



Testimony of

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INTRODUCTION

Chairman Platts, Ranking Member Towns, and distinguished members of the Committee. Thank you for the opportunity to provide testimony on behalf of the Department of Commerce's (DOC) Economic Development Administration (EDA) on the Trade Adjustment Assistance for Firms (TAAF) program. Through this program, the Department is committed to helping firms throughout the United States adjust to import competition, increase their own competitiveness and save and create jobs.

MISSION

The mission of the TAAF program is to help U.S. firms regain competitiveness in the global economy, and, as a result of increased international competitiveness, save and

create U.S. jobs. The program has received high marks from participating firms, particularly those involved in manufacturing, as well as from the independent Government Accountability Office which as recently as last month noted that the program has helped manufacturing and service firms. Through the TAAF program import-impacted U.S. agricultural, manufacturing, production, and service firms can receive matching funds for projects that expand markets, strengthen operations, and increase competitiveness through TAAF. The program provides cost-sharing technical assistance in the development of business recovery plans, which are known as Adjustment Proposals (APs), and matching funds to implement projects outlined in the proposals. Firms contribute a matching share to create and implement their respective recovery plans.

The TAAF program supports a national network of 11 Trade Adjustment Assistance Centers (TAACs), some affiliated with universities and some independent non-profits, to help U.S. firms in all 50 States, the District of Columbia, and the Commonwealth of Puerto Rico. Firms work with the TAACs to apply to EDA for certification of eligibility for assistance and to prepare and implement strategies to guide their economic recovery. As I think you will hear from other witnesses during this hearing, TAACs add great value to the TAAF program. The expertise and structure of the TAACs allow them to provide technical assistance to firms on a timetable customized to the unique needs of each firm. The TAACs facilitate this by acting as a liaison between the firms and EDA, “translating” the program (its requirements, benefits, etc.) into the “language” of small businesses. TAAC directors and staff bring extensive business experience, knowledge of

information systems, management, marketing and quality to identify projects best suited to significantly improve the competitiveness of each unique firm they serve. Projects can include export development strategies, International Organization for Standardization (ISO) certification to facilitate overseas sales, marketing and sales process improvements, new product development and more.

TRADE ADJUSTMENT ASSISTANCE DIVISION AT EDA

Upon the creation of the Trade Adjustment Assistance Division (TAAD) at EDA in late 2009, a two-year strategic plan was developed to address challenges the program was facing in terms of operational efficiency and customer service.

Some of these challenges were:

- On average, it took 89 days for EDA to certify petitions for eligibility under the program and 20 days to approve APs;
- According to TAAC Directors, EDA was often late in processing payments to TAACs as well as in awarding grants to TAACs, which resulted in unacceptable levels of uncertainty for both TAACs and their clients in receiving the funds necessary to provide efficient services to clients; and
- Relationships between EDA and the TAACs, as well among the TAAC Directors, were strained as a result of these challenges.

Since the creation of the TAAD and the implementation of EDA's strategic plan for improving the program, the following accomplishments have been realized:

- The average turnaround time for EDA certification of petitions has decreased from 89 days to 36 days, while the average turnaround time for approval of APs has decreased from 20 days to 16 days. This accomplishment was achieved despite significant increases in the number of petitions and APs submitted to EDA for approval. For example, in FY 2010, EDA certified 53% more petitions than in 2009 (114 more petitions in 2010 than in 2009) and approved 54% more APs (93 more APs in 2010 than in 2009).
- 100% of EDA grants to TAACs have been processed on time, and all payments to TAACs have been disbursed on time. Prior to the creation of the TAAD, TAAC directors reported late processing of payments to TAACs as well as in awarding grants to TAACs, which resulted in uncertainty for both TAACs and their clients in receiving the funds necessary to provide efficient services to clients; and
- Relationships have improved between EDA and the TAACs, as well as among the TAACs themselves as a result of several meetings convened by EDA between TAAC staff, EDA, and program stakeholders, including:
 - A TAAF Program Conference in March 2010 with TAAC Directors focused on developing a set of best practices in the area of submission of petitions for certification and APs to EDA, with the goal of increasing the quality of submissions to EDA and thereby increasing program efficiency and operations;

- An informational briefing and roundtable discussion with Congressional stakeholders in July 2010, in which TAAC Directors and two of their clients provided briefings on the TAAF program to staff of the Senate Finance and House Ways and Means Committees;

- A meeting between EDA and TAAC Directors and staff in September 2011 to develop outreach strategies to increase program visibility and participation by firms in states with relatively low participation in the program, and to strengthen partnerships with other Federal programs, such as NIST's Manufacturing Extension Partnership program. This meeting also served as a program introduction to the U.S. Government Accountability Office (GAO) as they began their evaluation of TAAF program effectiveness; and

- A Performance Measurement Strategic Planning Meeting in February of this year to explore improvements in TAAF program performance metrics in connection with EDA's efforts to improve metrics for all of its programs.

Looking forward, EDA intends to focus on developing an improved performance measurement process over the next two years. EDA is currently implementing a performance measurement improvement process for all of its programs and activities,

which began in late 2011 and consists of two phases: planning and development, and implementation. The one-year planning and development stage is expected to be completed by the end of this year, and includes researching and identifying improved metrics and indicators, testing the metrics and indicators across the full portfolio of EDA investments, and developing a work plan for implementing measures that are adopted. To assist with this effort, EDA has partnered with the University of North Carolina and George Washington University to develop draft performance measures utilizing state-of-the-art performance measurement and program evaluation techniques.

The subsequent implementation phase will include obtaining OMB approval of data collection forms, developing a database to store collected data, and updating programmatic guidance and regulations. The entire process is expected to be completed by the fall of 2014. The end result is expected to be more effective program management, for all of EDA's programs, including the TAAF program.

EVALUATIONS OF THE TAAF PROGRAM

The Fiscal Year (FY) 2012 Senate Report (112-78) of the U.S. Senate Committee on Appropriations for the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2012 (H.R. 2596) directed the Commerce Department's Office of Inspector General (OIG) to review the administrative costs of the TAACs and the U.S. Government Accountability Office (GAO) to evaluate TAAF program operations and effectiveness.

On May 11, 2012, OIG presented DOC with a copy of the letter to the Committee reporting their findings related to TAAC administrative costs. As part of their review, OIG obtained expenditure data from a sample of three TAACs – Western TAAC in California, New England TAAC in Massachusetts, and the New York State TAAC – focusing on the use of Federal funds provided by EDA. Based on their analysis, OIG stated that they “did not determine that the level of administrative costs to the three TAACs to be unreasonable.”

GAO presented the Commerce Department with the draft report, *Trade Adjustment Assistance: Commerce Program Has Helped Manufacturing and Services Firms, but Measures, Data, and Funding Formula Could Improve (GAO-12-930)*, on August 17, 2012. Overall, the report contained positive findings regarding the effectiveness of the TAAF program. As part of this study, 117 of 163 firms responded to GAO’s survey on the firms’ experience with the TAAF program, an extremely high response rate. As noted in the report, nearly all of the responding firms reported they were generally or very satisfied with the program. Manufacturing firms, specifically, reported that the program was associated with increased sales and productivity. Notably, an impressive 73 percent of the firms reported the program helped them with profitability, 71 percent said it helped them retain employees, and 57 percent reported that the program helped them hire new employees.

CLOSING

I would like to thank Chairman Platts, Ranking Member Towns, and distinguished

members of the Subcommittee for the opportunity to provide this testimony. The Department of Commerce looks forward to working with Congress and continuing our work to improve the Trade Adjustment Assistance for Firms program. Thank you, and I look forward to answering any questions you may have.