

### DEMOCRATS' TAA BILL IS COSTLY AND INEFFICIENT

- At the outset, we should discuss TAA expansions in the context of initiatives to expand trade, such as through passage of the free trade agreements covering Peru, Panama, Colombia, and Korea, as well as through extension of Trade Promotion Authority.
- TAA has been successful in helping many adjust to job loss because of trade, and I support its extension. TAA can be improved in how it is administered to get people into appropriate training more quickly, and changes can be made to get people back to work sooner – and the Republican alternative is aimed at these goals.
- TAA is an expensive program, especially considering that only about 3 percent of job loss is due to trade. TAA already costs taxpayers \$966.4 million per year, while providing assistance to only about 54,000 workers, costing an average of \$18,000 per worker. Accordingly, any expansion of TAA to cover even larger categories of workers must be carefully considered to be cost effective and efficient.
- The Democrats' bill would dramatically enlarge the TAA program, create new spending, and expand the Unemployment Insurance program (the initial stage before TAA benefits). The Republican alternative is expected to be revenue neutral, with any increased spending to be fully paid for without increasing taxes.
- While the Republican alternative would better integrate TAA and other existing federal programs to make more services available to all workers, the Democrats' bill would perpetuate and even inflate current inefficiencies.
- The Democrats' bill would spend money where it is not needed, for example by initially doubling and then tripling the TAA training budget when nearly \$300 million of that budget is now unused.
- The Democrats' bill would expand TAA to cover federal, state, and local workers, making it costly for the government to streamline and consolidate functions and deliver services more efficiently. The logic for providing government workers special assistance designed for private sectors workers affected by trade is unclear, at best.
- While the Republican alternative is aimed at increasing flexible training opportunities for dislocated workers so that they are better positioned to return to

work sooner, the Democrats' bill would pointlessly keep workers in the TAA program longer.

- With regard to the permanent health coverage tax credit that exists in the current TAA program, the Democrats' bill is contradictory. First, it greatly expands the benefit in ways that are not cost effective. Then it terminates the entire credit in two years despite the fact that the benefit is permanent now. It is a dangerous gamble to terminate a guaranteed benefit that TAA workers depend on – whether the reason is a budget gimmick to reduce costs or a means to create leverage for a dramatic expansion agenda in the future after the termination.
- The Democrats' bill would maximize the government bureaucracy and increase costs by requiring that the program be administered, managed, and run by certain state employees, while the Republican alternative would allow the existing management structure to continue, using local employees and private contractors where more efficient.
- The tax incentives in the Democrats' bill are flawed. The bill would create a large program of tax credit bonds to be used in new “manufacturing redevelopment areas.” The qualified expenditures of these tax credit bonds are broadly and loosely defined to include expenditures such as “construction of public facilities” and “other economic activity.” This gives virtually unfettered discretion to local governments as to how they spend federal dollars.
- The Democrats' bill would unnecessarily increase Federal unemployment payroll taxes by extending the 0.2% FUTA surtax for another five years. The bill would then make this revenue available to states if they have expanded eligibility for unemployment benefits to certain laid off workers. The categories include many laid off workers not affected by globalization (including people who quit their jobs, and part time workers)
  - In so doing, the bill would raise taxes on nearly every employee, discouraging employment.
  - The bill would subsidize high tax and benefit states at the expense of low tax and benefit states.
  - The bill promotes federal setting of unemployment benefit eligibility terms, in contravention of the history of state flexibility and control.
- **Ultimately, the Democrats' bill would grossly expand entitlement programs and add to their current inefficiencies, without a guarantee that the pending free trade agreements will ever be considered by Congress. The Republican alternative is a more cost-effective approach that will give TAA workers more training options so they can return to work sooner.**