2010 Base		Trust Funds		FY 2011 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
TAA Benefits	0	1,067,000	0	0	0	528,000	0	528,000
Built-Ins Subtotal	0	1,067,000	0	0	0	528,000	0	528,000
B. Program:								
C. Financing:								
Total Increase	0	+1,067,000	0	0	0	+528,000	0	+528,000
Decreases:								
A. Built-Ins:								
To Provide For:								
TAA Training	0	686,400	0	0	0	-408,200	0	-408,200
Built-Ins Subtotal	0	686,400	0	0	0	-408,200	0	-408,200
B. Program:								
C. Financing:								
Total Decrease	0	+686,400	0	0	0	-408,200	0	-408,200
Total Change	0	+1,818,400	0	0	0	+119,800	0	+119,800

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY

(Dollars in Thousands)

	FY 2009 Enacted		Recovery Act		FY 2010 Enacted		FY 2011 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Trade Adjustments Assistance	0	958,800	0	0	0	1,818,400	0	1,938,200
General Funds	0	958,800	0	0	0	1,818,400	0	1,938,200
TAA Benefits	0	238,000	0	0	0	1,067,000	0	1,595,000
General Funds	0	238,000	0	0	0	1,067,000	0	1,595,000
TAA Training	0	686,200	0	0	0	686,400	0	278,200
General Funds	0	686,200	0	0	0	686,400	0	278,200
Alternative/Reemployment TAA	0	34,600	0	0	0	65,000	0	65,000
General Funds	0	34,600	0	0	0	65,000	0	65,000
Total	0	958,800	0	0	0	1,818,400	0	1,938,200
General Funds	0	958,800	0	0	0	1,818,400	0	1,938,200

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

BUDGET AUTHORITY BY OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	Change FY 11 Req. / FY 10 Enacted
41.0	Grants, subsidies, and contributions	958,800	0	1,818,400	1,938,200	119,800
	Total	958,800	0	1,818,400	1,938,200	119,800

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2001	406,550	406,550	406,550	406,550	0
2002....1/	415,650	415,650	415,650	415,650	0
2003....2/3/	972,200	972,200	972,200	972,200	0
2004	1,338,200	1,338,200	1,338,200	1,338,200	0
2005	1,057,300	1,057,300	1,057,300	1,057,300	0
2006	966,400	966,400	966,400	966,400	0
2007....4/	938,600	837,600	837,600	837,600	0
2008....5/	888,700	888,700	888,700	888,700	0
2009....6/	958,800	0	958,800	958,800	0
2010	1,818,400	0	0	1,818,400	0
2011	1,938,200	0	0	0	0

1/ Excludes the effect of extending the programs and \$3,000,000 included in Advances to the Unemployment Trust Fund and Other Funds Account.

2/ Reflects a reauthorization under the Trade Adjustment Assistance Reform Act of 2002.

3/ Excludes \$7,000,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred from this account.

4/ Excludes \$17,500,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred to this account.

5/ Excludes \$41,000,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred to this account.

6/ This bill was only reported out of Subcommittee and was not passed by the Full House.

TRADE ADJUSTMENT ASSISTANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE							
(Dollars in Thousands)							
	FY 2009 Enacted	Recovery Act	FY 2010 Enacted	Diff. FY09 Enacted / FY10 Enacted	FY 2011		Diff. FY10 Enacted/ FY11 Curr Law
					Current Law	Legislative Proposal	
Activity Appropriation	958,800	0	1,818,400	859,600	1,938,200	2,369,500	119,800
FTE	0	0	0	0	0	0	0

Introduction

The Trade Adjustment Assistance (TAA) for Workers, Alternative Trade Adjustment Assistance (ATAA), and Reemployment Trade Adjustment Assistance (RTAA) programs are authorized under the Trade Act of 1974, as amended. The program, collectively referred to as Trade Adjustment Assistance or TAA, provides assistance to workers who have been adversely affected by foreign trade. TAA is a vital tool for helping workers who have lost their jobs as a direct result of increased imports and competitive trade to upgrade their skills or retrain in new careers leading to good jobs that ensure they remain in America's middle class.

On February 17, 2009, President Obama signed into law the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA), as part of the American Recovery and Reinvestment Act of 2009. The TGAAA reauthorized TAA and expanded coverage to more workers and firms, including those in the service sector; made 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 improved workers' training opportunities and opportunities for health insurance coverage. The reauthorization also expanded the scope of the program to better assist trade-dislocated workers in finding new employment in good jobs. It raised the cap on the maximum amount of funds that may be allocated to the States for training from \$220 million to \$575 million per year, included additional funding for employment and case management services, and will provide the type of long-term training necessary for jobs in the 21st century economy. Included in the expansion of benefits to workers is an extension of income support, an expansion of the wage insurance option available to older workers, and earlier access to training for some employees.

The reauthorization under the TGAAA expanded the TAA program, but it sunset the expansions after December 31, 2010. The sunset included phase-out benefits for workers covered by approved petitions filed before January 1, 2011. After the sunset, the TAA program reverts to the TAA program in effect prior to the Recovery Act. This means that the training cap reverts back to \$220 million a year, and the wage insurance option reverts to ATAA. The President's 2011 Budget proposes a 10-year reauthorization of the program.

The TAA program currently offers the following services to eligible individuals: training, weekly income support, out-of-area job search and relocation allowances, assistance with health insurance coverage through the utilization of the Health Coverage Tax Credit (HCTC) offered by

TRADE ADJUSTMENT ASSISTANCE

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 TGAAA. RTAA replaces the ATAA program, which provided wage insurance to reemployed older workers as a pilot project under the TAA Reform Act of 2002. Workers previously eligible for ATAA, or certified on petitions filed before May 18, 2009, will continue eligibility under the provisions in effect prior to the reauthorization.

Additionally, the TGAAA 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. These services provided by the TAA program are designed to ensure TAA participants find a path back into middle class jobs.

Eligibility for TAA benefits is established by successful petition to the Department of Labor by a group of workers, a company official, a union or other duly authorized representative, or a One-Stop operator or One-Stop partner. 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.

Following the implementation of the reauthorized TAA program, ETA experienced a sharp increase in petitions for program coverage with petition activity increasing tenfold in the first month of the new program. While that initial increase is expected to level off in FY 2010, program activity will remain far higher than prior to reauthorization, due to expanded program eligibility.

In order to support the Department's goal of "Helping middle-class families remain in the middle class," ETA is making it a management priority to improve the technical assistance provided to states and other key stakeholders through coordination with its regional offices to build knowledge on how to enhance program effectiveness and quality of services. ETA will provide technical assistance that will include hands-on staff support to ensure states are administering the TAA program as Congress intended. In addition, ETA will improve outreach to stakeholders, and provide information and other potential resources for workers affected by foreign trade.

TRADE ADJUSTMENT ASSISTANCE

Further, ETA is making it a management priority to better utilize technology as part of improving processing of TAA petitions in order to facilitate timely access to benefits and services for trade-affected workers and to be more successful in transitioning trade-affected workers back into middle class jobs.

Performance Indicators

In order to measure the program's progress towards returning workers who are displaced from the workforce into middle class good paying jobs, TAA utilizes the three federal job training program common measures: Entered Employment Rate, Employment Retention Rate and Average earnings. These performance indicators measure whether TAA participants entered the workforce after exiting the program, retained their employment, and were employed in well paying jobs and facilitate comparison of outcomes to those of programs with similar goals.

Beginning in FY 2010, the TGAAA requires TAA to measure entered employment, employment retention, and average earnings one quarter beyond those specified by the common measures:

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. The common measures entered employment rate is calculated using the first quarter after exit.

Employment Retention Rate: Percent of TAA participants employed in each of the third and fourth calendar quarters following the calendar quarter in which the workers cease receiving TAA benefits. The common measures the employment retention rate is calculated using the second and third quarters after exit.

Average earnings: Earnings in the third and fourth calendar quarters following the calendar quarter in which the workers cease receiving TAA benefits. The common measures average earnings are calculated using the second and third quarters after exit.

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 were 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%, 88%, and \$15,117, respectively. In FY 2009, the results for entered employment, retention, and average earning were 69%, 89%, and \$15,087, respectively. Targets for FY 2010 were 61.9% for entered employment, 83.3% for retention, and \$13,172 for average earnings. Targets for FY 2011 are 62.7% for entered employment, 83.9% for retention, and \$13,391 for average earnings.

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

TRADE ADJUSTMENT ASSISTANCE

services for individuals adversely affected by foreign trade. Training expenditures are subject to a legislative cap of \$575,000,000 per year. Income maintenance and RTAA benefits are uncapped. The TAA reauthorization in the TGAAA 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.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2006	966,400	0
2007	837,600	0
2008	888,700	0
2009	958,800	0
2010	1,818,400	0

FY 2011

For FY 2011, ETA requests \$2,369,500,000 (\$1,938,200,000 under current law and a legislative proposal for \$431,300,000), which includes funds for training, job search and relocation allowances, administration, Trade Readjustment Allowances, ATAA, and RTAA. The request is an increase of \$551,100,000 over the FY 2010 level and reflects the mandatory funding necessary to continue to serve the projected high levels of TAA participants. An estimated 321,000 certified trade-affected workers will be eligible for TAA services.

Spending on Trade Readjustment Allowances under current law is projected to increase as Emergency Unemployment Compensation and other programs expire. These programs have substituted for Trade Readjustment Allowances for many TAA participants.

FY 2010

For FY 2010, ETA was appropriated \$1,818,400,000, an increase of \$859,600,000 over the FY 2009 level. This increase 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. It is estimated that 373,000 trade affected workers will be certified in FY 2010.

TRADE ADJUSTMENT ASSISTANCE

FY 2009

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

Petition activity increased sharply as a result of the TAA expansions in the Recovery Act. In FY 2009, 4,549 petitions were filed with the Department, compared to 2,224 in FY 2008. The estimated number of workers covered by TAA certification in FY 2009 was 201,053, compared to 126,633 in FY 2008.

Performance data reported in FY 2009 are associated with FY 2008 participants as TAA performance indicators lag 5.5 quarters. FY 2010 targets are lower than FY 2009 results because outcomes are expected to reflect deteriorating economic conditions faced by program participants in FY 2009. FY 2011 targets apply the Administration's economic assumptions, and are slightly higher than FY 2010 targets.

Recovery Act Update

The Recovery Act included the reauthorization and reform of TAA, but appropriated no funds under that law for FY 2009. If additional resources were needed, funds could be transferred from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent that funds are available. No additional funds were needed in FY 2009 to support the expanded TAA program as the reductions in spending on Trade Readjustment Allowances left adequate funds available to support the higher training cap.

TRADE ADJUSTMENT ASSISTANCE

WORKLOAD SUMMARY				
	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
Trade Adjustments Assistance				
Individuals in TAA Training	105,366	99,423 (r)	136,975	178,493
Cost per participant	\$9,100.00	\$9,100.00 (e)	\$13,275.00	\$13,275.00

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined

By statute most ETA programs are intended to provide flexibility to hundreds of local workforce investment boards to determine the appropriate mix of service strategies and populations needs they serve. Unit costs may vary from year to year, primarily because of changes in service mix, time in training, and population needs. In addition, during recessionary periods increase in unemployment and fewer jobs created could add time in training resulting in higher unit costs. A higher unit cost in one year compared to the previous year does not necessarily denote a less efficient program.

TRADE ADJUSTMENT ASSISTANCE

PERFORMANCE INDICATORS

<p>The Trade Adjustment Assistance Program contributes to the following Outcome Goals in support of the Department's Strategic Vision of <i>Good Jobs for Everyone</i>:</p> <p>1.1 Increase workers' incomes and narrowing wage and income inequity.</p> <p>1.3 Helping workers who are in low-wage jobs or out of the labor market find a path into middle class jobs.</p> <p>1.4 Helping middle-class families remain in the middle class.</p>											
		FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	FY 2011
		Goal Achieved		Goal Achieved		Goal Not Achieved		Goal Achieved			
Goal	Performance Indicator	Target	Result	Target	Result	Target	Result	Target	Result	Target	Target
1.3	Percent of participants employed in the first quarter after exit.	70%	72%	70%	70%	73%	69%	65.20%	69%	61.90%	62.70%
1.4	Percent of participants employed in the first quarter after exit still employed in the second and third quarters after exit.	85%	90%	85%	88%	91%	90%	87.50%	88%	83.3%	83.9%
1.1	Average earnings in the second and third quarters after exit.	80%	77%	Baseline	\$13,915	\$14,050	\$14,269	\$13,386	\$15,117	\$13,172	\$13,391
<p>Baseline(s): The average earnings measure was added in FY 2007.</p>											
<p>Data Sources: TAPR (Trade Act Participant Report) submitted by the states to the Department of Labor.</p>											
<p>Comments: Targets for FY 2009 are the same as stated in the President's 2010 budget. They are based on the 2010 Budget assumptions for unemployment rates. Targets for FY 2010 and subsequent years are computed using 2011 unemployment rate assumptions in the President's 2011 budget.</p>											
<p>Results and targets for FY 2006 are for a wage replacement rate.</p>											

TRADE ADJUSTMENT ASSISTANCE

BUDGET ACTIVITY by OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	FY 11 Req. / FY 10 Enacted
41.0	Grants, subsidies, and contributions	958,800	0	1,818,400	1,938,200	119,800
	Total	958,800	0	1,818,400	1,938,200	119,800

TRADE ADJUSTMENT ASSISTANCE

CHANGES IN FY 2011

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

TAA Training

-408,200

TAA Benefits

+528,000

Built-Ins Subtotal

+119,800

	Estimate	FTE
Base	1,938,200	0