

FY 2019

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

Federal Unemployment Benefits and Allowances

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FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

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FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

APPROPRIATION LANGUAGE

For payments during fiscal year 2019 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, and including benefit payments, allowances, training, employment and case management services, and related State administration provided pursuant to section 231(a) of the Trade Adjustment Assistance Extension Act of 2011 and section 405(a) of the Trade Preferences Extension Act of 2015, \$790,000,000 together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15, 2019: Provided, That notwithstanding section 502 of this division, any part of the appropriation provided under this heading may remain available for obligation beyond the current fiscal year pursuant to the authorities of section 245(c) of the Trade Act of 1974 (19 U.S.C. 2317(c)).

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2017 Enacted		FY 2018 Full Year C.R.		FY 2019 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$849,000	0	\$790,000	0	\$790,000
Reduction Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985	0	-\$58,581	0	-\$52,140	0	\$0
Appropriation, Revised	0	\$790,419	0	\$737,860	0	\$790,000
<i>Subtotal Appropriation</i>	<i>0</i>	<i>\$790,419</i>	<i>0</i>	<i>\$737,860</i>	<i>0</i>	<i>\$790,000</i>
B. Gross Budget Authority	0	\$790,419	0	\$737,860	0	\$790,000
C. Budget Authority	0	\$790,419	0	\$737,860	0	\$790,000
D. Total Budgetary Resources	0	\$790,419	0	\$737,860	0	\$790,000
Unobligated Balance Expiring	0	-\$74,055	0	\$0	0	\$0
E. Total, Estimated Obligations	0	\$716,364	0	\$737,860	0	\$790,000

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2018 Full Year C.R.	FY 2019 Request	Net Change	
Budget Authority				
General Funds	\$737,860	\$790,000	+\$52,140	
Total	\$737,860	\$790,000	+\$52,140	
Full Time Equivalents				
General Funds	0	0	0	
Total	0	0	0	
		FY 2019 Change		
Explanation of Change	FY 2018 Base	Trust Funds	General Funds	Total
	FTE Amount	FTE Amount	FTE Amount	FTE Amount
Increases:				
A. Built-Ins:				
To Provide For:				
Costs of pay adjustments	0 \$0	0 \$0	0 \$0	0 \$0
Grants, subsidies, and contributions	0 \$737,860	0 \$0	0 \$52,140	0 \$52,140
Built-Ins Subtotal	0 +\$737,860	0 \$0	0 +\$52,140	0 +\$52,140
B. Programs:				
Programs Subtotal		0 \$0	0 \$0	0 \$0
Total Increase	0 +\$737,860	0 \$0	0 +\$52,140	0 +\$52,140
Decreases:				
A. Built-Ins:				
To Provide For:				
Built-Ins Subtotal	0 \$0	0 \$0	0 \$0	0 \$0
B. Programs:				
Programs Subtotal		0 \$0	0 \$0	0 \$0
Total Decrease	0 \$0	0 \$0	0 \$0	0 \$0
Total Change	0 +\$737,860	0 \$0	0 +\$52,140	0 +\$52,140

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY¹								
(Dollars in Thousands)								
	FY 2017 Enacted		FY 2018 Full Year C.R.		FY 2019 Request		Diff. FY19 Request / FY18 Full Year C.R	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Trade Adjustments Assistance	0	790,419	0	737,860	0	790,000	0	52,140
General Funds	0	790,419	0	737,860	0	790,000	0	52,140
TAA Benefits	0	357,000	0	301,000	0	301,000	0	0
General Funds	0	357,000	0	301,000	0	301,000	0	0
TAA Training	0	391,419	0	397,860	0	450,000	0	52,140
General Funds	0	391,419	0	397,860	0	450,000	0	52,140
Alternative-Reemployment TAA	0	42,000	0	39,000	0	39,000	0	0
General Funds	0	42,000	0	39,000	0	39,000	0	0
Total	0	790,419	0	737,860	0	790,000	0	52,140
General Funds	0	790,419	0	737,860	0	790,000	0	52,140

NOTE: 2017 reflects actual FTE.

¹ FY 2017 Enacted amount reflects 6.9 percent reduction and FY 2018 Full Year C.R. amount reflects 6.6 percent reduction for mandatory authority, pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2017 Enacted	FY 2018 Full Year C.R.	FY 2019 Request	Diff. FY19 Request / FY18 Full Year C.R.
	Full-Time Equivalent				
	Total	0	0	0	0
11.1	Full-time permanent	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
41.0	Grants, subsidies, and contributions	790,419	737,860	790,000	52,140
	Total	790,419	737,860	790,000	52,140

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2009					
Base Appropriation...1/	\$958,800		\$958,800	\$889,053	0
Legislative Proposal	\$6,000				0
2010					
Base Appropriation	\$1,156,400	\$1,818,400		\$975,321	0
2011					
Base Appropriation	\$1,938,200			\$704,006	0
Legislative Proposal	\$431,300				0
2012					
Base Appropriation	\$1,100,100			\$854,716	0
Legislative Proposal	\$571,000				0
2013					
Base Appropriation...2/ 3/	\$1,421,000			\$756,232	0
Legislative Proposal	-\$323,000				0
2014					
Base Appropriation...2/	\$656,000			\$604,367	0
2015					
Base Appropriation...2/	\$710,600			\$424,909	0
2016					
Base Appropriation...2/	\$664,200			\$802,452	0
Legislative Proposal	\$986,000				0
2017					
Base Appropriation...2/	\$861,000			\$790,419	0
2018					
Base Appropriation...4/	\$790,000	\$790,000			
2019					
Base Appropriation	\$790,000				0

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

2/ Reflects sequestration reduction to mandatory budget authority pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

3/ TRA costs declined (-\$323,000) in FY 2013 due to the Emergency Unemployment Compensation (EUC) program, enacted under the American Taxpayer Relief Act of 2012 (P.L. 112-240) in effect until January 1, 2014.

4/ A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

TRADE ADJUSTMENT ASSISTANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2017 Enacted	FY 2018 Full Year C.R.	FY 2019 Request	Diff. FY19 Request / FY18 Full Year C.R.
Activity Appropriation	790,419	737,860	790,000	52,140
FTE	0	0	0	0

NOTE: FY 2017 Enacted amount reflects 6.9 percent reduction and FY 2018 Full Year C.R. amount reflects 6.6 percent reduction for mandatory authority, pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

Introduction

The Trade Act of 1974, as amended (the Act) (codified at 19 U.S.C. §§ 2271 et seq.), Title II, Chapter 2, established the Trade Adjustment Assistance for Workers (TAA), Alternative Trade Adjustment Assistance (ATAA), and Reemployment Trade Adjustment Assistance (RTAA) programs. These programs, collectively referred to as the Trade Adjustment Assistance program (TAA program), provide assistance to workers who have been adversely affected by foreign trade.

The Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA 2015) (P.L. 114-27, Title IV) reauthorized the Act. TAARA 2015 reauthorized the TAA program through June 30, 2021; however, the TAA program remains in the budget baseline (except for wage supplements). The enactment of TAARA 2015 created the 2015 Program and continued grandfathered versions of the TAA program for workers who had been certified under those programs, including:

- The 2002 Program, established under the Trade Act of 1974, as amended by the Trade Adjustment Assistance Reform Act of 2002 (TAARA);
- The 2009 Program, established under the Trade Act of 1974, as amended by the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA), Division B, title I, subtitle I of the American Recovery and Reinvestment Act of 2009 (ARRA); and
- The 2011 Program, established under the Trade Act of 1974, as amended by the Trade Adjustment Assistance Extension Act of 2011 (TAAEA).

The TAARA 2015 restored the worker group eligibility and benefits established by the TAAEA; established a national cap on funding for Training and Other Activities (TaOA) at \$450 million per fiscal year; and reauthorized the Health Coverage Tax Credit (HCTC) program benefit for eligible TAA recipients.

The fiscal-related programmatic changes included in the TAARA 2015 became effective on June 29, 2015, and align with the FY 2019 budget request as follows: 1) a statutory cap on funds in the amount of \$450 million that may be allocated to the states for TaOA per fiscal year; and 2) the Secretary's authority to recapture and reallocate funds that remain unobligated in the second and third year after allocation.

TRADE ADJUSTMENT ASSISTANCE

The Employment and Training Administration (ETA) has oversight responsibility for the TAA program and, based on investigations of TAA petitions, certifies worker groups as eligible to apply for adjustment assistance. Upon receiving a petition, ETA initiates an investigation to determine whether the circumstances of the layoff meet the group eligibility criteria established by TAARA 2015. Once group eligibility has been determined and the petition is certified, workers covered under the petitions may apply for individual TAA benefits and services. Under agreements between the Secretary of Labor and each Governor, the states determine the individual eligibility based on the statutory criteria and provide the TAA benefits to workers with federal funds appropriated to the Department to carry out the TAA program. TAA is a required one-stop partner under WIOA and services are delivered through American Job Centers nationwide.

Individual workers of a certified worker group may apply for TAA benefits and services, and those who meet the qualifying criteria may receive: job training; employment and case management services; income support in the form of Trade Readjustment Allowances (TRA); job search and relocation allowances; HCTC administered by the Internal Revenue Service); and a wage supplement in the form of ATAA or RTAA for workers age 50 and older.

TAA Program and the Workers it Serves

During FY 2016, an estimated 126,844 trade-affected workers became eligible for TAA benefits and services. Of the 45,814 participants served in FY 2016, over 53 percent of participants received training during the year and over 93 percent of those who completed training received a credential. In FY 2016, nearly 76 percent of TAA participants obtained employment within six months of completing the program. For those who had received a credential in the program, 77 percent obtained employment within six months with over 79 percent of those employed changing industry sectors.

According to the *Annual Report on the Trade Adjustment Assistance (TAA) for Workers Program to the Committee on Finance of the Senate and Committee on Ways and Means of the House of Representatives for Fiscal Year 2016*, more than 93 percent earned a post-secondary credential, including an industry-recognized credential, or a secondary school diploma or equivalent. This represents the highest earned credentialing percentage in the program to date. Since FY 2012, the economy has improved resulting in a reduction in the number of workers accessing services. The rate of credentialing has improved each fiscal year during this time span. The chart below shows the trend of improving credentialing rates among TAA participants:

TRADE ADJUSTMENT ASSISTANCE

Fiscal Year	Completed Training (Exiters)	Credentials (Exiters)	Rate of Credentialing
2012	24,702	19,379	78.5%
2013	16,929	13,348	78.8%
2014	12,451	10,927	87.8%
2015	10,685	9,781	91.5%
2016	8,359	7,792	93.2%

Simpler, More Streamlined Program Operations

In FY 2018, the Office of Trade Adjustment Assistance (OTAA) will continue efforts begun in FY 2017 to update and codify the regulations governing the TAA program into a single section of the Code of Federal Regulations. The Department will undertake both regulatory and deregulatory actions, eliminating 20 CFR 617 and 29 CFR 90 and including all program regulations in 20 CFR 618. The TAA program regulations have not been updated since 1994, and since that time, five major reauthorizations have occurred. WIOA reaffirms the TAA program as a required partner program in the one-stop delivery system and in drafting the Notice of Proposed Rulemaking the Department will seek greater alignment with the WIOA. The update to the TAA regulations will guide the worker group certification process at the Federal level, the individual benefit and training authorization process at the state level, and also provide Federal and state courts with the Department's authoritative interpretation of the TAARA 2015. Once the Final Rule is issued in FY 2019, the Department will provide training to the state workforce system.

TAA Reform Legislative Proposal

A rigorous 2012 evaluation of the TAA program demonstrated that workers who participated in the program had lower earnings than the comparison group at the end of a four-year follow-up period, in part because they were more likely to participate in long-term job training programs rather than immediately reentering the workforce. However, this training was not targeted to in-demand industries and occupations, and only 37 percent of participants became employed in the occupations for which they trained.²

In the 2019 Budget, the Department addresses these issues by proposing legislation to reauthorize the TAA for Workers Program through FY 2028 that shifts the focus from traditional classroom education to work-based education. This proposal refocuses the TAA program by making apprenticeship—which provides wages along with a learning component—and on-the-job training the only forms of allowable training, while still allowing participants to access other forms of training if insufficient work-based training opportunities are available in their area. Focusing the program on these earn-as-you-learn strategies will ensure that participants are obtaining skills for relevant occupations. States will also be encouraged to place a greater

² <https://www.mathematica-mpr.com/our-publications-and-findings/publications/the-evaluation-of-the-trade-adjustment-assistance-program-a-synthesis-of-major-findings>

TRADE ADJUSTMENT ASSISTANCE

emphasis on intensive reemployment services for workers who are not participating in work-based education by getting those workers into the workforce more quickly. This transformation of the TAA program into an earn-as-you-learn program will significantly reduce workers' reliance on TRA benefits, and, combined with adjustments to the available training funds, these changes would be expected to save roughly \$1.74 billion over ten years.

TRADE ADJUSTMENT ASSISTANCE

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2014	\$604,367	0
2015	\$424,909	0
2016	\$802,452	0
2017	\$790,419	0
2018	\$0	0

NOTE: A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

Funding Mechanism

ETA provides grants to states for the operation of the TAA program under an Annual Funding Agreement. The amount of funding allocated to each state for TaOA, which includes training, employment and case management services, and allowances for job search and relocation, is determined through a funding formula for distribution codified at 20 CFR 618.910. The funding formula is designed to target funds for TaOA to the states where the resources are most needed, using a formula methodology to ensure stability of funding and transparency in the distribution. Funds for TRA and A/RTAA (wage supplements) are not determined by formula; rather states notify ETA of the projected needs and request funds to cover the wage supplement for trade-affected workers.

The amount of funds appropriated annually for the TAA program is based on projected costs of the program for the fiscal year. Unemployment Insurance models calculate estimates of the amount of funds needed in the fiscal year for TRA and A/RTAA. These models consider the economic assumptions in the President's Budget, including the projected Gross Domestic Product, unemployment rate, and other factors to forecast the amount of funds needed. The estimate of funds for TaOA is subject to an annual cap on the amount that may be made available according to the statutory amount specified. If the appropriated amount is insufficient to cover the costs of the program during the fiscal year, there is authority for the program to use additional amounts from the Advances to the Unemployment Trust Fund account to add funds up to the training cap amount, and authority to use such sums as required for TRA and A/RTAA.

Timely allocations ensure that trade-affected workers can access needed employment and case management services, job search allowances, relocation allowances and workplace education as soon as an appropriate individual employment plan is developed, maximizing their opportunity to return to employment, increase credential and education attainment, and improve earnings.

FY 2019

The FY 2019 Request is \$790,000,000. This request includes the \$450,000,000 statutory cap on funds for TaOA that became effective under the TAARA 2015; \$301,000,000 for TRA; and \$39,000,000 for A/RTAA.

The Department, states, and local workforce development areas are in the process of

TRADE ADJUSTMENT ASSISTANCE

implementing new WIOA performance indicators across workforce programs, including the TAA program. Complete information will not be available until the end of FY 2018 to calculate outcomes for these measures, as certain data will not yet be available. FY 2018 outcomes will be available at the end of calendar year 2019.

FY 2018

A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution. The Department will provide an Operating Plan after a full-year appropriation bill is enacted.

FY 2017

The FY 2017 appropriation was \$849,000,000. This request included the \$450,000,000 statutory cap on funds for TaOA that became effective under the TAARA 2015; \$357,000,000 for TRA; and \$42,000,000 for A/RTAA. TaOA was sequestered by \$58,581,000 in FY 2017, resulting in available funding of \$790,419,000. Funding was provided to operate four versions of the TAA Program in FY 2017, including: the 2002 Program, the 2009 Program, the 2011 Program, and the 2015 Program. The TAARA 2015 contained the same certification of group eligibility provisions as the 2011 Program, and the same individual benefit eligibility provisions as the 2011 Program.

TRADE ADJUSTMENT ASSISTANCE

Workload and Performance Summary

In FY 2017, the TAA program began using the six key performance accountability measures outlined in WIOA as part of a TAARA 2015 alignment with the WIOA authorization. These measures will help the Department track the progress of one of the TAA program's primary goals—to increase the employment and earnings of participants. The results of these measures will demonstrate the value of these investments to help address the employment and skill needs of workers, jobseekers, and employers.

The Department will use baseline data collected in FY 2016 and FY 2017 to establish targets beginning with the FY 2020 budget. As such, targets and results for these indicators are not included in the budget request.

TRADE ADJUSTMENT ASSISTANCE

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2017 Enacted	FY 2018 Full Year C.R.	FY 2019 Request	Diff. FY19 Request / FY18 Full Year C.R.
11.1	Full-time permanent	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
41.0	Grants, subsidies, and contributions	790,419	737,860	790,000	52,140
	Total	790,419	737,860	790,000	52,140

TRADE ADJUSTMENT ASSISTANCE

CHANGES IN FY 2019

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments \$0

Grants, subsidies, and contributions 52,140

Built-Ins Subtotal \$52,140

Net Program \$0

Direct FTE 0

	Estimate	FTE
Base	\$790,000	0
Program Increase	\$0	0
Program Decrease	\$0	0