

May 2007

**TRADE
ADJUSTMENT
ASSISTANCE**

**Changes to Funding
Allocation and
Eligibility
Requirements Could
Enhance States'
Ability to Provide
Benefits and Services**



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Highlights

Highlights of [GAO-07-702](#), a report to congressional requesters

Why GAO Did This Study

The Trade Adjustment Assistance (TAA) program, administered by the Department of Labor (Labor), is the nation's primary program providing income support, job training, and other benefits for manufacturing workers who lose their jobs as a result of international trade. In preparation for TAA reauthorization in 2007, GAO was asked to assess several aspects of the TAA program. Specifically, we examine (1) recent trends in Labor's certification of petitions and workers' participation in training; (2) the challenges, if any, that states face in managing TAA training funds; and (3) the extent to which workers use the TAA wage insurance and health coverage benefits and the factors, if any, that limit participation.

What GAO Recommends

Congress may wish to consider allowing a portion of TAA training funds to be used for case management, simplifying the training enrollment deadline, and changing eligibility requirements for wage insurance. GAO recommends that Labor develop procedures to better allocate training funds. Labor generally agreed with our findings and recommendations and noted that it would re-examine how it allocates training funds. Labor contends that the Workforce Investment Act, rather than TAA, should finance case management. Labor did not comment on the other Matters for Congressional Consideration.

www.gao.gov/cgi-bin/getrpt?GAO-07-702.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215 or nilsens@gao.gov.

TRADE ADJUSTMENT ASSISTANCE

Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services

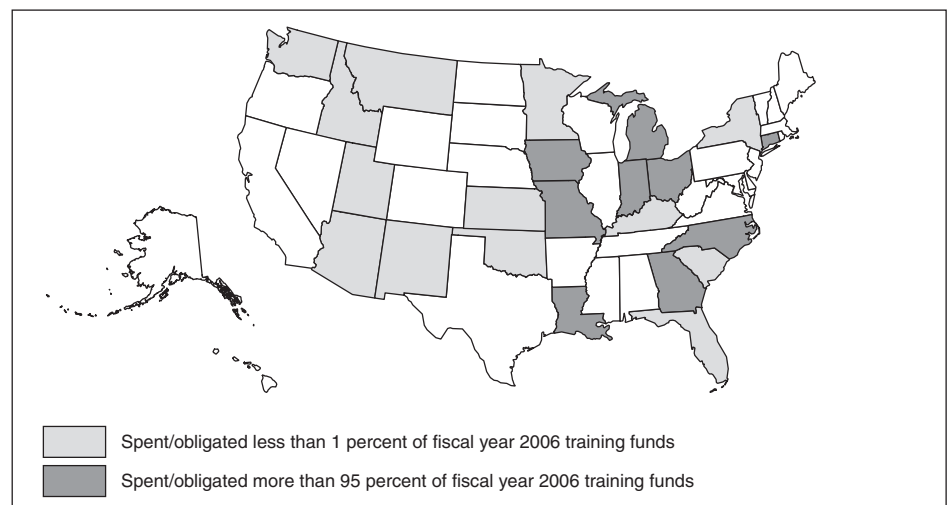
What GAO Found

During the past 3 fiscal years, the number of petitions certified has declined from about 1,700 in fiscal year 2004 to about 1,400 in 2006, covering an estimated 400,000 workers. The proportion of petitions certified has remained at about two-thirds. About 40 percent of the petitions were denied because workers were not involved in producing an article. While many certified workers receive training, nearly three-quarters of the states reported that enrolling workers by the training deadline was a challenge.

Labor's process for allocating training funds presents significant challenges to states. Training funds allocated to states at the beginning of the fiscal year do not accurately reflect states' spending the year before or the demand for training services, in part because Labor's policy guarantees that each state will receive at least 85 percent of what it received the previous year. For example, 13 states spent virtually none of their fiscal year 2006 training funds (see fig.). Not only did these 13 states receive about \$41 million in fiscal year 2007, 5 of them even received larger allocations than the previous year. States also cited as a challenge the lack of flexibility to use training funds to provide trade-affected workers with case management services.

Few TAA participants take advantage of the wage insurance and health coverage benefits, and several factors limit participation. While the number of new workers receiving the wage insurance benefit has increased since 2004, it remains relatively low. The major factor preventing more workers from participating is the requirement that workers find a job within 26 weeks. The number of workers receiving the health benefit is also relatively low, with about 6,900 workers enrolling for the first time in the advance health coverage benefit in 2006.

States with High and Low Use of Fiscal Year 2006 Training Funds



Source: Department of Labor, (Map) Map Resources.

Contents

| | | |
|---------------------|---|-----------|
| Letter | | 1 |
| | Results In Brief | 3 |
| | Background | 6 |
| | Certifications and Training Enrollments Have Declined over Past 3 Fiscal Years as Petition Filings Declined | 11 |
| | Labor's Allocation Process and Limited Flexibility Make It Difficult for States to Manage Training Funds | 21 |
| | Few TAA Participants Take Advantage of Wage Insurance and Health Coverage Benefits | 28 |
| | Conclusions | 36 |
| | Matters for Congressional Consideration | 38 |
| | Recommendations for Executive Action | 38 |
| | Agency Comments | 38 |
| Appendix I | Objectives, Scope, and Methodology | 41 |
| Appendix II | Administrative Costs Related to the Health Coverage Benefit | 46 |
| Appendix III | Top Industries Certified during Fiscal Years 2004 to 2006 | 47 |
| Appendix IV | Final Decisions Rendered by the U. S. Court of International Trade on Appealed Cases, Fiscal Years 2005 and 2006 | 48 |
| | 2005 CIT Decisions | 49 |
| | 2006 CIT Decisions | 50 |
| Appendix V | Occupations for Which TAA Participants Most Frequently Received Training in Fiscal Year 2006 by State | 54 |

| | | |
|-----------------------------|--|----|
| Appendix VI | Estimated Number of Workers Certified by State during Fiscal Years 2004 to 2006 | 56 |
| Appendix VII | Percentage of Fiscal Year 2006 Training Funds Expended and Obligated by State | 58 |
| Appendix VIII | Listing of Initial Allocations of Training Funds by State for Fiscal Years 2004 to 2007 | 60 |
| Appendix IX | Wage Insurance Enrollments by State since 2003 | 62 |
| Appendix X | Cumulative TAA Participation by State in Advance Health Coverage Tax Credit, through September 30, 2006 | 64 |
| Appendix XI | Comments from the Department of Labor | 65 |
| Appendix XII | GAO Contacts and Staff Acknowledgments | 67 |
| Related GAO Products | | 68 |

Tables

| | |
|--|----|
| Table 1: TAA Petition Filings and Investigation Decisions, Fiscal Years 2004 to 2006 | 12 |
| Table 2: Training Enrollments by Type of Training by Fiscal Year | 19 |
| Table 3: States Spending Hardly Any of Their Fiscal Year 2006 Training Funds Received Comparable Amounts in Fiscal Year 2007 | 25 |
| Table 4: Comparison of Average Monthly Premiums | 34 |
| Table 5: Locations Selected for Site Visits | 43 |
| Table 6: HCTC Administrative Costs for Fiscal Years 2003 to 2006 and Payments for Tax Years 2003 to 2006 | 46 |
| Table 7: Final Decisions Rendered by CIT for Fiscal Years 2005 and 2006 | 48 |
| Table 8: Percentage of Fiscal Year 2006 Training Funds Spent or Obligated, by State | 58 |

Figures

| | |
|--|----|
| Figure 1: Categories under Which TAA Petitions Were Certified, Fiscal Years 2004-2006 | 13 |
| Figure 2: Reasons Petitions Filed in Fiscal Year 2006 Were Denied | 15 |
| Figure 3: Appeals of Petitions Filed during Fiscal Years 2004 to 2006 | 16 |
| Figure 4: Number of TAA Participants Covered under Certifications and Enrolled in Training by Fiscal Year | 18 |
| Figure 5: States' Training Cost Limits | 20 |
| Figure 6: Fluctuation in Estimated Number of Trade-Affected Workers Laid Off from Fiscal Years 2004 to 2006 in Kansas and Missouri | 22 |
| Figure 7: States with High and Low Use of Fiscal Year 2006 Training Funds | 23 |
| Figure 8: Estimated Number of Trade-Affected Workers Declined More Sharply between Fiscal Years 2004 and 2006 in States That Used Virtually No Fiscal Year 2006 Training Funds | 24 |
| Figure 9: Wage Insurance Enrollments, Calendar Years 2004 to 2006 | 29 |
| Figure 10: Advance Health Coverage Benefit Enrollments, Fiscal Years 2004 to 2006 | 32 |
| Figure 11: Advance Health Coverage Enrollment by Type, September 2006 | 33 |

Abbreviations

| | |
|--------|---|
| ATAA | Alternative Trade Adjustment Assistance |
| ATAAAR | Alternative Trade Adjustment Assistance Activity Report |
| CIT | Court of International Trade |
| COBRA | Consolidated Omnibus Budget Reconciliation Act |
| ESL | English as a second language |
| HCTC | Health Coverage Tax Credit |
| HVAC | heating, ventilation, and air conditioning |
| IRS | Internal Revenue Service |
| SIC | Standard Industrial Classification |
| TAA | Trade Adjustment Assistance |
| UI | unemployment insurance |
| WIA | Workforce Investment Act |

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United States Government Accountability Office
Washington, DC 20548

May 31, 2007

The Honorable Charles B. Rangel
Chairman
Committee on Ways and Means
House of Representatives

The Honorable Adam Smith
House of Representatives

International trade has benefited Americans in a number of ways, largely by making a broader range of goods and services available. However, international trade has also contributed to layoffs in a range of industries, including the manufacture of textiles, paper products, and electronic equipment. Manufacturing workers face an uncertain future as manufacturing employment has declined—more than 3 million manufacturing jobs have been lost in this country since 2000 due to international trade as well as other factors. Furthermore, finding a new job may be harder for manufacturing workers who lose their job as a result of international trade because they tend to be older and have fewer transferable skills than other laid-off workers.

The Trade Adjustment Assistance (TAA) program, administered by the Department of Labor (Labor), is the nation's primary program providing income support, job training, and other benefits for manufacturing workers who lose their jobs as a result of international trade. In fiscal year 2006, Congress appropriated about \$655 million for income support payments and another \$220 million for training for trade-affected workers. Each year Labor initially allocates 75 percent of the training funds, or \$165 million, to states according to a formula and holds the remaining 25 percent in reserve to distribute to states throughout the year as the need arises due to unexpected layoffs. States have 3 years to spend these funds—fiscal year 2006 funds must be used by the end of fiscal year 2008. In addition, to minimize year-to-year fluctuations in state funding, Labor uses a “hold harmless” policy that ensures that each state's initial allocation is at least 85 percent of the initial allocation received in the previous year. To cover administrative costs, Labor allocates to each state an additional 15 percent of its training allocation.

The process of enrolling workers in TAA begins when a petition for TAA certification is filed with Labor on behalf of a group of laid-off workers.

Labor then reviews the petition and determines whether the petition meets the requirements for TAA certification, including determining whether the layoff occurred because of an increase in imports or a shift in production to another country. Under TAA, workers can receive up to 130 weeks of training and up to 104 weeks of income support benefits beyond the regular 26 weeks of unemployment insurance benefits available in most states. Following the passage of the TAA Reform Act in 2002, workers can also receive two additional benefits—a health coverage benefit to help workers pay for health coverage and a wage insurance benefit, a demonstration project for older workers who quickly become reemployed.

Our prior work on TAA¹ has shown that most trade-affected workers are receiving TAA services sooner than in prior years as a result of the TAA Reform Act of 2002, but some workers may not be enrolling in the most appropriate training, in part, because of shorter deadlines that leave less time to assess workers' training needs. In addition, on the basis of an in-depth review of five layoffs, we found that many workers were unaware of the wage insurance or health coverage benefits.² In preparation for TAA reauthorization in 2007, you asked us to provide an updated assessment of the issues encountered by those providing TAA benefits and services to trade-affected workers. Specifically, we examined (1) recent trends in Labor's certification of petitions and workers' participation in training; (2) the challenges, if any, that states face in managing TAA training funds; and (3) the extent to which workers use the TAA wage insurance and health coverage benefits and the factors, if any, that limit participation.

We based our work, in part, on a survey of the 46 states that received an initial allocation of TAA training funds in federal fiscal year 2006 (October 1, 2005, to September 30, 2006).³ We received responses from all 46 states. We conducted a supplemental survey of the 46 states to collect additional financial information on fiscal year 2006 training expenditures and obligations and received 46 responses. In addition, we interviewed Labor

¹GAO, *Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*, [GAO-04-1012](#) (Washington, D.C.: Sept. 22, 2004), and GAO, *Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits*, [GAO-06-43](#) (Washington, D.C.: Jan. 31, 2006).

²The five locations were Wilmington, Massachusetts; Hazelwood, Missouri; Oxford, Mississippi; Lewistown, Pennsylvania; and Longview, Washington.

³The four states that did not receive an initial allocation of TAA training funds in fiscal year 2006 were Delaware, Hawaii, North Dakota, and Wyoming.

and Internal Revenue Service (IRS) officials and visited state and local officials in four states—California, Massachusetts, Michigan, and North Carolina. We used several criteria in selecting states to visit, including the number of TAA certifications during fiscal years 2005 and 2006, the estimated number of workers affected by layoffs during this period, the amount of TAA funds allocated during these 2 years, the industries that were affected, and geographic dispersion. Within each state we also visited one to three local areas that had a diverse set of industries and experienced either a large number of TAA certifications or dealt with one or more very large layoffs. In addition, we analyzed Labor’s TAA petitions database, Labor’s quarterly activity reports, and IRS’s data on the health coverage benefit. We performed our work between August 2006 and May 2007 in accordance with generally accepted government auditing standards. (See app. I for more details on our objectives, scope, and methodology.)

Results in Brief

During the past 3 fiscal years, there has been a decline in the number of petitions filed and certified, and with it, a decline in the number of workers participating in training. The number of petitions certified declined 17 percent, from about 1,700 in fiscal year 2004, to 1,400 in fiscal year 2006, but the proportion of petitions Labor has certified remained relatively stable. During the past 3 fiscal years, Labor certified about two-thirds of petitions investigated and covering about 400,000 workers. Labor most commonly denied petitions because workers were not involved in the production of articles, a basic requirement of the TAA program. Of the 800 petitions denied in fiscal year 2006, nearly half were denied for this reason. Most of the denied petitions in this group were for two service industries recently affected by offshoring to other countries—business services, particularly computer-related services and airport-related services, such as aircraft maintenance. Of the approximately 2,600 petitions initially denied from fiscal years 2004 to 2006, 16 percent were appealed, and the decisions were reversed in about one-third of these cases. Nationally, the decline in the number of workers entering training from fiscal years 2004 to 2006 parallels a decline in the estimated number of trade-affected workers—declining sharply between fiscal years 2004 to 2005 but leveling off in fiscal year 2006. However, slightly more states responding to our survey reported an increase in training enrollment during the past 3 years than reported a decrease. Occupational training remains the most popular type of training, constituting about three-quarters of the training enrollments. States reported in our survey that TAA participants most frequently trained to become nurses, medical assistants, and truck drivers. Efforts to enroll workers in training,

however, are sometimes hampered by the training enrollment deadline—that is, the requirement that workers be enrolled in training within 8 weeks of certification or 16 weeks of layoff to qualify for extended income support. Nearly three-quarters of the states responding to our survey reported that enrolling workers in training by this deadline was a challenge

States face challenges managing their training funds because of Labor's policies for allocating training funds and the lack of flexibility to use these funds to provide case management services to trade-affected workers. Labor's process for allocating training funds presents two significant challenges to states. First, the amount states receive at the beginning of the fiscal year does not adequately reflect states' spending the year before or the current demand for training services in the state, largely because Labor's hold harmless policy guarantees that each state will receive at least 85 percent of what it received the previous year. For example, 13 states received an initial allocation in fiscal year 2006 of approximately \$45 million and although they spent or obligated less than 1 percent of these funds, received about \$41 million at the beginning of fiscal year 2007. Moreover 5 of the 13 states received larger amounts in fiscal year 2007 than they received in fiscal year 2006. Second, Labor distributes a significant amount of funds to most states on the last day of the fiscal year, even to states that have spent less than 1 percent of the current fiscal year training allocation. For example Labor distributed about \$20 million to 48 states on the last day of the fiscal year, and \$5 million of these funds went to the 13 states that had used less than 1 percent of their initial allocation. Another challenge cited by states was the lack of flexibility to use training funds to provide trade-affected workers with case management services, such as counseling to help them decide whether they need training and which training would be most appropriate. States receive no TAA program funds for case management and are prohibited by law from using training funds for this service, so they must either use their limited administrative funds or seek resources from other programs, such as those funded by the Workforce Investment Act (WIA).

Few TAA participants take advantage of the wage insurance and health coverage benefits, and several factors, such as a short deadline for getting a job and the cost of buying health coverage, may limit participation. Although the number of new workers receiving the wage insurance benefit has increased from 1,400 in 2004, to about 3,200 in 2006, the number remains small—two-thirds of the states estimate that 5 percent or less of their TAA participants received wage insurance in fiscal year 2006. In 2006, wage insurance benefits totaling \$16.7 million were paid to workers—an

amount far less than the \$85 million that the Congressional Budget Office estimated the benefit would cost each year. Several states reported that the requirement that workers must find a job within 26 weeks to receive the wage insurance benefit was the major factor preventing more workers from taking advantage of the benefit. Moreover, several states said another factor limiting participation in wage insurance is the requirement that for a group of workers to be certified as eligible, the petitioning workers must have been laid off from a firm where the affected workers lacked easily transferable skills and a significant portion of those workers were aged 50 or over. Participation in the health coverage benefit is also low. Approximately 6,900 workers enrolled for the first time in the advanced health care benefit in fiscal year 2006. About half of the participants receiving this benefit reside in four states—North Carolina, Pennsylvania, Tennessee, and Virginia. Several states told us the high out-of-pocket costs of the health coverage benefit may discourage workers from using the benefit. For example, in one state we visited, the worker's share of the premium for a family policy under the health coverage benefit was approximately \$270 per month—or about 25 percent of the monthly unemployment insurance benefit. In addition workers may have to pay the full premium for up to 3 months before the health coverage benefit is authorized, and these costs are not reimbursed by the health coverage benefit. While cost is among the most significant factors limiting participation in the health coverage benefit, some states also reported that it can be complicated and difficult to understand for both workers and local case managers.

To allow states greater flexibility in how they may use their TAA funds to provide services to workers, Congress may wish to consider allowing a portion of TAA training funds to be used for case management services. In addition, in order to make it easier for workers to comply with the training enrollment deadline, Congress may wish to consider simplifying the deadline by specifying a single time period that commences when workers are laid off or petitions are certified, whichever is later. Furthermore, to enable more workers to take advantage of the wage insurance benefit, Congress may wish to consider increasing the length of time workers have to become reemployed and eliminating the requirement that to be certified as eligible for wage insurance, the petitioning workers must have been laid off from a firm where the affected workers lacked easily transferable skills and a significant portion of those workers were aged 50 or over. Moreover, we are recommending that the Secretary of Labor develop procedures to better allocate training funds and ensure that any reserve funds are given to only those states that have spent or obligated a substantial portion of the current fiscal year allocation. In its comments, Labor generally agreed

with our findings and recommendations and noted that it would examine the process for allocating training funds to states. Labor, however, contends that the Workforce Investment Act, rather than TAA, should finance case management. We agree with Labor that co-enrollment with WIA should be encouraged, but as our report points out, WIA funds are not always available to provide this service, especially during large layoffs. We believe that states would benefit from having the option to use a portion of their training funds to defray the costs of providing case management services to trade-affected workers. Labor did not comment on the other Matters for Congressional Consideration.

Background

Under TAA, workers enrolled in the program have access to a variety of benefits and services, including the following:

Training. Participants may receive up to 130 weeks of training, including 104 weeks of vocational training and 26 weeks of remedial training, such as English as a second language or adult basic education.

Extended income support. Participants may receive a total of 104 weeks of extended income support beyond the 26 weeks of unemployment insurance (UI) benefits available in most states. This includes 78 weeks of extended income support while workers are completing vocational training and another 26 weeks if workers are completing remedial training. To qualify for extended income support, participants must be enrolled in training by the later of two dates: either 16 weeks after being laid off or 8 weeks after Labor certified their petition. However, before this deadline is reached, the worker need not be enrolled in training or have a waiver in order to be eligible to receive income support. The maximum level of extended income support in a state is set at the state's maximum UI benefit level.

Job search and relocation benefits. Payments are available to help participants search for a job in a different geographical area and to relocate to a different area to take a job. Participants may receive up to a maximum of \$1,250 to conduct a job search. The maximum relocation benefit includes 90 percent of the participant's relocation expenses plus a lump sum payment of up to \$1,250.

Wage insurance benefit. The wage insurance benefit, known as the Alternative Trade Adjustment Assistance (ATAA) program, was created by the TAA Reform Act of 2002 as a demonstration project designed for older workers. To be certified as eligible for the wage insurance benefit,

workers must have been laid off from a firm that had a significant portion of workers age 50 or over who lacked transferable skills.⁴ To receive the benefit, workers must be 50 years of age or older and find reemployment within 26 weeks of being laid off that pays less than \$50,000 and less than they previously earned. Workers who meet these criteria are eligible to receive 50 percent of the difference between their new and old wages up to a maximum of \$10,000 over 2 years. In order to receive the benefit, workers forgo TAA-funded training. For the fiscal year 2008 budget request, Labor estimated wage insurance benefits at \$23 million.

Health coverage benefit. The health coverage benefit, known as the Health Coverage Tax Credit (HCTC) and also created by the TAA Reform Act, helps workers pay for health care insurance through a tax credit.⁵ Workers can choose to receive the benefit in two ways—as an advance option that covers 65 percent of their monthly premiums, allowing them to lower the amount they have to pay out of pocket for health coverage, or as an end-of-year tax credit that is claimed on their income taxes. To be eligible for the health coverage benefit, workers must either be (1) receiving extended income support payments, or eligible for extended income support but still receiving UI payments, or (2) receiving the wage insurance benefit. IRS administers the health coverage tax credit program (see app. II for details on the administrative costs of the program). Three federal departments—Treasury, Labor, and Health and Human Services—share responsibility for implementing the health coverage benefit for TAA-eligible workers. There are three health plan options that are automatically eligible:

- *COBRA continuation plans.* Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, certain employers with 20 or more employees are required to make available 18 to 36 months of continued health care coverage for former employees and their dependents who lose health coverage due to certain circumstances, such as when a worker is laid off. Generally, health care insurers may

⁴Labor defines “significant portion” as the lesser of 5 percent of the affected workforce or 50 workers at a firm with 50 or more workers, or at least 3 workers in a firm with less than 50 affected workers.

⁵The Trade Adjustment Assistance Reform Act of 2002 created a health coverage tax credit for certain workers who are eligible to receive income support benefits under the TAA program because their jobs were lost due to foreign competition and for certain retirees whose pensions from a former employer were terminated and are now paid by the Pension Benefit Guaranty Corporation (PBGC).

charge individuals purchasing COBRA continuation coverage no more than 102 percent of the total premium.

- *Spousal coverage.* Health care insurance obtained through the employer of a worker's spouse is also eligible, provided that the employer contributed less than 50 percent toward the cost of coverage.
- *Individual market plans.* Workers may use the health coverage benefit to cover a portion of the monthly cost of individually purchased health coverage if the worker purchased the coverage at least 30 days prior to being laid off.

In addition to the three options that are automatically qualified for the health coverage benefit, the TAA Reform Act allows states to designate other coverage alternatives—called state-qualified options. For example, states may make arrangements with individual health insurers, among others, to provide coverage to TAA participants under the health coverage benefit. These state-qualified plans must, among other requirements, provide coverage for preexisting conditions.

TAA Petition Process

The process for enrolling trade-affected workers in the TAA program begins when a petition for TAA assistance is filed with Labor on behalf of a group of workers. Petitions may be filed by the employer experiencing the layoff, a group of at least three affected workers, a union, or the state or local workforce agency. Labor is required to either certify or deny the petition within 40 days after receiving it.

Labor investigates whether a petition meets the requirements for TAA certification by taking steps such as contacting company officials, surveying a company's customers, and examining aggregate industry data. When Labor has certified a petition, it notifies the relevant state, which has responsibility for contacting the workers covered by the petition, informing them of the benefits available to them, and telling them when and where to apply for benefits.

The TAA statute lays out certain basic requirements that all certified petitions must meet, including that a significant proportion of workers employed by a company be laid off or threatened with layoff and that affected workers must have been employed by a company that produces

articles.⁶ In addition to meeting these basic requirements, a petition must demonstrate that the layoff is related to international trade in one of several ways, including the following:

- Increased imports—imports of articles that are similar to or directly compete with articles produced by the firm have increased, the sales or production of the firm has decreased, and the increase in imports has contributed importantly to the decline in sales or production and the layoff or threatened layoff of workers.
- Shift of production—the firm has shifted production of articles to another country and either
 - the country is party to a free trade agreement with the United States or
 - the country is a beneficiary under the Andean Trade Preference Act, the African Growth and Opportunity Act, or the Caribbean Basin Economic Recovery Act or
 - there has been or is likely to be an increase in imports of articles that are similar to or directly compete with articles produced by the firm.
- Affected secondarily by trade—workers must meet one of two criteria:
 - Upstream secondary workers—affected firm produces and supplies component parts to another firm that has experienced TAA-certified layoffs; parts supplied to the certified firm constituted at least 20 percent of the affected firm’s production, or a loss of business with the certified firm contributed importantly to the layoffs at the affected firm.
 - Downstream secondary workers—affected firm performs final assembly or finishing work for another firm that has experienced TAA-certified layoffs as a result of an increase in imports from or a shift in production to Canada or Mexico, and a loss of business with the certified firm contributed importantly to the layoffs at the affected firm.

If Labor denies a petition for TAA assistance, the workers who would have been certified under the petition have two options for challenging this denial. They may request an administrative reconsideration of the decision by Labor. To take this step, workers must provide reasons why the denial is erroneous based on either a mistake or misinterpretation of the facts or

⁶The statute provides that Labor determine that a significant number or portion of workers have become totally or partially separated, or are threatened to become totally or partially separated. 19 U.S.C. § 2272(a)(1).

the law itself, and must mail their request to Labor within 30 days of the announcement of the denial. Workers may also appeal to the United States Court of International Trade for judicial review of Labor's denial within 60 days of either the initial denial or a denial following administrative reconsideration by Labor.

State and local workforce agencies also play key roles in the petition certification process and help workers take advantage of the services and benefits available in TAA. The agencies assist workers and employers in filing petitions and will also file petitions on behalf of workers. After a petition is certified, the agencies contact employers to obtain a list of workers affected by the layoff and send each worker a letter notifying him or her of potential eligibility. The agencies may also hold orientation sessions to provide workers with detailed information on the TAA program and services and benefits available through the one-stop system. In addition, case managers provide vocational assessments and counseling to help workers enroll in the program and decide which services or benefits are most appropriate. Local case managers also refer workers to other programs, such as the Workforce Investment Act, for additional services.

TAA Training Funds

Approximately \$220 million is available annually for training.⁷ Each year Labor allocates 75 percent of the training funds to states according to a formula that takes into consideration several factors, including the average amount of training funds allocated to states, reported accrued training expenditures, and the average number of training participants over the previous 2½ years. In addition, to minimize year-to-year fluctuations in state funding, Labor uses a hold harmless policy that ensures that each state's initial allocation is at least 85 percent of the initial allocation received in the previous year. In fiscal year 2006, Labor initially allocated \$165 million of training funds to 46 states. To cover administrative costs, Labor allocates to each state an additional 15 percent of its training allocation.

Labor holds the remaining 25 percent in reserve to distribute to states throughout the year according to need as they experience unexpected large layoffs. States may request these additional funds if they have

⁷TAA training is a capped entitlement and appears in the mandatory portion of the annual federal budget.

expended at least 50 percent of all available training funds received during the fiscal year or otherwise have demonstrated need. States have 3 years to spend these funds. Thus fiscal year 2006 funds must be used by the end of fiscal year 2008. In fiscal year 2006, Labor also distributed a special administrative award of \$250,000 to each state to upgrade its management information systems.

Certifications and Training Enrollments Have Declined over Past 3 Fiscal Years as Petition Filings Declined

During the past 3 fiscal years, the number of petitions certified and the number of workers enrolled in training has declined, along with the number of petitions filed. The proportion of petitions certified has remained relatively stable, as Labor certified about two-thirds of petitions investigated in each of these years. Petitions were most commonly denied because workers were not involved in the production of articles, a basic requirement of the TAA program. During this time, the number of workers estimated to be covered under certifications has declined, along with the number of workers enrolling in training. Occupational training continues to be the largest training category, and states reported in our survey that workers most often trained to become nurses, medical assistants, and truck drivers. Efforts to enroll workers in training are sometimes hampered by the “8-16” training enrollment deadline—that is, the requirement that workers be enrolled in training within 8 weeks of certification or 16 weeks of layoff to qualify for extended income support.

Labor Certified Two-Thirds of Petitions Investigated, although Number of Certifications Declined as Petitions Filed Declined

Over the past 3 fiscal years, the number of petitions certified has declined 17 percent, from nearly 1,700 in fiscal year 2004 to 1,400 in fiscal year 2006 (see app. III for a list of the top industries certified during the past 3 fiscal years). The number of petitions filed during this time period declined at a similar rate. Labor certified two-thirds of petitions that it investigated over the past 3 fiscal years, certifying nearly 4,700 petitions (see table 1). These petitions covered an estimated 400,000 workers.

Table 1: TAA Petition Filings and Investigation Decisions, Fiscal Years 2004 to 2006

| Fiscal year | Number of petitions filed | Number investigated^a | Number certified | Number denied | Percentage certified |
|---------------------------|----------------------------------|--|--------------------------|--------------------------|-----------------------------|
| 2004 | 2,992 | 2,559 | 1,689 | 870 | 66 |
| 2005 | 2,638 | 2,358 | 1,589 | 769 | 67 |
| 2006 | 2,456 | 2,232 | 1,407 | 825 | 63 |
| Total past 3 years | 8,086 | 7,149 | 4,685^b | 2,464^c | 66 |

Source: GAO analysis of Department of Labor petitions data.

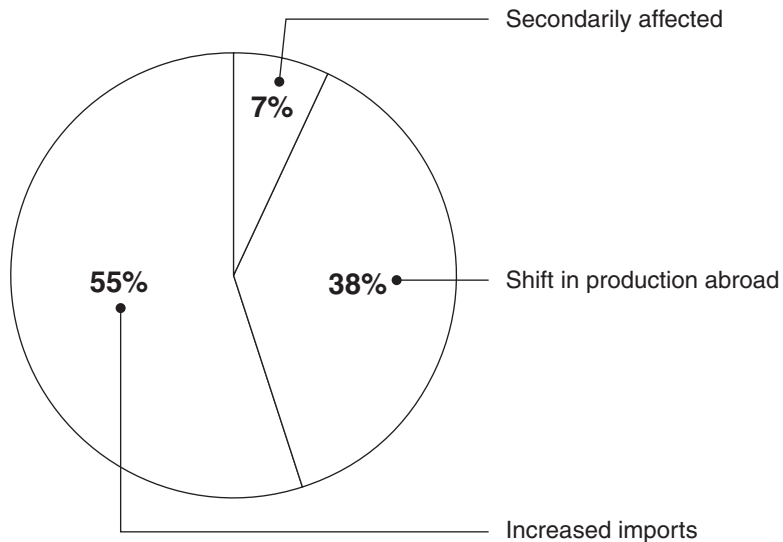
^aAbout 900 petitions were terminated prior to an investigation by the Department of Labor during fiscal years 2004 to 2006, accounting for 12 percent of petitions filed. Petitions may be terminated for several reasons, including that a petition was recently denied for the layoff or a company official was not available to provide necessary information.

^bThe numbers on petitions certified include 12 petitions that were partially certified.

^cLabor initially denied 2,599 petitions, but 135 were reversed upon appeal.

Of the approximately 4,700 petitions certified over the past 3 fiscal years, most qualified for the TAA program because increased imports contributed to the layoff of workers. An additional 38 percent of certified petitions were because workers lost jobs due to a shift in production to another country (see fig. 1).

Figure 1: Categories under Which TAA Petitions Were Certified, Fiscal Years 2004-2006



Total certifications = 4,673

Source: GAO analysis of Department of Labor data on petitions filed during fiscal years 2004 to 2006.

Note: This figure does not include 12 petitions that were partially certified.

Although petitions for secondarily affected workers constitute only 7 percent of certified petitions, the number of workers covered under this eligibility requirement has increased somewhat, from about 7,900 workers in fiscal year 2004 to 8,800 workers in fiscal year 2006.⁸ Nearly all of the 328 petitions certified for secondarily affected workers during the past 3 fiscal years were for workers at firms that supplied component parts to another firm that experienced a TAA-certified layoff, or upstream firms. Only 4 percent of the certified petitions for secondarily affected workers were for workers at firms that performed final assembly or finishing work for another firm that experienced a TAA-certified layoff, or downstream firms. To be certified for TAA under the secondarily affected criteria, a downstream firm must be affected by trade with Canada or Mexico, while an upstream firm has no such limitation.

⁸The data used to estimate the number of workers certified as eligible for TAA is based on estimates of the number of affected workers submitted by companies at the time TAA petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected.

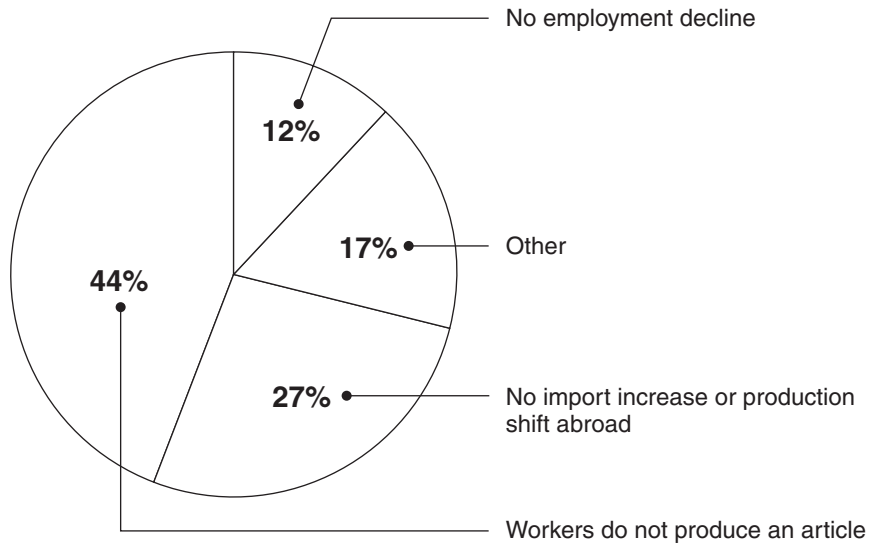
Labor has generally processed petitions in a timely manner over the past 3 fiscal years. Labor's average processing time has remained relatively steady, taking on average 32 days to conduct an investigation and determine whether to certify or deny the petition. Labor met the requirement to process petitions within 40 days for 77 percent of petitions it investigated during fiscal years 2004 to 2006. Labor most often took only an extra day to process the remaining petitions. Labor officials said that the reason they are not always able to meet the 40-day time frame is because they sometimes do not receive necessary information in a timely manner from company officials.

Petitions Were Most Often Denied because Workers Were Not Involved in Producing an Article

During the past 3 fiscal years, about 2,500 petitions have been denied, and in fiscal year 2006, the most common reason for petitions being denied was because workers were not involved in producing an article, a basic requirement of the TAA program.⁹ Of the over 800 petitions filed in fiscal year 2006 that were denied, 359 (44 percent) were denied for this reason (see fig. 2).

⁹Fiscal year 2006 was the first year that complete data were available on the reasons petitions were denied.

Figure 2: Reasons Petitions Filed in Fiscal Year 2006 Were Denied



Total number of denials = 823

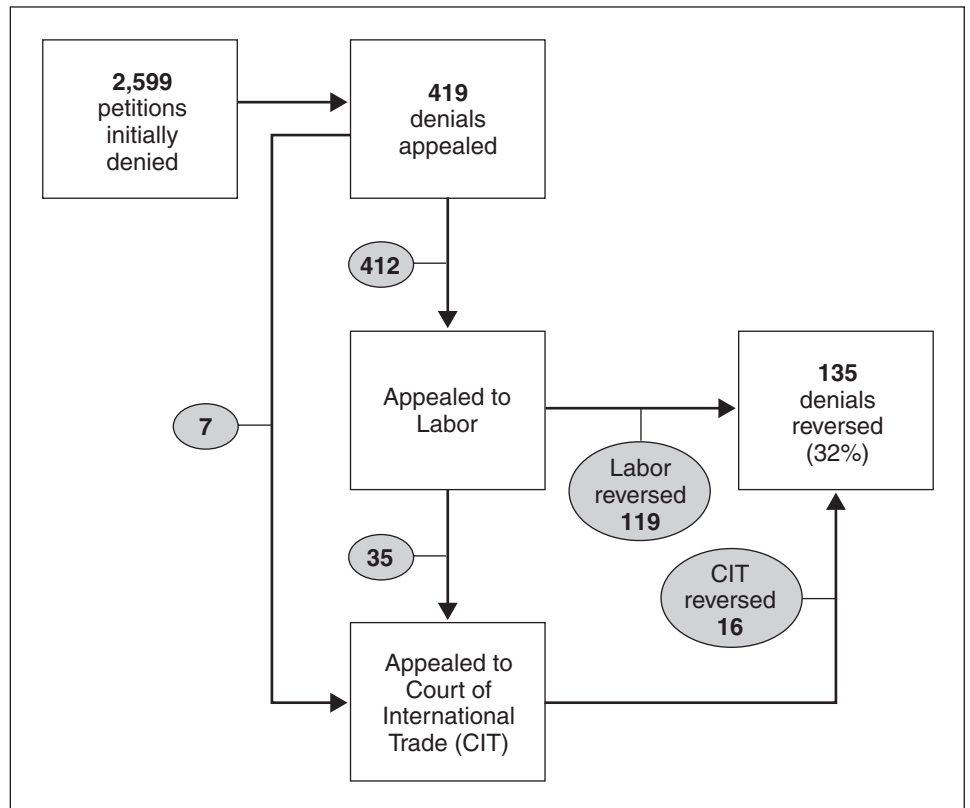
Source: GAO analysis of Department of Labor data on petitions filed during fiscal year 2006.

Note: Other reasons that petitions were denied were that the company did not experience a decline in sales or production, the predominant cause of the layoff was unrelated to imports or a shift in production abroad, or there was no secondary impact. This figure does not include two petitions that were missing information on reasons they were denied.

Of those petitions denied because workers did not produce articles, most came from two industries: business services, such as computer programming, and airport-related services, such as aircraft maintenance. Although data are not available on the extent to which offshoring has occurred in these industries, there are anecdotal accounts that offshoring has caused some job losses in these industries.

During the past 3 fiscal years, workers appealed decisions in 16 percent of the approximately 2,600 petitions that Labor initially denied. Labor's decisions were reversed in one-third of the appeals (see fig. 3). Labor officials told us that appeals are often reversed because Labor receives new information, as part of the appeals process, that justifies certifying the petition.

Figure 3: Appeals of Petitions Filed during Fiscal Years 2004 to 2006



Source: GAO analysis of Department of Labor petitions data and U.S. Court of International Trade cases.

Note: Some appeals were still being processed at the time this report was issued.

Although few denied petitions are appealed to the U.S. Court of International Trade (CIT), many of the recent appeals concern the issue of whether workers were involved in the production of articles. In fiscal years 2005 and 2006, Labor’s original denial was reversed in 13 cases appealed to the Court, and most of these cases addressed the issue of whether workers produced articles (see app. IV for further details on these cases). Some of these cases concerned workers who produced software, which Labor had regarded as a service when the software was not contained in a physical medium, such as a disc or CD-ROM. In 2006, Labor revised its policy, stating that software could be considered an intangible article because it would have been considered an article if it had been

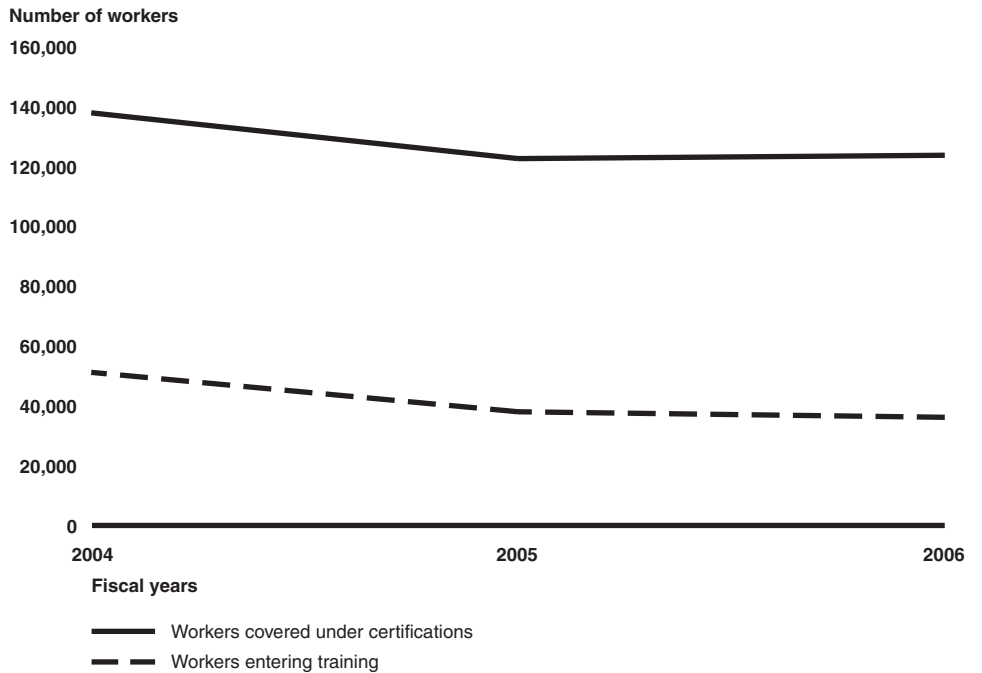
produced in a form such as a disc or CD-ROM.¹⁰ Following this decision, Labor officials reported that they were certifying a greater proportion of petitions concerning software.

Number of Participants in Training Has Declined as Number of Workers Estimated to Be Certified for TAA Declined

Nationally, the decline in the number of workers entering training from 2004 to 2006 parallels the decline in the number of workers estimated to be covered under certifications during this period (see fig. 4). Sixteen states responding to our survey indicated that the percentage of TAA participants enrolling in training has decreased during the past 3 fiscal years. States in our survey reported that their participation declines were due to fewer layoffs, fewer numbers of eligible participants, and the need for workers to go back to work, rather than enter training. On the other hand, 20 states in our survey reported an increase in participation. These states said the increases were due to several large plant closures, larger percentages of workers needing remedial training, and more employers requiring their workers have higher skill levels.

¹⁰71 Fed. Reg. 18355 (April 11, 2006).

Figure 4: Number of TAA Participants Covered under Certifications and Enrolled in Training by Fiscal Year



Source: GAO analysis of Department of Labor petitions data and quarterly activity reports.

Occupational training remains the largest training category for TAA participants, with about three-fourths of TAA training participants opting for occupational training. In our survey, states ranked nursing—including registered nurses, licensed practical nurses, and certified vocational nurses—medical assisting, and truck driving as the occupations in which TAA participants were most frequently trained (see app. V for a listing of the most frequently trained occupations by state). Although occupational training remains the largest training category, its relative percentage has decreased, while the percentage of training enrollments for remedial education has increased (see table 2).¹¹

¹¹The percentages are based on enrollments in each training category and not individuals. Some individuals could have enrolled in more than one activity.

Table 2: Training Enrollments by Type of Training by Fiscal Year

| Type of training | 2004 | | 2005 | | 2006 | |
|------------------|---------------|------------|---------------|------------|---------------|------------|
| | Number | Percent | Number | Percent | Number | Percent |
| Occupational | 42,793 | 84 | 29,909 | 79 | 27,101 | 75 |
| Remedial | 7,768 | 15 | 7,509 | 20 | 8,239 | 23 |
| On-the-job | 368 | 1 | 356 | 1 | 590 | 2 |
| Total | 50,929 | 100 | 37,774 | 100 | 35,930 | 100 |

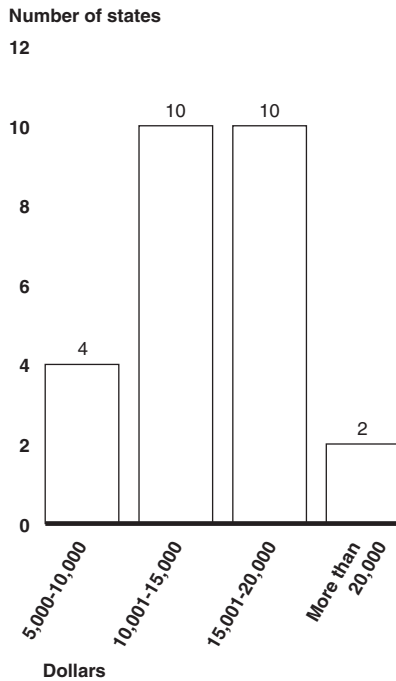
Source: Department of Labor data.

Note: On-the-job training (OJT) is training provided by an employer in the public or private sector to a TAA participant that has been hired by the employer. Under the OJT contract, the employer is reimbursed for no more than 50 percent of the participant's wage for a specified duration.

During our site visits, some local officials reported that the need for remedial training had increased, in part because more non-English-speaking workers were being laid off. For example, officials from local areas in two states we visited said that most workers who opted for training enrolled in English as a second language (ESL) courses. In response to this need, training providers in one of the local areas designed a specific training program for dislocated garment workers that enabled workers to take both ESL and occupational skills training simultaneously.

Twenty-six states in our survey reported having a maximum amount they will pay for a worker to attend training, typically from \$10,000 to \$20,000 (see fig. 5). Many of these states did, however, note that their training maximums were flexible and could be waived if justified. In addition, 13 states in our survey reported that their training cost limits had increased during the past 3 years, mainly due to rises in tuition and related expenses, as well as requests for more expensive training.

Figure 5: States' Training Cost Limits



Source: GAO analysis of survey responses.

Efforts to enroll workers in training are sometimes hampered by the “8-16” training enrollment deadline—that is, the requirement that workers be enrolled in training within 8 weeks of certification or 16 weeks of layoff to qualify for extended income support. Nearly three-quarters of the states responding to our survey reported that enrolling workers in training by the 8-16 deadline was a challenge. For example, one state noted that trying to enroll participants in training by the 8-16 deadline is particularly challenging when dealing with large layoffs because it is difficult to handle all the logistics, such as notifying workers and setting up appointments, for a large number of workers within the deadline. Moreover, officials in the four states we visited also indicated that the deadline is very confusing to workers. They told us that workers become confused about which point in time the 8 weeks or 16 weeks apply to and, as a result, are not sure when the clock starts and stops. We previously reported that about three-fourths of states responded that workers at least occasionally miss the deadline and consequently lose their eligibility for extended income

support.¹² In that report, we recommended that Labor track the ability of workers to meet the 8-16 deadline. As of April 2007, Labor had not yet begun gathering information on the impact of the deadline.

Labor's Allocation Process and Limited Flexibility Make It Difficult for States to Manage Training Funds

States face challenges managing their training funds because of Labor's policies for allocating training funds and the lack of flexibility to use these funds to provide case management services to trade-affected workers. Labor's process for allocating training funds presents two significant challenges to states. First, the amount states receive at the beginning of the fiscal year does not adequately reflect states' spending the year before or the current demand for training services in the state, largely because Labor guarantees that each state will receive at least 85 percent of what it received the previous year. As a result, some states receive more training funds than they can use, while others do not receive enough. For example, in fiscal year 2006, 9 states used virtually all their funds, while 13 states used hardly any. On average, about 62 percent of the training funds states received in fiscal year 2006 were spent or obligated. Second, Labor distributes a significant amount of funds to most states on the last day of the fiscal year, even to states that have spent less than 1 percent of the current fiscal year's training allocation. States also report being challenged by the lack of flexibility to use training funds to provide trade-affected workers with case management services, such as counseling to help them decide whether they need training and what type of training would be most appropriate. States receive no TAA program funds for case management, and the law does not allow them to use training funds for this service, so they must either use their limited administrative funds or seek resources from other programs, such as those funded by the Workforce Investment Act.

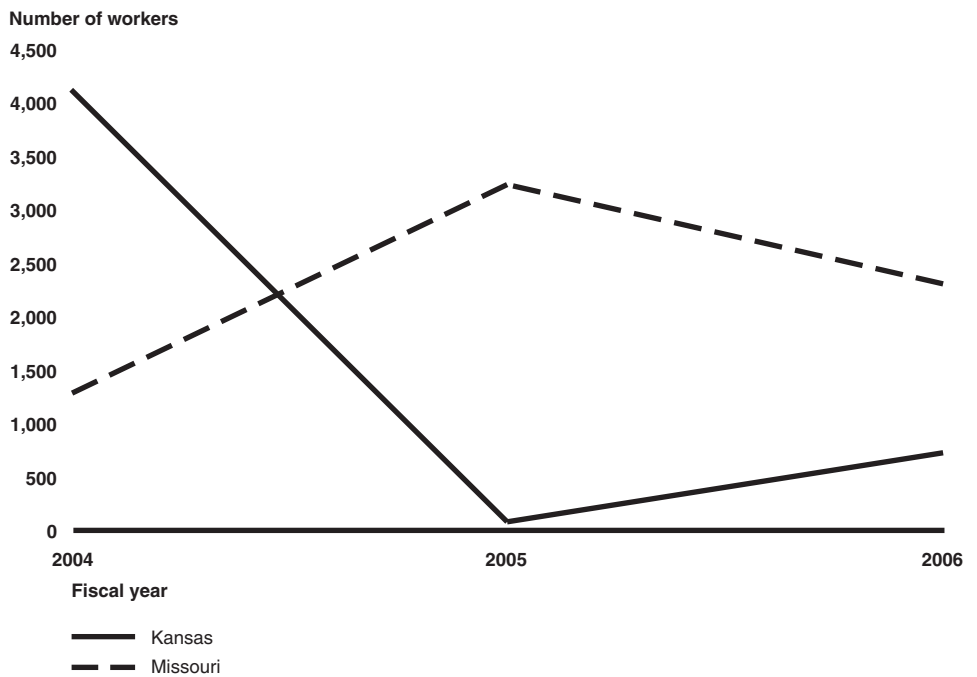
Labor's Policies for Allocating Training Funds Present Challenges to States in Managing Their Funds

Labor's process for allocating training funds does not adequately recognize the episodic nature of layoffs or the extent to which states have used their previous year's allocations. Labor allocates 75 percent of TAA training funds based upon a formula that takes into account expenditures and participation over the previous 2 ½ years. However, the year-to-year fluctuation in layoffs within a state may result in states receiving more or less funds than they may actually need. For example, the estimated number of trade-affected workers being laid off declined dramatically in

¹²[GAO-04-1012](#).

Kansas from fiscal year 2004 to 2005 and increased somewhat in 2006. Overall the estimated number of trade-affected workers in Kansas laid off in fiscal year 2006 represented about an 80 percent decrease from the estimated number in 2004. On the other hand, Missouri experienced an 80 percent increase in the number of trade-affected workers being laid off between fiscal years 2004 and 2006 (see fig. 6.). (See app. VI for the number of estimated workers certified by state during the past 3 fiscal years.) Kansas used hardly any of its fiscal year 2006 training fund allocation, while Missouri used virtually all of its. However, both states received about 15 percent less in fiscal year 2007 than they received in 2006.

Figure 6: Fluctuation in Estimated Number of Trade-Affected Workers Laid Off from Fiscal Years 2004 to 2006 in Kansas and Missouri

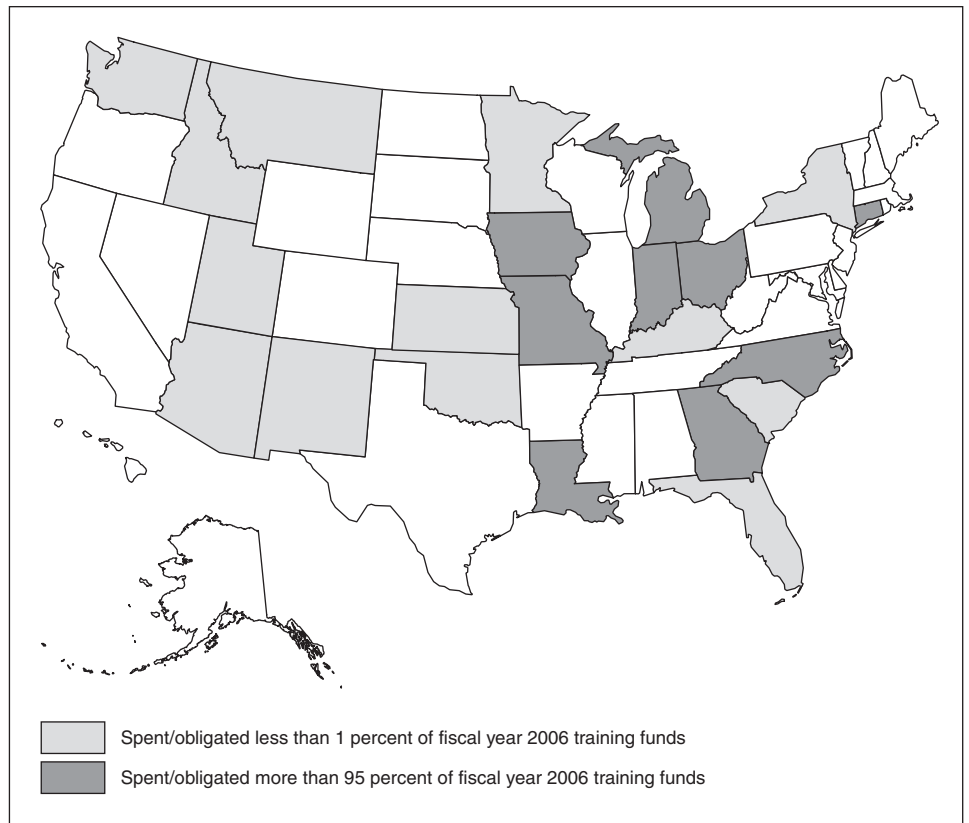


Source: GAO analysis of Department of Labor petitions data.

While the 46 states responding to our survey reported using (spending or obligating), on average, about 62 percent of their fiscal year 2006 training funds during the fiscal year, the percentage of funds states expended and obligated varied widely. Thirteen of the states reported using less than 1 percent of their fiscal year 2006 funds for training, while 9 states reported using more than 95 percent of their fiscal year 2006 training funds (see fig. 7). The amount individual states reported using ranged from

0 percent in several states to about 230 percent in 1 state. (See app. VII for a listing of the percentage of fiscal year 2006 funds spent or obligated by state).

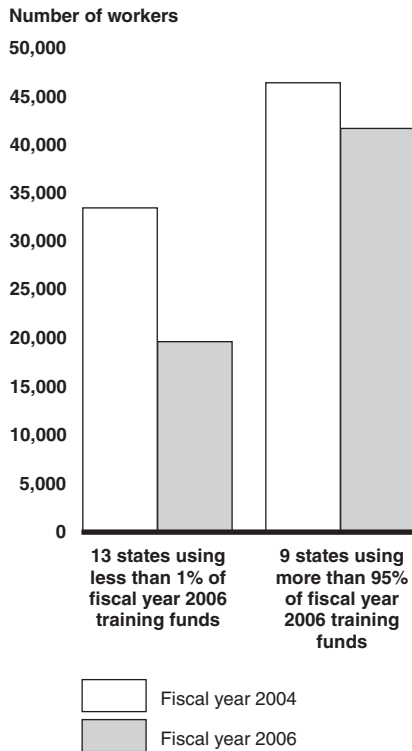
Figure 7: States with High and Low Use of Fiscal Year 2006 Training Funds



Source: Department of Labor, (Map) Map Resources.

The estimated number of workers covered by certifications decreased by more than 40 percent between fiscal years 2004 and 2006 in the 13 states that used hardly any of their fiscal year 2006 training funds. On the other hand, the estimated number of workers only declined slightly during this period for the states using virtually all their fiscal year 2006 training funds (see fig. 8). Most of the states that used little of their fiscal year 2006 funds said that they were still using training funds from the previous fiscal year. Some of these states noted that they had experienced fewer TAA petitions and had fewer workers being laid off due to international trade.

Figure 8: Estimated Number of Trade-Affected Workers Declined More Sharply between Fiscal Years 2004 and 2006 in States That Used Virtually No Fiscal Year 2006 Training Funds



Source: GAO analysis of survey responses and Department of Labor petitions data.

A particular problem with Labor’s allocation process is the hold harmless policy, which guarantees that each state receives no less than 85 percent of what it received in the previous year. While this policy is intended to minimize significant fluctuations in state funding from prior years, it awards states comparable training funds without recognition of the previous year’s expenditures or obligations. For example, the 13 states that used less than 1 percent of the fiscal year 2006 funds received nearly \$41 million in fiscal year 2007—an amount slightly less than they received in fiscal year 2006. Moreover, 5 of the 13 states received a larger allocation in fiscal year 2007 than they received in 2006 (see table 3). Labor officials acknowledged that the formula for allocating initial training funds had been in place for a few years and that it may be time to evaluate whether the formula—including the factors used, the 75 percent initial distribution percentage, and the hold harmless policy—ensures that training funds are being appropriately distributed to the states. (See app. VIII for a listing by

state of Labor’s initial allocation of training funds for fiscal years 2004 to 2007.)

Table 3: States Spending Hardly Any of Their Fiscal Year 2006 Training Funds Received Comparable Amounts in Fiscal Year 2007

| State | 2006 initial allocation | 2007 initial allocation |
|----------------|-------------------------|-------------------------|
| Arizona | \$2,440,988 | \$2,074,840 |
| Florida | 3,350,544 | 2,847,962 |
| Idaho | 2,390,380 | 2,031,823 |
| Kansas | 2,775,736 | 2,359,376 |
| Kentucky | 3,705,162 | 3,830,061 |
| Minnesota | 4,005,739 | 3,404,879 |
| Montana | 1,109,440 | 943,024 |
| New Mexico | 377,871 | 396,303 |
| New York | 2,642,798 | 2,850,870 |
| Oklahoma | 1,523,960 | 1,577,252 |
| South Carolina | 4,366,585 | 4,499,254 |
| Utah | 1,814,367 | 1,542,212 |
| Washington | 14,357,300 | 12,203,705 |
| Total | \$44,860,870 | \$40,561,561 |

Source: Department of Labor.

Labor Distributes Additional Training Funds at the End of the Fiscal Year, Even to States Not Using Initial Allocation

Labor distributes a significant amount of funds to most states on the last day of the fiscal year, regardless of whether states need these additional funds. Labor holds 25 percent of TAA training funds in reserve to distribute on an as-needed basis to accommodate large or unexpected layoffs. States may request these additional funds if they have expended at least 50 percent of all available training funds received during the fiscal year or otherwise have demonstrated need. During fiscal year 2006, Labor distributed about \$22 million to 13 states that requested additional funds to deal with unexpected demands. This left about \$20 million to be distributed at the end of the year. Any funds Labor does not distribute by the end of the year expire and are not available for any other use. Labor distributed end-of-year funds to 48 states, including about \$5 million to

states that had spent or obligated less than 1 percent of their initial fiscal year 2006 allocation.¹³

Labor does not require states to have expended 50 percent of available training funds in order to receive training funds during the end-of-year distribution. Labor distributes these funds to each state based upon a calculation that takes into account the amount of training funds each state received from its initial allocation plus any additional amount it received during the year.¹⁴ According to Labor officials, all states will receive an end-of-year allocation unless a state specifically informs Labor it does not want any additional funds or if it had not received any funds at all during the year. Five states—Michigan, North Carolina, Pennsylvania, Texas, and Washington—received over \$1 million on the last day of the fiscal year. We visited Michigan and North Carolina, and officials in both states said that receiving funds on the last day of the fiscal year made it difficult to budget for training, especially when they did not know how much they would receive.

Waiting until the last day of the fiscal year to distribute training funds to states does not reflect good planning or management of program funds. Labor officials agreed that the distribution of reserve training funds could be improved so that more funds are disbursed throughout the year rather than on the last day. Officials also acknowledged that states that have not spent or obligated any of their initial allocation probably should not receive additional training funds at the end of the year.

Limited Flexibility in Use of Training Funds Hinders Case Management Services

States also cited the lack of flexibility to use training funds to provide trade-affected workers with case management services as a challenge. Difficulty funding case management services for trade-affected workers was a concern among officials in the states we visited. For example, state officials in one state said providing proper assessment, career counseling, and other case management services was a real challenge and noted that additional funds from other sources are limited. States do not receive TAA

¹³Hawaii and North Dakota did not receive end-of-the year funding because these states received no training funds at all during the year.

¹⁴For example, if Labor had distributed a total of \$200 million in training funds during the year and a state had received a total of \$10 million (received \$7 million from its initial training allocation and had requested an additional \$3 million during the year), then that state would receive 5 percent of any reserve funds distributed at the end of the year.

program funds for case management and, by law, cannot use training funds for this service. As a result, states must either use their limited TAA administrative funds or use funds from other programs to pay for case management, but there are limitations with these funding sources.

According to Labor officials, states are encouraged to co-enroll participants in WIA, and in Labor's view states have sufficient WIA funds to pay for case management for TAA participants. About three-fourths of the states reported in our survey that they were able to utilize WIA funds to help pay for case management services. Yet nearly half of the states also reported that coordination with WIA was a challenge. For example, WIA funding may not always be available for TAA workers, especially during a large layoff. Furthermore, local officials in a state we visited said that while 85 percent of TAA participants do co-enroll in WIA, a large layoff can strain funding and makes it difficult for WIA to completely fund case management for trade-affected workers.

States also reported limitations to using administrative funds to provide case management. More than half of the states responding to our survey reported the shortage of administrative funds as a challenge. One state noted that its administrative funds are usually exhausted by the end of the first quarter due to the amount of case management that is required for the program. A local official in one state we visited said that it uses Wagner-Peyser funds to pay for case management because not enough TAA administrative funds are received and TAA training funds cannot be used. As a result, only one case manager could be funded, and this one person had to cover three counties and serve approximately 1,000 workers. Moreover, officials in some of the states we visited cautioned that administrative funds should not be used for case management because case management is a program activity—any increase in the administrative limit to pay for this service could lead to the misconception that the program has too much overhead. These state officials noted that having the flexibility to use TAA training funds for case management would alleviate this concern.

Few TAA Participants Take Advantage of Wage Insurance and Health Coverage Benefits

Few TAA participants take advantage of the wage insurance and health coverage benefits, and several factors, such as a short deadline for getting a job and the cost of buying health coverage, may limit participation. Although the number of workers entering the wage insurance program has increased from 2004 to 2006, most states in our survey estimated that 5 percent or less of their TAA participants received the benefit in fiscal year 2006. In 2006, wage insurance benefits totaling \$16.7 million were paid to workers—an amount far less than the \$85 million that the Congressional Budget Office estimated the benefit would cost each year. In our site visits, states reported that the requirement that workers must find a job within 26 weeks to receive the wage insurance benefit was the major factor preventing more workers from taking advantage of the benefit. An additional factor that may limit participation in wage insurance by some older workers is the requirement that for a group of workers to be certified as eligible, the petitioning workers must have been laid off from a firm where the affected workers lacked easily transferable skills and a significant portion of those workers were aged 50 or over. The number of workers receiving the advance health coverage benefit has increased somewhat since 2004, but is still relatively low. State officials told us the high out-of-pocket costs of the health coverage benefit may discourage workers from using the benefit. While cost is one of the most significant factors limiting participation in the health coverage benefit, some states also reported that the health coverage tax credit program can be complicated and difficult to understand for both workers and local case managers.

Deadline to Find Employment and Other Requirements Limit Participation in the Wage Insurance Benefit

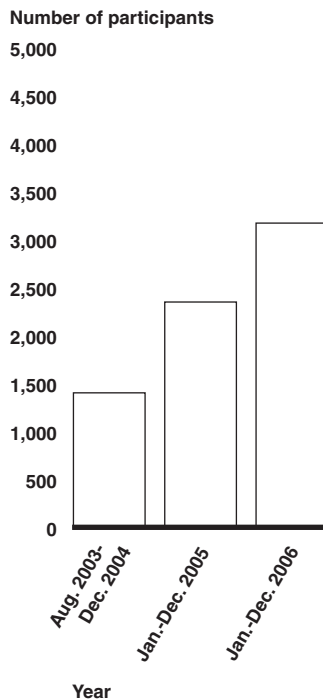
Few TAA participants take advantage of the wage insurance benefit. According to Labor officials, in calendar year 2006, 6,316 workers received the wage insurance benefit. Labor officials also stated that the universe of workers eligible for wage insurance cannot be estimated because data are not available on the number of workers certified for TAA who are 50 years old or older and meet the other eligibility requirements. However, two-thirds of the states we surveyed reported that 5 percent or less of TAA participants received wage insurance in fiscal year 2006.¹⁵ We previously

¹⁵This percentage is based on the total number of TAA participants because the number of workers potentially eligible for the wage insurance benefit is not readily available.

reported in a case study that less than 20 percent of the workers potentially eligible for the wage insurance benefit received it.¹⁶

Although participation is low, participation has increased since the benefit was implemented in August 2003. The number of workers enrolling in the program increased from about 1,400 in 2004 to about 3,200 in 2006 (see fig. 9). The total payments workers received also increased from about \$4.3 million in 2004 to about \$16.7 million in 2006. Despite these increases, the total yearly benefits remain far lower than the 2002 Congressional Budget Office estimate of \$85 million per year. (See app. IX for further details on wage insurance enrollments by state since 2003.)

Figure 9: Wage Insurance Enrollments, Calendar Years 2004 to 2006



Source: Department of Labor data.

Although officials in the states we visited believe the wage insurance benefit is beneficial to older workers close to retirement, two key factors

¹⁶GAO, *Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits*, [GAO-06-43](#) (Washington, D.C.: Jan. 31, 2006).

limit participation. Officials in states we visited said that one of the greatest obstacles to participation was the requirement for workers to find a new job within 26 weeks after being laid off. For example, according to officials in one state, 80 percent of participants who were seeking wage insurance but were unable to obtain it failed because they could not find a job within the 26-week period. The challenges of finding a job within this time frame may be compounded by the fact that workers may actually have less than 26 weeks to secure a job if they are laid off prior to becoming certified for TAA. For example, a local case worker in one state we visited said that the 26 weeks had passed completely before a worker was certified for the benefit. In addition, in order for a worker to receive the wage insurance benefit, the workers must forgo training and extended unemployment insurance benefits.

Another factor that may limit participation by some older workers is the requirement that a worker's firm must be certified for the wage insurance benefit before any of its workers are eligible. Under the TAA Reform Act, for a group of workers to be certified, the petitioning workers must have been laid off from a firm where the affected workers lacked easily transferable skills and a significant portion of those workers were aged 50 or over. Labor interprets a "significant portion" as the lesser of 5 percent of the affected workforce or 50 workers at a firm with 50 or more workers, or at least 3 workers in a firm with fewer than 50 affected workers. Labor investigates each petition to see if the firm meets the requirements, and in fiscal year 2006, nearly 90 percent of TAA-certified petitions were also certified for the wage insurance benefit. Labor officials said that eliminating this step of the TAA certification process—that is, allowing any TAA-certified workers who meet the individual eligibility criteria for the wage insurance benefit to participate—would decrease the agency's investigation workload somewhat and may increase participation in the wage insurance benefit.

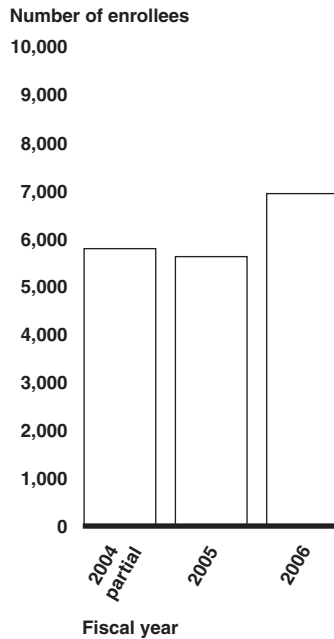
Participation in the Health Coverage Benefit Remains Low

Participation levels remain low for the health coverage benefit. Although the number of TAA participants enrolling for the first time in the advance health coverage benefit—whereby participants receive a monthly tax credit that covers 65 percent of their premiums—has increased since 2004, only about 6,900 received the advance health benefit in fiscal year 2006. TAA participants may also elect to receive an end-of-year tax credit, but the number of TAA participants selecting this option is also low and has been decreasing over time. Once the advance payment systems were established, workers have been choosing the advance benefit more often than the end-of-year credit to avoid paying the full cost of the health

coverage out of pocket each month. We estimate that for tax year 2005, approximately 5,700 TAA participants received end-of-year tax credits. However, some workers receive both the advance and end-of-year tax credit—participants may claim the end-of-year tax credit to recover some of the out-of-pocket expenses they incurred while waiting for their first advance payment. IRS reported that of those TAA participants receiving an end-of-year credit in tax year 2005, a total of 3,300 participants received both the advance and end-of-year credits.

New enrollments in the advance credit option have increased over the past 2 fiscal years from about 5,600 to about 6,900 enrollments (see fig. 10). As of September 2006, approximately 7 percent of the workers that were eligible for the extended income support, a basic requirement for the health coverage benefit, were receiving the advance credit. However, some of the workers that were eligible for extended income support may not meet other eligibility requirements for the health coverage benefit, such as having a qualified health plan. Since inception of the advance benefit, about 22,000 TAA participants have received the credit. (See app. X for advance health coverage enrollment by state since the benefit became available.)

Figure 10: Advance Health Coverage Benefit Enrollments, Fiscal Years 2004 to 2006



Source: GAO analysis of IRS data.

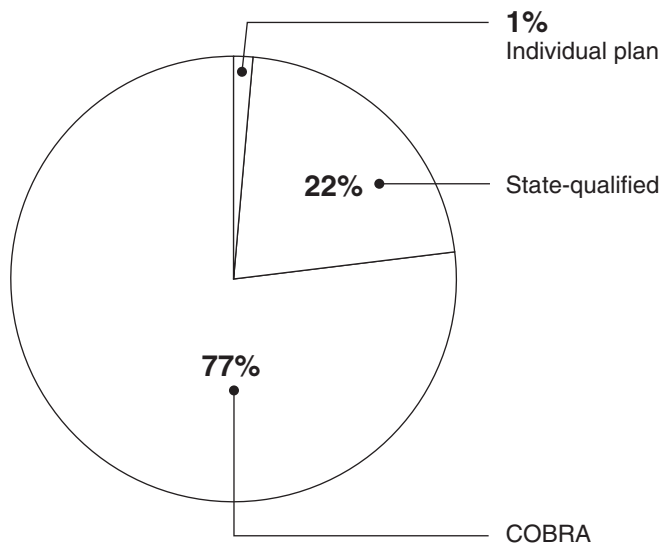
Notes: IRS data on new advance credit enrollments are unavailable prior to January 2004.

About half of all individuals enrolled in the advance health coverage tax credit since inception resided in four states—North Carolina, Pennsylvania, Tennessee, and Virginia. North Carolina alone had nearly a quarter of the TAA participants enrolled for the advance credit nationwide. State officials attributed this to two factors. First, North Carolina was among the first states in the nation to implement the advance health coverage tax credit and has the highest potentially eligible population. Second, the state contracts with a not-for-profit call center that informs workers about all the TAA benefits available, including the health coverage benefit. The call center walks TAA participants through the complex health coverage tax credit enrollment process.

Workers may choose among several options of health coverage, including COBRA and state-qualified plans. In September 2006, over 75 percent of TAA participants who received advance health benefits selected COBRA health coverage. Although COBRA is expensive, according to state officials, this is the most attractive option because it allows workers to maintain the health coverage they had prior to being laid off and avoid searching for new coverage that meets the specific eligibility criteria for

the health coverage benefit (see fig. 11). However, if a firm discontinues its employee health coverage, workers potentially eligible for the health coverage benefit would not likely have access to COBRA.

Figure 11: Advance Health Coverage Enrollment by Type, September 2006



Source: GAO analysis of IRS data.

Although most states offered a state-qualified health plan, less than 25 percent of advance health benefit participants selected state-qualified health coverage. Only a small percentage of advance benefit participants purchased individual plan coverage, which requires workers to be enrolled in an individual plan 30 days prior to separation. IRS reported that it is difficult for workers to anticipate the need to purchase this coverage in time to meet the 30-day requirement.

Cost Is a Key Factor Limiting Participation in the Health Coverage Benefit

The high cost of the health coverage benefit to participants is the greatest barrier to higher participation. State officials said that many laid-off workers cannot afford to pay 35 percent of their health care premiums while their primary income is unemployment insurance benefits. IRS officials reported that the workers' 35 percent share is among the primary barriers to participation in the benefit. For example, in the four states we visited, the average monthly premium for COBRA policies covering two or more individuals was about \$800. The workers' out-of-pocket cost for COBRA coverage in these states would be nearly one-fourth of their monthly UI payment (see table 4).

Table 4: Comparison of Average Monthly Premiums

| State | Average monthly UI payment | Average monthly COBRA premium for two or more | Workers' 35 percent share of monthly premium | Percentage of monthly UI payment |
|----------------|----------------------------|---|--|----------------------------------|
| California | \$1,176 | \$777 | \$272 | 23 |
| Massachusetts | 1,465 | 895 | 313 | 21 |
| Michigan | 1,161 | 737 | 258 | 22 |
| North Carolina | 1,074 | 770 | 270 | 25 |
| Average | \$1,219 | \$795 | \$278 | 23 |

Source: GAO analysis of UI data from states and average COBRA premiums from IRS.

State-qualified plans are similarly expensive and are often more expensive than COBRA coverage. Currently, 43 states have such plans, which, among other requirements, must provide for preexisting conditions. For example, in one state we visited, the premium for the state-qualified plan for a family was about \$940 per month, while the average COBRA premium was about \$740 per month. The worker's share of the state-qualified premium was about \$330—or about 30 percent of the UI benefit—compared to about \$260 for COBRA coverage.

In addition, there is currently a period of up to about 3 months where workers must cover the full cost of their health premiums before beginning to receive the advance credit, and this may be a further barrier to their participation. In 2004, we reported that it typically took from 4 to 6 months for workers to become eligible for and receive the first advance payment.¹⁷ The gap in time is created by three different periods in the health coverage benefit eligibility and enrollment process. The first gap occurs between the date a worker is laid off and when the worker is TAA-certified and therefore eligible for the health coverage benefit. The average time Labor takes to process a TAA petition is 32 days. According to IRS, a gap of approximately 55 days also exists from the time IRS mails a health coverage benefit program kit to a worker and the time a worker's registration for the benefit is received by the agency. A worker is not eligible for an end-of-year tax credit during these two time periods. The third gap occurs from the time a worker applies for the advance health

¹⁷GAO, *Health Coverage Tax Credit: Simplified and More Timely Enrollment Process Could Increase Participation*, [GAO-04-1029](#) (Washington, D.C.: Sept. 30, 2004).

credit until the time enrollment is completed. According to IRS, this takes about 6 days. Participants may claim an end-of-year credit or receive benefits from the state for this time period.¹⁸ Although the overall gap has been reduced, local case managers in our site visits said that many workers cannot afford to hold on to their health coverage long enough to take advantage of the benefit. In these cases, workers may no longer be eligible for the health coverage benefit because workers must maintain “continuous” coverage and have a health plan in place to receive the tax credit.¹⁹ IRS officials reported that inability to pay the out-of-pocket costs between layoff and application for the advance credit is one of the reasons workers lose eligibility and may be denied the benefit. Workers may also obtain the end-of-year credit, but to do so, they pay the full cost of health coverage throughout the year and then apply for the credit when they file their annual tax return with IRS.

While cost is one of the most significant factors limiting participation in the health coverage benefit, some states also reported that the health coverage tax credit program can be complicated and difficult to understand for both workers and local case managers. In our survey, nearly two-thirds of the states reported that limited IRS guidance on the benefit was still a challenge. Furthermore, during our site visits, some state and local officials said that they are not experts on the health coverage benefit and do not know enough details of the benefit to get information out to workers and to assist them with the enrollment process. In some local areas, case workers we interviewed said that they provide minimal information about the benefit and primarily refer workers to pamphlets or the IRS call center for details. In addition to providing pamphlets on the health coverage benefit to state workforce agencies, IRS also provides states with information about the health coverage benefit for state rapid response teams and employers, as well as a registration to-do list for workers. We previously reported on the complexity of the health coverage benefit, noting that the process for workers to become eligible

¹⁸States can apply to Labor for national emergency grants to cover the 65 percent share of premiums during the typically 1- to 3-month gap between applicants’ enrollment and IRS’s payment of the first month’s advance health benefit. As of September 2006, 18 states have received these grants.

¹⁹An exception to this requirement occurs for COBRA coverage. Under the TAA Reform Act, workers may choose COBRA coverage at the time they first lose their employer-provided coverage, or they may elect to purchase coverage within a 60-day period that begins the first day of the month in which they become eligible to receive TAA benefits.

and enroll for the benefit was fragmented and difficult to navigate.²⁰ In that report, we recommended to several agencies, including Labor and IRS, that a centralized resource be made available at the time individuals must make decisions about purchasing qualifying health coverage and meeting other eligibility requirements. In February 2007, IRS began distributing to all workers covered by a petition a more simplified program kit for the health coverage benefit. This kit contains a self-administered questionnaire that helps workers determine whether they may be eligible for the benefit, based on their responses to the questions, and what steps they must take to enroll. It also provides a list of frequently asked questions, a glossary of terms related to the benefit, and contact information for several agencies involved in implementing the benefit.

Conclusions

TAA provides a range of benefits and services to manufacturing workers who lose their jobs due to international trade. Some workers may need federally funded assistance to help them transition to new jobs; others may not want or need it. Use of certain benefits—the wage insurance and health coverage benefits—has remained relatively low since they became available following passage of the 2002 TAA Reform Act. Benefits paid under the wage insurance demonstration continue to fall far short of predictions. Our findings suggest that despite the potential benefit that the wage insurance may bring in helping older workers quickly re-enter the labor market, several eligibility criteria limit its use. For older workers who lack transferable skills—the target population for this benefit—the 26 weeks that they are allowed to find a new job may not be long enough. In addition, the requirement that a significant portion of a firm’s affected workers must be age 50 or over in order for a group of workers to be certified means that an individual worker who is over 50 may not be eligible to apply for wage insurance benefits while peers in other firms where more workers were over 50 would have access to such benefits. Continuing the current eligibility requirements for the wage insurance demonstration program may mean that participation will remain low and workers who could benefit from this assistance will not be able to take advantage of it. Our findings also show that participation in the health coverage benefit remains low, largely because of the high cost of monthly premiums. While participation is low, some states appear more successful than others in enrolling more workers. This may be due, in part, to their

²⁰GAO, *Health Coverage Tax Credit: Simplified and More Timely Enrollment Process Could Increase Participation*. [GAO-04-1029](#). (Washington, D.C.: Sept. 30, 2004).

increased efforts to make workers aware of the benefit and help them understand how to access it.

Workers often need help making decisions about training—what type of training to take or whether to enroll in training at all. State officials tell us that workers can be confused about when they must enroll in training to qualify for extended income support and health coverage benefits because of the complex training enrollment deadline that requires them to be enrolled within 8 weeks of certification or 16 weeks of layoff. Furthermore, workers may not be getting the assistance they need to make training decisions because states lack the needed funding—or funding flexibility—to provide it. Currently, states must use their limited TAA administrative funds to provide this case management, or seek assistance from other programs, such as WIA or Wagner-Peyser. When other programs are tapped to provide these services, trade-affected workers must compete with all other eligible participants to gain access to the services they need. Moreover, this competition is heightened during economic downturns or large layoffs—precisely when TAA participants are most likely to need services.

Nationwide, the number of workers who are enrolling in training has declined, as has the number of petitions and workers certified. But this is not a uniform picture across the country, as layoffs follow an uneven trajectory. However, Labor’s approach to distributing training funds fails to take into account the episodic nature of layoffs, using historic data to allocate training funds each year and guaranteeing that no state will receive less than 85 percent of what it received the year before. Given the uneven nature of layoffs, this approach raises concerns about whether the states most in need of funds are receiving them. Our findings suggest that Labor’s allocation of training funds leaves some states with more money than they need, and others with too little. In fact, states that appear not to be in need of additional funding at all because they did not spend any of their fiscal year 2006 funds received nearly as much or more in their fiscal year 2007 allocation. Moreover, Labor distributed millions of dollars of reserved training funds at the end of fiscal year 2006 to nearly all states, including those that had not spent any of their 2006 training funds during the year.

Matters for Congressional Consideration

We suggest that Congress consider taking the following actions:

- To allow states greater flexibility in how they may use their TAA funds to provide services to workers, Congress may wish to consider allowing a portion of TAA training funds to be used for case management services.
- In addition, in order to make it easier for workers to comply with the training enrollment deadline, Congress may wish to consider simplifying the deadline by specifying a single time period that commences when workers are laid off or petitions are certified, whichever is later.
- Furthermore, if Congress decides to extend the wage insurance benefit demonstration program, Congress may wish to consider easing some of the constraints on accessing this benefit to enable more workers to take advantage of it, including
 - increasing the length of time workers are allowed to become reemployed,
 - eliminating the requirement that a firm's affected workers must lack transferable skills in order for a group of workers to be certified as eligible for wage insurance, and
 - eliminating the requirement that a significant number of a firm's workers be age 50 or over in order for a group of workers to be certified as eligible for wage insurance.

Recommendations for Executive Action

In order to better ensure that TAA training funds are allocated to states that have demonstrated a need for training funds and have used a significant portion of the funds they have already been allocated, we recommend that the Secretary of Labor take the following actions:

- change the process for initially distributing training funds, including the initial allocation percentage and the hold harmless policy, and
- develop procedures to better allocate the reserve funds throughout the fiscal year to enable states to carefully manage their training resources, ensuring that these reserve funds are distributed only to those who have spent or obligated a significant portion of the current fiscal year allocation.

Agency Comments

We provided a draft of this report to Labor and IRS for review and comment. IRS only provided technical comments that we incorporated in the report where appropriate. Labor generally agreed with our findings

and recommendations and noted that it was pleased that we addressed some of the issues surrounding the TAA allocation formula. Labor noted that while it believes the adoption of a formula-based methodology for distributing TAA training funds has been a success, it agrees that the formula, and, in particular, the hold harmless provision, should be reviewed to ensure that funds are allocated efficiently to meet training needs. In addition, Labor agreed to examine the process for distributing reserve funds throughout the year instead of waiting for states to request these funds. Labor, however, noted that it did not think that the 15 percent allocation for TAA administration should be increased to finance case management for trade-affected workers, saying that these services should be funded through co-enrollment in WIA. Our report does not recommend this, but suggests that Congress consider allowing states the flexibility to use some portion of TAA training funds to provide this service. We agree with Labor that co-enrollment with WIA should be encouraged, but as our report points out, WIA funds are not always available to provide this service, especially during large layoffs. We continue to believe that when WIA funds are not available to fund case management, states would benefit from having the option to use a portion of their training funds to defray the costs of providing case management services to trade-affected workers. Labor did not comment on the other Matters for Congressional Consideration. Labor's entire comments are reproduced in appendix XI.

We will send copies of this report to the Secretary of Labor, the Commissioner of Internal Revenue, relevant congressional committees, and other interested parties and will make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

A list of related GAO products is included at the end of this report. If you or your staff have any questions about this report, please contact me at (202) 512-7215 or at nilsens@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other contacts and staff acknowledgments are listed in appendix XII.

A handwritten signature in black ink, reading "Sigurd R. Nilsen". The signature is written in a cursive style with a large, stylized initial "S".

Sigurd R. Nilsen
Director, Education, Workforce, and
Income Security Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to determine (1) trends in Labor’s certification of petitions and workers’ participation in training during the past 3 fiscal years; (2) what challenges, if any, states face in managing Trade Adjustment Assistance (TAA) training funds; and (3) the extent to which workers use the TAA wage insurance and health coverage benefits and the factors, if any, that limit participation. To address these questions, we conducted a Web-based survey of all 46 states that received an initial allocation of TAA training funds in federal fiscal year 2006 (October 1, 2005, to September 30, 2006). We also conducted a supplementary survey to collect additional financial information on fiscal year 2006 training expenditures and obligations. In addition, we interviewed Labor and IRS officials and visited state and local officials in four states—California, Massachusetts, Michigan, and North Carolina. We also reviewed data from the Department of Labor and the Internal Revenue Service (IRS). We performed our work between August 2006 and May 2007 in accordance with generally accepted government auditing standards.

Web-Based Survey

To gather information on the states’ program and benefit participation and perceived challenges, we conducted a Web-based survey of states that received an initial TAA funding allocation for fiscal year 2006. The Web-based survey was conducted using a self-administered electronic questionnaire posted on the Web. We received completed surveys from all 46 states. The practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. For example, difficulties in how a particular question is interpreted, in the sources of information that are available to respondents, or in how the data are entered into a database or were analyzed can introduce unwanted variability into a survey design. We took steps in the development of the questionnaires, the data collection, and the data analysis to minimize these nonsampling errors. For example, social science survey specialists designed the initial questionnaire in collaboration with GAO staff with subject matter expertise. The draft questionnaire was pretested with 3 states to ensure that the questions were relevant, clearly stated, and easy to comprehend. When the data were analyzed, an independent analyst checked all answers using a statistical program. Since the survey was a Web-based survey, respondents entered their answers directly into the electronic questionnaire. This eliminated the need to have the data keyed into a database, thus removing an additional source of error.

Supplementary Survey

To gather information on states’ fiscal year 2006 expenditures and obligations, we conducted a follow-up e-mail survey of the 46 states that

received an initial TAA funding allocation. Prior to administering the survey, we pretested the content and format of the questionnaires with 3 states to determine whether (1) the surveys questions were clear, (2) the terms used were precise, and (3) respondents were able to provide the information we were seeking. We made changes to the content and format of the final questionnaire based on pretest results. The survey was sent out via e-mail to the TAA coordinators of the 46 states that received an initial fiscal year 2006 allocation. We received completed surveys from all 46 states.

Site Visits

We selected 4 states for site visits, using several criteria to select the states and local areas. First we considered such factors as

- the number of TAA certifications in the state in fiscal years 2005 and 2006,
- the estimated number of workers affected by TAA-certified layoffs,
- the initial allocations of TAA training funds,
- the industries in which TAA petitions were certified, and
- geographic dispersion.

California, Michigan, and North Carolina were all among the top 10 states in the first four factors, and Massachusetts was ranked within the top 15 states. In addition, we selected states that had a variety of affected industries.

Within each of the 4 states, we then judgmentally selected one or two local areas for additional site visits. We considered factors such as

- the number of TAA certifications in the local area in fiscal years 2005 and 2006,
- the size of the layoffs that were TAA certified,
- the industries in which TAA petitions were certified, and
- geographic proximity.

We selected local areas that either had a large number of TAA certifications or dealt with one or more large layoffs (an estimate of 300 or more people affected). We also chose local areas to provide a diverse set of industries. Finally, we considered geographic proximity of the local areas to the state capital and to each other, in order to minimize travel costs and time.

Table 5: Locations Selected for Site Visits

| Location | Fiscal years 2005-2006 certifications | Large layoff | Affected industry |
|-----------------------|---|-----------------|--|
| North Carolina | 359 | | |
| Wilson | 4 | Yes | Tobacco processing, men's clothing |
| California | 229 | | |
| San Francisco | 24 | No | Apparel, textile mills |
| San Jose/Campbell | 4 | Yes | Industrial machinery and computer equipment |
| Santa Rosa | 5 | Yes | Measuring, analyzing, and controlling instruments |
| Michigan | 148 | | |
| Lansing | 7 | Yes | Sheet metal |
| Sterling Heights | 9 | No | Fabricated metal, machine tools, motor vehicle parts, special dyes |
| Massachusetts | 84 | | |
| Fall River | 18 | Yes | Textile |
| Springfield | 2 | Yes | Tools |

Source: GAO and Department of Labor petitions data.

During our site visits to the states and local areas, we interviewed TAA officials about state policies and procedures for administering the program. We also interviewed Workforce Investment Act (WIA) officials and local one-stop operators to understand how services are provided to TAA participants, including the extent to which job search assistance, case management, and training are coordinated between the programs.

Analysis of Labor's Petition Data

We analyzed Labor's data on petitions filed from fiscal years 2004 to 2006. We assessed the reliability of key data by interviewing Labor officials knowledgeable about the data, observing a demonstration of the database, reviewing prior GAO assessments of the data, and conducting edit checks. For a small number of petitions, we identified logical inconsistencies or missing values in the data. We brought these issues to the attention of Labor officials and worked with them to correct the issues before conducting our analysis. In analyzing the number of petitions denied for TAA that were appealed to Labor, we did not include in our analysis petitions that were appealed only for a denial of Alternative Trade Adjustment Assistance (ATAA) wage insurance benefits. These petitions had been certified for TAA after Labor's initial investigation but denied for

wage insurance benefits. In analyzing data on petitions that were appealed to the Court of International Trade, we compared Labor's data to Court documents. We determined that Labor's data on appeals to the Court were not complete. As a result, we supplemented Labor's data with a review of Court documents. At the time of our review, some petitions filed during fiscal years 2004 to 2006 may still have been undergoing an appeals process. Our analysis of petition decisions and appeals reflect the outcomes of petitions at the time of our review. Complete data on reasons petitions were denied were only available for fiscal year 2006 because Labor only began to collect the data in 2005. As a result, we reported information on reasons petitions were denied for only fiscal year 2006.

With regard to information on the number of workers estimated to be certified, the figures are based upon estimates of the number of workers affected by a layoff at the time that petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected. We use these estimates because the Department of Labor does not collect information on the number of workers ultimately certified. We use these data to identify trends in the number of workers certified for TAA. They should not be relied upon to support precise numbers on workers certified for TAA.

Despite these limitations, we determined that Labor's petitions data were sufficiently reliable for the purposes of this report, which was to provide information on trends in Labor's certification of petitions.

Analysis of Labor's Quarterly Activity Reports

To determine the extent to which participants were enrolling in training, we reviewed Labor's quarterly reports on participants and services. We assessed the reliability of the data by reviewed prior GAO assessments of the data, interviewing Labor officials, and conducting manual tests of data for outliers or obvious errors. In our discussions with Labor officials, we determined that the data had some limitations, specifically due to Labor's lack of formal processes to ensure that the data were entered accurately. Despite these limitations, we determined that the data were sufficiently reliable for the purposes of this report, which was to provide information on aggregate trends.

Analysis of Labor's Wage Insurance Data

To obtain information on the number of participants taking advantage of the wage insurance benefit, we analyzed Labor's data on the benefit from 2003 to 2006. We assessed the reliability of the data by interviewing Labor officials, reviewing Labor documentation, and conducting manual tests of

data for outliers or obvious errors. Labor officials informed us that the data from 2003 to 2005 were collected through informal surveys implemented by Labor's regional offices, while the 2006 data were collected from states through a formal reporting system. We reviewed Labor's survey questions used to collect the data from 2003 to 2005 and determined that the questions were asked similarly across the time period and included data elements found in the Alternative Trade Adjustment Assistance Activity Report (ATAAAR), the formal reporting tool established in 2006. We also reviewed Labor's instructions to states on implementing the ATAAAR and found no errors in our manual data testing. We determined that the data elements pertinent to this report were sufficiently reliable for our purposes of reporting general national trends in participation from 2003 to 2006. However, the data from 2003 to 2005 should not be used to report precise numbers of wage insurance participants in that time period.

Analysis of Health Coverage Tax Credit Data

We also analyzed IRS's data on health coverage tax credit participants and expenditures. In our 2004 Health Coverage Tax Credit (HCTC) report, we studied the health coverage benefit for TAA participants and Pension Benefit Guarantee Corporation (PBGC) beneficiaries. In this report, we examined TAA participation in the health coverage benefit only. We assessed the reliability of the data by reviewing prior GAO assessments of the data, interviewing IRS officials, and conducting manual tests of the data for outliers or obvious errors. We reviewed several data reliability documents for the 2004 report and found that there were no significant data reliability problems with IRS's data for the prior report. We interviewed IRS officials to obtain updated data reliability information for the health coverage benefit data and found that there have been no major changes in HCTC data collection or storage methods since the 2004 report that would affect the reliability of the data. In addition we found no outliers or obvious errors in our manual testing of the data, and we deemed the data to be sufficiently reliable for our reporting purposes.

Analysis of Final Decisions Rendered by U.S. Court of International Trade, Fiscal Years 2005 and 2006

In order to report on the decisions rendered by the Court of International Trade on appeals from Department of Labor determinations, we accessed, with permission, the Court of International Trade Live Database. We searched that database for cases in the category of "Denial of Certification for Trade Adjustment Assistance" using the parameters of closed cases by fiscal year. We did not analyze cases related to Trade Adjustment Assistance for Farmers and our summary of cases does not include appeals dismissed by the Court on procedural grounds.

Appendix II: Administrative Costs Related to the Health Coverage Benefit

Two types of program costs are associated with the Health Coverage Tax Credit program—IRS administrative costs and Treasury outlays for the 65 percent share of taxpayers’ premiums for qualified health plans. Administrative costs for the health coverage benefit are half of earlier levels. They have decreased from about \$40 million in fiscal year 2003 to about \$20 million in fiscal year 2006, with contractor costs declining as the HCTC Program Office moved from program setup to maintenance of program operations. IRS costs have remained relatively stable at approximately \$3 million per fiscal year. Overall Treasury payments for the health coverage benefit have increased from \$46 million in fiscal year 2003 to \$92 million in fiscal year 2005. During this time period, advance credit payments have increased, and end-of-year credit payments have decreased.

Table 6: HCTC Administrative Costs for Fiscal Years 2003 to 2006 and Payments for Tax Years 2003 to 2006

| | | Fiscal year 2003 | Fiscal year 2004 | Fiscal year 2005 | Fiscal year 2006 |
|--|--------------------|---------------------|---------------------|---------------------|------------------------|
| Administrative costs | Contractor costs | \$36,223,608 | \$38,575,881 | \$22,496,239 | \$16,851,467 |
| | IRS costs | 3,366,585 | 3,064,497 | 3,352,000 | 3,156,433 |
| | Total | \$39,590,193 | \$41,640,378 | \$25,848,239 | \$20,007,900 |
| | | Tax year 2003 | Tax year 2004 | Tax year 2005 | Tax year 2006 |
| Health Coverage Tax Credit payments^a | Advance credit | \$10,000,000 | \$55,000,000 | \$71,000,000 | \$80,000,000 |
| | End-of-year credit | 36,000,000 | 25,000,000 | 21,000,000 | Data not yet available |
| | Total | \$46,000,000 | \$80,000,000 | \$92,000,000 | Data not yet available |

Source: IRS data.

^aIRS could not provide more precise numbers for the HCTC benefit payments. Data include both TAA participants and those from the Pension Benefit Guaranty Corporation because IRS cannot readily disaggregate them.

Appendix III: Top Industries Certified during Fiscal Years 2004 to 2006

| Rank | 2004 | 2005 | 2006 |
|------|---|---|--|
| 1 | Apparel and other finished products made from fabrics and similar materials | Textile mill products | Textile mill products |
| 2 | Textile mill products | Electronic and other electrical equipment and components, except computer | Apparel and other finished products made from fabrics and similar materials |
| 3 | Electronic and other electrical equipment and components, except computer | Apparel and other finished products made from fabrics and similar materials | Electronic and other electrical equipment and components, except computer |
| 4 | Industrial and commercial machinery and computer equipment | Industrial and commercial machinery and computer equipment | Industrial and commercial machinery and computer equipment |
| 5 | Fabricated metal products, except machinery and transportation equipment | Measuring, analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks | Transportation equipment |
| 6 | Lumber and wood products, except furniture | Fabricated metal products, except machinery and transportation equipment | Fabricated metal products, except machinery and transportation equipment |
| 7 | Transportation equipment | Transportation equipment | Measuring and analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks |
| 8 | Primary metal industries | Furniture and fixtures | Furniture and fixtures |
| 9 | Chemicals and allied products | Rubber and miscellaneous plastics products | Rubber and miscellaneous plastics products |
| 10 | Rubber and miscellaneous plastics products | Chemicals and allied products | Primary metal industries |

Source: GAO analysis of Department of Labor petitions data.

Note: This table presents the top industries in which petitions were certified at the two-digit level Standard Industrial Classification (SIC) System code.

Appendix IV: Final Decisions Rendered by the U. S. Court of International Trade on Appealed Cases, Fiscal Years 2005 and 2006

If Labor denies a petition, workers have 60 days after notice of that determination to appeal to the Court of International Trade (CIT).¹ The Court will affirm a decision supported by substantial evidence or, if necessary, remand the case to Labor for further investigation. Frequently, Labor asks the Court to remand the case so it can reconsider its decision—a voluntary remand. After a remand, Labor either confirms or reverses its original decision and resubmits the case to the Court. The Court, in turn, will either affirm Labor’s decision or reverse it. The Court also may dismiss worker appeals for a variety of procedural reasons, such as lack of jurisdiction or a worker’s failure to continue pursuing the appeal. These possible actions are listed below with the number of cases that fall into each category. The cases listed are final decisions of the Court that were issued in fiscal years 2005 and 2006. In many of these cases there were multiple remands. We described only the result after the final remand.

Table 7: Final Decisions Rendered by CIT for Fiscal Years 2005 and 2006

| Decision category | 2005 | 2006 |
|---|----------------|-------------|
| Reversed Labor’s decision after remand | 0 | 0 |
| Affirmed Labor’s original decision without remand | 0 | 0 |
| Affirmed Labor’s reversal of original decision after remand | 5 ^a | 8 |
| Affirmed Labor’s negative decision after remand | 1 | 2 |
| Dismissed | 7 | 8 |

Source: GAO analysis of CIT cases.

^aTwo cases were consolidated and addressed under one decision.

Each of the CIT case decisions is summarized below.

¹19 U.S.C. § 2395.

2005 CIT Decisions

Affirming Labor's decision to reverse its original negative decision

*Former Employees of
Ericsson, Inc. v. U.S. Sec'y of
Labor* (No. 02-00809 and 03-
00389)

Labor determined that workers did not produce an article.

On voluntary remand, Labor determined that workers, who developed software, also supported production at affiliated software productions facility and as such, they did engage in activity related to production of an article.

*Former Employees of
Getronics Wang Co., LLC v.
U.S. Sec'y of Labor* (No. 03-
00529)

Labor determined that workers did not produce an article and workers were not service providers in direct support of a Trade Adjustment Assistance-certified firm.

On voluntary remand, Labor determined that the service workers were eligible to apply for TAA benefits based on its finding that the workers were colocated with a trade-certified firm, and that there was a contract between worker's firm and trade-certified firm.

*Former Employees of Cady
Industries, Inc. v. U.S. Sec'y of
Labor* (No. 04-00244)

Labor determined that imports did not contribute importantly to worker separations and no shift of production to foreign source occurred.

On voluntary remand, Labor determined that increased imports like or directly competitive contributed importantly to declines in sales or production and to total or partial separation of workers at the firm.

*Former Employees of Mohican
Mills, Inc. v. U.S. Sec'y of
Labor* (No. 04-00255)

Labor determined that imports did not contribute importantly to separation at subject firm and subject firm did not shift production abroad during relevant time period.

On remand, Labor concluded that increased imports of articles like or directly competitive with those produced by the subject firm contributed importantly to worker separations and the sales or production declines at the subject firm.

*Former Employees of
Hollister, Inc v. U.S. Sec’y of
Labor* (No. 04-00262)

Labor denied a request for Alternative Trade Adjustment Assistance to be included in a TAA petition because the application was not filed with the TAA petition.

On voluntary remand, Labor reversed its decision based on a new guidance letter that provided that worker groups that whose petitions were still in process at the time of the implementation of the ATAA program on August 6, 2003, and certified worker groups who filed petitions that did not include an option to apply for ATAA may request group ATAA certification after the filing of a TAA petition.

**Affirming Labor’s negative
decision after remand**

*Former Employees of Sun
Apparel of Texas v. U.S. Sec’y
of Labor* (No. 03-00625)

In its original determination and on remand, Labor determined that worker layoffs were not attributable to shifts in production or increased imports.

2006 CIT Decisions

**Affirming Labor’s decision
to reverse its original
decision**

*Former Employees of
Electronic Data Systems Corp.
v. U.S. Sec’y of Labor* (No. 03-
00373)

Labor determined that workers producing computer programs, job control language, database support, and documents were performing information technology services and did not produce or support the production of an article.

On remand, Labor revised its policy to acknowledge that “there are tangible and intangible articles and....that the production of intangible articles can be distinguished from the provision of services. Software and similar intangible goods that would have been considered articles for the purposes of the Trade Act if embodied in a physical medium will now be considered to be articles regardless of their method of transfer.”

Former Employees of IBM Corp. Global Services v. U.S. Sec’y of Labor (No. 03-00656)

Labor determined that workers who were software developers who wrote and tested computer software did not produce an article.

On voluntary remand, Labor determined that in light of policy change in Electronic Data Systems case, workers did produce an article. Labor stated that “[t]he Department stresses that it will continue to implement the longstanding precedent that firms must produce an article to be certified under the Trade Act. This determination is not altered by the fact that the provision of a service may result in the incidental creation of an article. Because the revised policy may have implications beyond this case of which the Department is not fully cognizant, it will be further developed in rulemaking.”

Former Employees of Computer Sciences Corp. v. U.S. Sec’y of Labor (No. 04-00149)

Labor determined that workers providing business and information consulting, specialized application software, and technology outsourcing support to customers in the financial services industry did not produce an article and that there was no shift in production or import competition.

On remand, in accordance with its new policy, Labor determined that the firm produced an intangible article (financial software) that “would have been considered an article if embodied in a physical medium, that employment at the subject facility declined during the relevant period, that CSC increased imports of software like or directly competitive with that produced at the subject facility.”

Former Employees of BMC Software, Inc. v. U.S. Sec’y of Labor (No. 04-00229)

Labor determined that the workers, who were described by their employer as software designers, did not produce an article.

On voluntary remand, Labor found that the workers were TAA eligible since the firm mass-replicated software and packaged “off the shelf” applications mass-replicated on various media.

Former Employees of Gale Group v. U.S. Sec’y of Labor (No. 04-00374)

Labor determined that workers who performed electronic indexing services did not produce an article.

On voluntary remand, Labor found that the workers produced an intangible product and certified them as eligible to apply for TAA benefits.

*Former Employees of Dana
Undies v. U.S. Sec’y of Labor*
(No. 04-00615)

Labor determined that workers were not eligible for certification because they were separated more than 1 year prior to the date of the filing of the petition.

On voluntary remand, Labor found that through a series of miscommunications the workers were led to believe they would not be eligible for TAA benefits, and therefore it was appropriate to investigate whether the workers were in fact eligible to apply for TAA and ATAA benefits. Labor found that workers were in fact eligible to apply for both benefits.

*Former Employees of CTS
Comm. Components v. U.S.
Sec’y of Labor* (No. 05-00372)

Labor determined that workers were not eligible for benefits since there was no increase in imports or shift of production.

On voluntary remand, Labor found that increased imports of like or directly competitive products contributed importantly to the total or partial separation of a significant number of workers.

*Former Employees of Lands’
End Business Outfitters v.
U.S. Sec’y of Labor* (No. 09-
00517)

Labor determined that workers who produced digitized embroidery designs did not produce an article.

On voluntary remand, Labor, in accordance with its new policy, found that the workers produced an intangible article and were therefore eligible to apply for TAA benefits.

Decisions affirming Labor’s negative decision after remand

*Former Employees of Murray
Engineering v. U.S. Sec’y of
Labor* (No. 03-00219)

Labor determined that no article was produced. On remand, Labor determined that workers were not eligible for TAA benefits because, to the extent there were imports of articles in the designs’ chain of production, such articles were not “directly competitive” with the designs themselves. The CIT affirmed this decision on June 28, 2005, and on November 9, 2005, also found that the workers were ineligible for benefits because they were separated more than 1 year before the date of the first petition.

*Former Employees of Gateway
Country Stores v. U.S. Sec’y of
Labor* (No. 04-00588)

Labor determined that workers did not produce an article.

On voluntary remand, Labor additionally determined that workers were not eligible because they had not lost their jobs due to the

**Appendix IV: Final Decisions Rendered by the
U. S. Court of International Trade on
Appealed Cases, Fiscal Years 2005 and 2006**

company shifting its production overseas. The CIT affirmed Labor's determination on remand on the second basis for denial.

Appendix V: Occupations for Which TAA Participants Most Frequently Received Training in Fiscal Year 2006 by State

| State | Most frequently trained occupation | Second most frequently trained occupation | Third most frequently trained occupation |
|----------------|---|---|--|
| Alabama | Clerical | Computer operator | Medical assistant |
| Alaska | Truck driver | Marine trades | Nursing |
| Arizona | Heating, ventilation, and air conditioning (HVAC) | Medical assistant | Teacher's aide |
| Arkansas | Clerical | Nursing | Truck driver |
| California | Clerical | Medical assistant | Auto mechanic |
| Colorado | Medical assistant | Bookkeeping/accounting | Truck driver |
| Connecticut | Medical assistant | Clerical | Truck driver |
| Florida | Nursing | Truck driver | Computer systems administrator |
| Georgia | Medical assistant | Nursing | Clerical |
| Idaho | Nursing | Clerical | Truck driver |
| Illinois | HVAC | Nursing | Clerical |
| Indiana | Medical assistant | Truck driver | N/A |
| Iowa | Medical assistant | Truck driver | HVAC |
| Kansas | HVAC | Nursing | Computer repair |
| Kentucky | Medical assistant | Clerical | Truck driver |
| Louisiana | Truck driver | Nursing | HVAC |
| Maine | Clerical | Truck driver | Nursing |
| Maryland | Truck driver | Clerical | HVAC |
| Massachusetts | Medical assistant | HVAC | Truck driver |
| Michigan | Nursing | Medical assistant | HVAC |
| Minnesota | Nursing | Medical assistant | Clerical |
| Mississippi | Nursing | Clerical | Truck driver |
| Missouri | Clerical | HVAC | Medical assistant |
| Montana | N/A | N/A | N/A |
| Nebraska | Medical assistant | HVAC | Clerical |
| Nevada | Medical billing/coding | N/A | N/A |
| New Hampshire | Medical assistant | Truck driver | Nursing |
| New Jersey | Truck driver | Medical assistant | HVAC |
| New Mexico | Medical assistant | Bookkeeping/accounting | Computer operator |
| New York | Nursing | Clerical | Machinist |
| North Carolina | Nursing | Medical secretary | Teacher's aide |
| Ohio | Nursing | Computer operator | Medical assistant |
| Oklahoma | Nursing | HVAC | Aircraft mechanic |
| Oregon | Truck driver | Clerical | Heavy equipment operator |

**Appendix V: Occupations for Which TAA
Participants Most Frequently Received
Training in Fiscal Year 2006 by State**

| State | Most frequently trained occupation | Second most frequently trained occupation | Third most frequently trained occupation |
|----------------|---|--|---|
| Pennsylvania | Electrician | Bookkeeping/accounting | Clerical |
| Rhode Island | Medical assistant | Truck driver | Computer operator |
| South Carolina | Truck driver | Nursing | Computer operator |
| South Dakota | Nursing | Business administration | Medical assistant |
| Tennessee | Nursing | Truck driver | HVAC |
| Texas | Medical assistant | Nursing | Truck driver |
| Utah | N/A | N/A | N/A |
| Vermont | N/A | N/A | N/A |
| Virginia | Nursing | Medical assistant | Truck driver |
| Washington | Nursing | Bookkeeping/accounting | Medical assistant |
| West Virginia | HVAC | Computer operator | Carpenter |
| Wisconsin | N/A | N/A | N/A |

Source: GAO analysis of survey responses.

Note: N/A means the state did not provide a response to this question.

Appendix VI: Estimated Number of Workers Certified by State during Fiscal Years 2004 to 2006

| State | 2004 | 2005 | 2006 | Percentage change, 2004 to 2005 | Percentage change, 2005 to 2006 |
|----------------------|--------|--------|--------|------------------------------------|------------------------------------|
| Alaska | 533 | 218 | 266 | -59 | 22 |
| Alabama | 3,213 | 2,000 | 5,284 | -38 | 164 |
| Arizona | 1,944 | 651 | 943 | -67 | 45 |
| Arkansas | 1,438 | 1,614 | 2,712 | 12 | 68 |
| California | 7,988 | 10,580 | 12,099 | 32 | 14 |
| Colorado | 682 | 1,676 | 1,159 | 146 | -31 |
| Connecticut | 2,190 | 498 | 1,160 | -77 | 133 |
| Delaware | 402 | 232 | 149 | -42 | -36 |
| District of Columbia | 4 | 0 | 0 | -100 | 0 |
| Florida | 1,310 | 1,488 | 887 | 14 | -40 |
| Georgia | 5,539 | 4,562 | 6,846 | -18 | 50 |
| Hawaii | 1 | 149 | 0 | 14,800 | -100 |
| Iowa | 932 | 1,044 | 1,566 | 12 | 49 |
| Idaho | 309 | 212 | 378 | -31 | 78 |
| Illinois | 6,625 | 7,105 | 3,592 | 7 | -49 |
| Indiana | 4,442 | 5,577 | 3,255 | 26 | -42 |
| Kansas | 4,117 | 75 | 721 | -98 | 861 |
| Kentucky | 1,887 | 2,707 | 3,405 | 43 | 26 |
| Louisiana | 560 | 379 | 41 | -32 | -89 |
| Maine | 1,125 | 492 | 703 | -56 | 43 |
| Maryland | 644 | 835 | 1,298 | 30 | 55 |
| Massachusetts | 3,945 | 2,326 | 2,326 | -41 | 0 |
| Michigan | 7,059 | 5,014 | 8,562 | -29 | 71 |
| Minnesota | 1,554 | 2,118 | 634 | 36 | -70 |
| Mississippi | 2,308 | 968 | 1,937 | -58 | 100 |
| Missouri | 1,275 | 3,230 | 2,301 | 153 | -29 |
| Montana | 246 | 282 | 0 | 15 | -100 |
| Nebraska | 895 | 280 | 153 | -69 | -45 |
| Nevada | 165 | 314 | 145 | 90 | -54 |
| New Hampshire | 612 | 941 | 1,308 | 54 | 39 |
| New Jersey | 3,155 | 2,130 | 1,406 | -32 | -34 |
| New Mexico | 276 | 73 | 49 | -74 | -33 |
| New York | 4,804 | 4,584 | 3,844 | -5 | -16 |
| North Carolina | 16,783 | 12,279 | 11,143 | -27 | -9 |
| North Dakota | 103 | 0 | 0 | -100 | 0 |

**Appendix VI: Estimated Number of Workers
Certified by State during Fiscal Years 2004 to
2006**

| State | 2004 | 2005 | 2006 | Percentage change, 2004 to 2005 | Percentage change, 2005 to 2006 |
|----------------|-------------|-------------|-------------|--|--|
| Ohio | 7,574 | 3,851 | 6,766 | -49 | 76 |
| Oklahoma | 2,662 | 642 | 2,886 | -76 | 350 |
| Oregon | 4,692 | 1,389 | 1,177 | -70 | -15 |
| Pennsylvania | 7,798 | 8,342 | 5,422 | 7 | -35 |
| Puerto Rico | 1,520 | 234 | 0 | -85 | -100 |
| Rhode Island | 273 | 850 | 1,128 | 211 | 33 |
| South Carolina | 6,248 | 6,534 | 4,986 | 5 | -24 |
| South Dakota | 1,436 | 103 | 276 | -93 | 168 |
| Tennessee | 4,614 | 5,660 | 5,333 | 23 | -6 |
| Texas | 5,813 | 6,205 | 2,461 | 7 | -60 |
| Utah | 486 | 393 | 145 | -19 | -63 |
| Vermont | 718 | 392 | 508 | -45 | 30 |
| Virginia | 4,427 | 2,176 | 3,917 | -51 | 80 |
| Washington | 7,568 | 1,227 | 727 | -84 | -41 |
| West Virginia | 629 | 750 | 1,349 | 19 | 80 |
| Wisconsin | 4,434 | 2,864 | 2,840 | -35 | -1 |
| Wyoming | 26 | 0 | 0 | -100 | 0 |

Source: Department of Labor data.

Note: The data used for this table are estimates of workers certified as eligible for TAA, based on estimates of the number of affected workers submitted by companies at the time TAA petitions are filed with the Department of Labor. At the time petitions are submitted, companies may not know exactly how many workers will be affected. We use these estimates because the Department of Labor does not collect data on the number of workers ultimately certified.

Appendix VII: Percentage of Fiscal Year 2006 Training Funds Expended and Obligated by State

We surveyed the 46 states that initially received training funds in fiscal year 2006 to determine of the total training funds they received in fiscal year 2006, how much was actually used, that is, spent or obligated, during the year. We received responses from all 46 states.

Table 8: Percentage of Fiscal Year 2006 Training Funds Spent or Obligated, by State

| State | Initial training funds allocated | Reserve training funds requested | End-of-year distribution | Total training funds available | Total training funds used | Percentage used |
|---------------|----------------------------------|----------------------------------|--------------------------|--------------------------------|---------------------------|-----------------|
| Alabama | \$2,642,640 | 0 | \$279,117 | \$2,921,757 | \$1,012,383 | 34.6 |
| Alaska | 429,982 | 0 | 45,415 | 475,397 | 255,996 | 53.8 |
| Arizona | 2,440,988 | 0 | 257,818 | 2,698,806 | 0 | 0 |
| Arkansas | 1,750,711 | 0 | 184,911 | 1,935,622 | 220,683 | 11.4 |
| California | 6,642,537 | 0 | 701,588 | 7,344,125 | 6,462,920 | 88.0 |
| Colorado | 1,426,889 | 0 | 150,709 | 1,577,598 | 1,031,127 | 65.4 |
| Connecticut | 1,500,746 | 0 | 158,510 | 1,659,256 | 1,651,057 | 99.5 |
| Florida | 3,350,544 | 0 | 353,886 | 3,704,430 | 0 | 0 |
| Georgia | 1,559,104 | 0 | 164,673 | 1,723,777 | 2,160,593 | 125.3 |
| Idaho | 2,390,380 | 0 | 252,473 | 2,642,853 | 0 | 0 |
| Illinois | 4,696,350 | \$3,000,000 | 812,893 | 8,509,243 | 5,622,237 | 66.1 |
| Indiana | 4,780,198 | 1,094,016 | 620,438 | 6,494,652 | 6,717,473 | 103.4 |
| Iowa | 2,835,940 | 1,654,272 | 505,651 | 4,995,863 | 11,470,624 | 229.6 |
| Kansas | 2,775,736 | 0 | 293,175 | 3,068,911 | 19,854 | 0.6 |
| Kentucky | 3,705,162 | 1,343,232 | 533,214 | 5,581,608 | 0 | 0 |
| Louisiana | 612,573 | 0 | 64,700 | 677,273 | 688,205 | 101.6 |
| Maine | 4,021,621 | 0 | 424,766 | 4,446,387 | 4,021,621 | 90.4 |
| Maryland | 525,184 | 0 | 55,470 | 580,654 | 163,098 | 28.1 |
| Massachusetts | 5,600,876 | 0 | 591,568 | 6,192,444 | 3,582,391 | 57.9 |
| Michigan | 5,774,380 | 5,477,336 | 1,183,131 | 12,434,847 | 12,690,790 | 102.1 |
| Minnesota | 4,005,739 | 0 | 423,088 | 4,428,827 | 0 | 0 |
| Mississippi | 2,076,016 | 0 | 219,270 | 2,295,286 | 1,089,514 | 47.5 |
| Missouri | 4,244,810 | 0 | 448,339 | 4,693,149 | 4,577,433 | 97.5 |
| Montana | 1,109,440 | 0 | 117,180 | 1,226,620 | 0 | 0 |
| Nebraska | 480,298 | 0 | 50,729 | 531,027 | 323,606 | 60.9 |
| Nevada | 253,525 | 0 | 26,777 | 280,302 | 21,983 | 7.8 |
| New Hampshire | 510,256 | 0 | 53,893 | 564,149 | 478,217 | 84.8 |
| New Jersey | 1,698,502 | 0 | 179,397 | 1,877,899 | 1,328,090 | 70.7 |
| New Mexico | 377,871 | 124,740 | 53,086 | 555,697 | 666 | 0.1 |
| New York | 2,642,798 | 0 | 279,134 | 2,921,932 | 0 | 0 |

**Appendix VII: Percentage of Fiscal Year
2006 Training Funds Expended and Obligated
by State**

| State | Initial training funds allocated | Reserve training funds requested | End-of-year distribution | Total training funds available | Total training funds used | Percentage used |
|-------------------------|---|---|---------------------------------|---------------------------------------|----------------------------------|------------------------|
| North Carolina | 9,918,421 | 4,599,165 | 1,533,355 | 16,050,941 | 16,300,163 | 101.6 |
| Ohio | 4,579,676 | 0 | 483,708 | 5,063,384 | 5,589,645 | 110.4 |
| Oklahoma | 1,523,960 | 0 | 160,961 | 1,684,921 | 0 | 0 |
| Oregon | 5,242,514 | 0 | 553,717 | 5,796,231 | 4,425,853 | 76.4 |
| Pennsylvania | 14,907,751 | 0 | 1,574,565 | 16,482,316 | 14,309,068 | 86.8 |
| Rhode Island | 734,856 | 886,380 | 171,236 | 1,792,472 | 1,609,649 | 89.8 |
| South Carolina | 4,366,585 | 0 | 461,201 | 4,827,786 | 0 | 0 |
| South Dakota | 371,610 | 376,512 | 79,017 | 827,139 | 697,419 | 84.3 |
| Tennessee | 2,681,734 | 0 | 283,246 | 2,964,980 | 2,663,620 | 89.8 |
| Texas | 11,149,519 | 0 | 1,177,618 | 12,327,137 | 2,541,173 | 20.6 |
| Utah | 1,814,367 | 0 | 191,634 | 2,006,001 | 0 | 0 |
| Vermont | 296,965 | 500,000 | 84,176 | 881,141 | 372,614 | 42.3 |
| Virginia | 5,712,451 | 0 | 603,352 | 6,315,803 | 2,533,930 | 40.1 |
| Washington | 14,357,300 | 0 | 1,516,426 | 15,873,726 | 0 | 0 |
| West Virginia | 1,038,332 | 3,236,579 | 451,518 | 4,726,429 | 3,144,751 | 66.5 |
| Wisconsin | 9,442,163 | 0 | 997,286 | 10,439,449 | 9,346,418 | 89.5 |
| Total: 46 states | \$165,000,000 | \$22,292,232 | \$19,808,015 | \$207,100,247^a | \$129,124,863 | 62.3 |

Source: Department of Labor and GAO analysis of survey responses.

^aIn fiscal year 2006, Labor distributed all \$220,000,000 in training funds. The \$207,100,247 identified in table 8 represents the amount of training funds provided to the 46 states that received initial training allocations in fiscal year 2006. During that year, Labor also distributed reserve training funds to Delaware, Puerto Rico, and Wyoming. In addition, in fiscal year 2006, Labor provided a special award of \$250,000 to each state and Puerto Rico—a total of \$12,750,000—to upgrade management information systems.

Appendix VIII: Listing of Initial Allocations of Training Funds by State for Fiscal Years 2004 to 2007

| State | Initial allocation of training funds for fiscal years | | | |
|----------------|---|-------------|-------------|-------------|
| | 2004 | 2005 | 2006 | 2007 |
| Alabama | \$2,045,935 | \$2,468,374 | \$2,642,640 | \$2,709,283 |
| Alaska | 468,904 | 398,625 | 429,982 | 441,342 |
| Arizona | 2,774,159 | 2,358,372 | 2,440,988 | 2,074,840 |
| Arkansas | 1,935,785 | 2,059,660 | 1,750,711 | 1,867,055 |
| California | 5,936,450 | 6,180,645 | 6,642,537 | 7,376,829 |
| Colorado | 1,616,942 | 1,678,693 | 1,426,889 | 1,212,856 |
| Connecticut | 2,076,861 | 1,765,584 | 1,500,746 | 1,566,539 |
| Delaware | 0 | 0 | 0 | 0 |
| Florida | 3,767,640 | 3,941,816 | 3,350,544 | 2,847,962 |
| Georgia | 0 | 854,284 | 1,559,104 | 2,100,287 |
| Hawaii | 0 | 0 | 0 | 0 |
| Idaho | 2,743,956 | 2,332,696 | 2,390,380 | 2,031,823 |
| Illinois | 5,051,333 | 4,294,247 | 4,696,350 | 5,339,750 |
| Indiana | 4,205,667 | 4,432,026 | 4,780,198 | 5,341,113 |
| Iowa | 3,924,616 | 3,336,400 | 2,835,940 | 2,410,549 |
| Kansas | 3,841,300 | 3,265,572 | 2,775,736 | 2,359,376 |
| Kentucky | 2,091,823 | 2,998,984 | 3,705,162 | 3,830,061 |
| Louisiana | 532,421 | 594,658 | 612,573 | 520,687 |
| Maine | 3,136,687 | 3,674,863 | 4,021,621 | 4,258,591 |
| Maryland | 450,590 | 482,983 | 525,184 | 630,432 |
| Massachusetts | 5,185,023 | 5,473,152 | 5,600,876 | 4,760,745 |
| Michigan | 5,260,956 | 5,559,171 | 5,774,380 | 6,144,974 |
| Minnesota | 4,498,321 | 3,824,119 | 4,005,739 | 3,404,879 |
| Mississippi | 1,680,425 | 1,909,216 | 2,076,016 | 1,764,613 |
| Missouri | 4,799,580 | 4,993,894 | 4,244,810 | 3,608,088 |
| Montana | 972,880 | 1,054,844 | 1,109,440 | 943,024 |
| Nebraska | 383,862 | 469,538 | 480,298 | 494,212 |
| Nevada | 288,723 | 298,265 | 253,525 | 215,496 |
| New Hampshire | 576,278 | 600,301 | 510,256 | 433,717 |
| New Jersey | 1,214,878 | 1,545,011 | 1,698,502 | 1,904,545 |
| New Mexico | 522,930 | 444,554 | 377,871 | 396,303 |
| New York | 2,396,232 | 2,496,152 | 2,642,798 | 2,850,870 |
| North Carolina | 6,301,065 | 8,174,834 | 9,918,421 | 12,237,219 |
| North Dakota | 0 | 0 | 0 | 0 |

**Appendix VIII: Listing of Initial Allocations of
Training Funds by State for Fiscal Years 2004
to 2007**

| State | Initial allocation of training funds for fiscal years | | | |
|-------------------------|---|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Ohio | 4,971,827 | 4,226,657 | 4,579,676 | 5,012,856 |
| Oklahoma | 1,694,508 | 1,440,538 | 1,523,960 | 1,577,252 |
| Oregon | 4,560,530 | 5,116,592 | 5,242,514 | 5,424,650 |
| Pennsylvania | 20,630,621 | 17,538,533 | 14,907,751 | 15,352,937 |
| Rhode Island | 664,718 | 690,084 | 734,856 | 812,935 |
| South Carolina | 7,972,769 | 5,137,159 | 4,366,585 | 4,499,254 |
| South Dakota | 401,294 | 341,148 | 371,610 | 424,546 |
| Tennessee | 2,043,052 | 2,464,473 | 2,681,734 | 2,813,324 |
| Texas | 9,748,941 | 10,638,355 | 11,149,519 | 11,460,562 |
| Utah | 1,988,268 | 2,134,549 | 1,814,367 | 1,542,212 |
| Vermont | 244,190 | 287,696 | 296,965 | 252,420 |
| Virginia | 4,655,428 | 5,222,843 | 5,712,451 | 6,093,702 |
| Washington | 13,402,389 | 13,920,774 | 14,357,300 | 12,203,705 |
| West Virginia | 576,219 | 770,639 | 1,038,332 | 1,425,746 |
| Wisconsin | 10,763,024 | 11,108,427 | 9,442,163 | 8,025,839 |
| Wyoming | 0 | 0 | 0 | 0 |
| Total: 50 states | \$165,000,000 | \$165,000,000 | \$165,000,000 | \$165,000,000 |

Source: Department of Labor.

Appendix IX: Wage Insurance Enrollments by State since 2003

| State | 2003–2004 | 2005 | 2006 |
|----------------------|-----------|------|------|
| Alabama | 36 | 37 | 120 |
| Alaska | 2 | 0 | 0 |
| Arizona | 9 | 35 | 7 |
| Arkansas | 10 | 47 | 16 |
| California | 0 | 4 | 24 |
| Colorado | 5 | 10 | 37 |
| Connecticut | 23 | 18 | 19 |
| Delaware | 4 | N/A | 2 |
| District of Columbia | 0 | 0 | 0 |
| Florida | 2 | 6 | 12 |
| Georgia | 44 | 97 | 171 |
| Hawaii | 0 | 0 | 0 |
| Idaho | 11 | 17 | 24 |
| Illinois | 19 | 92 | 64 |
| Indiana | 155 | 140 | 101 |
| Iowa | 10 | 6 | 46 |
| Kansas | 0 | 10 | 13 |
| Kentucky | 0 | 61 | 74 |
| Louisiana | 6 | 3 | 0 |
| Maine | 29 | 37 | 107 |
| Maryland | 0 | N/A | 36 |
| Massachusetts | 2 | 38 | 25 |
| Michigan | 0 | 100 | 180 |
| Minnesota | 11 | 15 | 36 |
| Mississippi | 78 | 54 | 25 |
| Missouri | 20 | 32 | 76 |
| Montana | 0 | 0 | 2 |
| Nebraska | 0 | 2 | 11 |
| Nevada | 0 | 1 | 2 |
| New Hampshire | 2 | 11 | 85 |
| New Jersey | 5 | 11 | 33 |
| New Mexico | 0 | 0 | 0 |
| New York | 33 | 205 | 163 |
| North Carolina | 175 | 270 | 365 |
| North Dakota | 0 | 0 | 10 |

Appendix IX: Wage Insurance Enrollments by State since 2003

| State | 2003–2004 | 2005 | 2006 |
|------------------------|------------------|--------------|--------------|
| Ohio | 67 | 134 | 193 |
| Oklahoma | 40 | 43 | 21 |
| Oregon | 25 | 50 | 14 |
| Pennsylvania | 125 | 221 | 153 |
| Puerto Rico | 0 | 0 | 0 |
| Rhode Island | 9 | 9 | 20 |
| South Carolina | 47 | 146 | 178 |
| South Dakota | 88 | N/A | 21 |
| Tennessee | 86 | 125 | 184 |
| Texas | 35 | 36 | 105 |
| Utah | 0 | 7 | 18 |
| Vermont | 6 | 8 | 10 |
| Virginia | 110 | 85 | 188 |
| Washington | 17 | 15 | 15 |
| West Virginia | 10 | 32 | 42 |
| Wisconsin | 47 | 79 | 123 |
| Wyoming | 0 | 0 | 0 |
| National totals | 1,403 | 2,349 | 3,171 |

Source: Department of Labor.

Note: Enrollment data for 2003-2004 are for August 6, 2003, to December 31, 2004. Enrollment data for 2005 are for January 1 to December 31, 2005. Enrollment data for 2006 are for January 1 to December 31, 2006.

N/A indicates data not available.

Appendix X: Cumulative TAA Participation by State in Advance Health Coverage Tax Credit, through September 30, 2006

| State | TAA participants | State | TAA participants |
|----------------------|------------------|----------------|------------------|
| Alaska | * | Montana | 52 |
| Alabama | 492 | North Carolina | 5,113 |
| Arkansas | 165 | North Dakota | * |
| Arizona | 85 | Nebraska | 33 |
| California | 383 | New Hampshire | 98 |
| Colorado | 172 | New Jersey | 293 |
| Connecticut | 249 | New Mexico | * |
| District of Columbia | * | Nevada | * |
| Delaware | 11 | New York | 608 |
| Florida | 121 | Ohio | 782 |
| Georgia | 353 | Oklahoma | 120 |
| Hawaii | * | Oregon | 279 |
| Iowa | 179 | Pennsylvania | 1,714 |
| Idaho | 119 | Rhode Island | 197 |
| Illinois | 624 | South Carolina | 694 |
| Indiana | 567 | South Dakota | 10 |
| Kansas | 133 | Tennessee | 1,512 |
| Kentucky | 758 | Texas | 289 |
| Louisiana | * | Utah | 55 |
| Massachusetts | 104 | Virginia | 1,915 |
| Maryland | 101 | Vermont | 16 |
| Maine | 368 | Washington | 559 |
| Missouri | 932 | Wisconsin | 709 |
| Minnesota | 223 | West Virginia | 239 |
| Missouri | 245 | Wyoming | * |
| Mississippi | 168 | Total | 21,880 |

Source: IRS data.

Note: Cumulative participation is the total number of participants who have completed an advance health coverage benefit registration at some time in the program. These numbers do not include qualified family members. * denotes a value from a sample of less than 10. These data cannot be released due to IRS disclosure and privacy guidelines.

Appendix XI: Comments from the Department of Labor

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



MAY 18 2007

Mr. Sigurd R. Nilsen
Director
Education, Workforce and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Nilsen:

This is the Department of Labor's response to the Government Accountability Office (GAO) Draft Report No. 07-702 entitled, "Trade Adjustment Assistance – Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services." We appreciate the opportunity to comment on the draft.

We note that the report contains a number of recommendations for statutory changes to the Trade Adjustment Assistance (TAA) program. The Department has not included comments with respect to those recommendations. We expect to address proposed statutory changes in the context of legislation that is considered by the Congress to reauthorize the TAA program later this year.

With respect to administrative issues raised in the report, we have the following comments.

The information you provide indicates that of the 2,599 petitions that were initially denied in fiscal years 2004-2006, only 16 of the denials were ultimately reversed by the Court of International Trade. We are especially pleased that this is included in your report because it appears that our efforts to reform the investigation process to meet statutory timelines have not had a negative impact on the quality of the decisions we are making.

We are also pleased to see that this review has addressed some of the issues surrounding the TAA allocation formula adopted by the Department in fiscal year 2004 to more equitably fund state TAA needs. We would note prior to our establishment of an allocation formula, there was significant uncertainty regarding the availability of training funds throughout the entire fiscal year.

We believe the adoption of a formula-based methodology for distributing TAA training funds has been a success. We know that since adopting this formula approach, no state

**Appendix XI: Comments from the Department
of Labor**

has ended the year without access to TAA training funds when they have been able to show that they have expended at least 50 percent of their current year allocation or have otherwise demonstrated need. Our policy of maintaining a 25 percent reserve has made it possible to meet state needs for additional training funds throughout the entire fiscal year.

At the present time, we are reviewing the formula to ensure that current year funds are allocated efficiently to meet current year TAA training needs. The Department has become concerned that some states carry a significant level of funds into the new fiscal year, while other states have expended nearly all funds allocated. The “hold harmless” formula provision, which guarantees a state 85 percent of the prior year’s funds, may be causing this imbalance, and this report seems to confirm the need to review that provision. In implementing the formula, the Department believed that the hold harmless provision was important to ensure funding stability while states were becoming accustomed to the new methodology. Now that states have experience with the formula and the reserve process, the Department believes it is appropriate to consider changes to this provision.

We are also examining your suggestion that reserve funds be allocated on a quarterly basis instead of being held for distribution upon request. We do not agree with the suggestion that the current 15 percent allocation for administration be increased to finance the costs of case management for trade affected workers. We believe that these workers should receive case management, assessment, and placement services through co-enrollment in Workforce Investment Act (WIA) core and intensive services as dislocated workers. Funding such services under the TAA program would be duplicative of services already available under WIA. In support of this, we note that funds clearly exist under WIA for this task, as evidenced by the \$555 million in unexpended WIA Dislocated Worker funds states carried in to program year 2006.

If you would like additional information, please do not hesitate to call me at (202) 693-2700. You may also contact Erica Cantor, Administrator, Office of National Response, at 202-693-3500.

Sincerely,



Emily Stover DeRocco

Appendix XII: GAO Contacts and Staff Acknowledgments

GAO Contact

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Acknowledgments

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