

FOIA MARKER

**This is not a textual record. This is used as an
administrative marker by the William J. Clinton
Presidential Library Staff.**

Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: Policy Development
Series/Staff Member: Lael Brainard
Subseries:

OA/ID Number: 20582
FolderID:

Folder Title:
Fast Track - Complementary Initiative 97

Stack:	Row:	Section:	Shelf:	Position:
S	100	2	5	1

TRADE & COMMUNITY ECONOMIC ADJUSTMENT INITIATIVE

September 30, 1997

Background: The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed to respond to communities experiencing a military base closure, this approach has been used effectively as well in regions suffering from defense industry cutbacks. Three features distinguish the approach:

- ***Focus on community organization and planning:*** Staff from DoD's superb Office of Economic Adjustment intervene early to help a community organize itself and develop a credible economic adjustment strategy. In addition to providing generous planning grants, OEA staff help communities access other sources of federal assistance as well as state, local and private resources.
- ***Targeted support for implementation:*** Defense-impacted regions have received dedicated funds for worker training/assistance from the Department of Labor, and for economic development (primarily infrastructure grants and revolving loan funds) from Commerce's Economic Development Administration. Other sources of support include: DOT funds for converting military airports to civilian use, SBA loan guarantees, and competitively awarded R&D grants from DoD and elsewhere.
- ***Close interagency coordination:*** Although the NEC coordinates the Administration's defense economic adjustment *policy*, day-to-day implementation is coordinated through an interagency committee established in 1970 and formalized by executive order in 1992. OEA effectively chairs this group, and each OEA staffmember is responsible for coordinating with one or more participating agencies.

Proposal: Undertake a Trade & Community Economic Adjustment Initiative modeled after the Administration's defense economic adjustment effort. At a minimum, the initiative would a) establish a mechanism for better interagency coordination of trade adjustment assistance and b) detail OEA staff to the Department of Commerce and give them the resources to award planning grants and provide on-site expertise and help in accessing federal funds for implementing the adjustment plan. Existing programs such as EDA grants, SBA loan guarantees and NADBank would be part of any community-adjustment option. A more ambitious initiative would make additional, dedicated EDA resources available for trade-impacted communities.

- ***Interagency Coordination:*** Establish a President's Interagency Trade and Economic Adjustment Committee, chaired by the Secretaries of Commerce and Labor and staffed by OEA project managers on detail to and funded by the Commerce Department. (To avoid delay, this should be done by executive memorandum rather than EO.) The committee's mandate would be to improve outreach to and assistance for trade-impacted regions.

Planning Grants and Expertise to Help Communities Develop an Economic

Adjustment Strategy: Provide funds to allow detailed OEA project managers to award planning grants and help trade-impacted communities bring the appropriate local groups to the table to develop a credible economic adjustment plan. Project managers also would help communities tap into federal funds for worker training, economic development and other implementation activities. (Estimated cost: \$10 million/year) [See OEA attachment for more detail.]

Targeted Support for Worker Training, Business Assistance and Economic

Development: Trade-impacted communities currently can receive funds for economic adjustment activities under several programs dedicated to trade adjustment, including DOL's Trade Adjustment Assistance (TAA) and NAFTA-TAA programs; the North American Development Bank (NADBank); the Community Adjustment & Investment Program (CAIP); and Commerce's Trade Adjustment Assistance Centers (see program descriptions, attached).

Trade-impacted communities also can apply for EDA Title IX funds (technical assistance, revolving loan funds, infrastructure grants) and SBA loans and loan guarantees. EDA is the single most valuable source of federal assistance for implementing an economic development plan. However, EDA's funds (which have been critical to defense adjustment) are heavily oversubscribed.

Options: The Administration could pursue the Trade-Impacted Community Adjustment Initiative in one of three ways. The key difference has to do with the level of funding for EDA.

Option 1 would request no new funds for EDA; the Administration would simply try to do a better job of serving trade-impacted communities using existing resources (and the steps described in the first two bullets above).

A second option would be to give trade-impacted communities priority in the allocation of scarce economic development funds -- notably EDA Title IX funds.

A third option would be to request additional, **dedicated** EDA funds for trade-impacted communities. (Estimated cost: \$10-50M/year)

EDA's appropriators would oppose Option 2, as borrowing from Peter to pay Paul. Thus, realistically, the choice is between Options 1 and 3.

ATTACHMENTS

1. Office of Economic Adjustment
2. President's (Defense) Economic Adjustment Committee
3. Selected Program Descriptions
 - a. NADBank/CAIP
 - b. Trade Adjustment Assistance Centers
 - c. EDA economic adjustment programs
4. Details on Option 3 (EDA funds dedicated to trade economic adjustment)
 - a. Budget
 - b. Community Assistance Scenario
 - c. Communities Assisted per Year
5. Eligibility Criteria

Office of Economic Adjustment

A key ingredient in the Administration's successful defense economic adjustment strategy has been DoD's Office of Economic Adjustment. OEA was created in 1961 to help communities cope with military base closures, and that has been its traditional role. Typically, OEA helps communities organize a planning group, provides a planning grant, guides the group through government requirements for base closures, and helps it develop a "reuse" plan for redevelopment of the base.

With the end of the Cold War, OEA's responsibilities have expanded to include help for communities hit by closings and cutbacks of defense plants. For example, in St. Louis, where McDonnell Douglas laid off 30,000 workers, OEA was instrumental in helping the region develop a broad strategy for worker adjustment and firm diversification.

OEA's superb reputation is due to several factors:

- Intervention typically comes early, before serious impact has occurred;
- OEA staff catalyze a local, grassroots adjustment planning process, using planning grants as financial carrot to get all key stakeholders at the table;
- OEA's 30 project managers are economic adjustment experts, with skill at helping communities create an appropriate economic adjustment strategy or vision;
- OEA is at center of network of federal adjustment specialists, and skilled at helping communities tap into JTPA, EDA and other programs at the appropriate time.

Because OEA's focus is on the planning stage, it does a lot with relatively few resources: a single OEA project manager oversees 3-4 communities simultaneously. And planning grants (which are typically staggered over several years) are in the range of \$500,000-\$3 million per community.

As part of a Trade & Community Economic Adjustment Initiative, [6-8] OEA staff would be "detailed" (either physically or in a virtual sense) to the Department of Commerce. Although Commerce would host and pay for them, OEA staff would retain the key characteristics that make their organization so effective within DoD: small, flexible and with a focused mission on planning.

An individual project manager would handle 3-4 trade-impacted communities. Their major function would be to: make early and frequent site visits to trade-impacted communities; provide planning grants; using those grants as the carrot, bring the key local stakeholders to the table and help them develop a credible economic adjustment plan; assemble a federal team representing the agencies with resources appropriate to a particular community and (where desirable) bring the team to the community.

PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE AND DEFENSE ECONOMIC ADJUSTMENT PROGRAM

Introduction

On January 15, 1992, the President signed Executive Order (E.O.) 12788. This Order updates and replaces E.O. 12049. It reaffirms the President's Economic Adjustment Committee (EAC), established in 1970, and the Defense Economic Adjustment Program. It also incorporates statutory requirements for this Program.

Background

The Program was established in 1961 by the Secretary of Defense to help mitigate adverse effects of Defense closures and contract cutbacks. The Committee was first designated as the President's Interagency Economic Adjustment Committee in 1970 by an Executive Memorandum. This Committee and Program were subsequently formalized in 1978 under Executive Order 12049, "Defense Economic Adjustment Program," which broadened program support to include Defense expansion.

Composition

The Chair is the Secretary of Defense. The Vice Chair is the Assistant Secretary of Defense who oversees the Office of Economic Adjustment (OEA) which serves as the Committee staff. The Committee is presently composed of 23 Cabinet-level departments and agencies. Three levels of representation are:

Members - Department and agency heads. They meet at the discretion of the Chair. Also, they or their designee, formally identify the Members of the Advisory and Working Groups for their respective departments or agencies.

Advisory Group - Undersecretaries or their equivalent. They address policies peculiar to member departments and agencies and appropriate support to be given to the Defense economic adjustment program.

Working Group - Department and agency officials who can address the daily technical and program issues of the community Defense economic adjustment projects.

Committee Functions

Mandate - The Committee gives priority consideration to requests for Federal technical assistance, financial resources, excess or surplus property, and other requirements for communities adversely affected by Defense program changes. These changes include military base closures and realignments, new military bases and expansions, and Defense contract reductions. Committee program support is also given to projects addressing the encroachment of incompatible development around military installations.

(over)

Benefits - The Committee and the affected community mutually benefit from their coordinated efforts. EAC assistance helps Defense impacted communities proceed quickly toward economic recovery. Member agency program objectives are attained through coordinated economic adjustment assistance programs.

Meetings - Normally, the Working Group meets to address the operational matters of the Defense economic adjustment program and individual community needs. They are apprised of current Defense impact situations and their support is requested.

Member and Advisory Group meetings are held when policy decisions are required, or immediate Committee support is needed to offset impacts caused by critical program changes.

Task Forces - When required, Committee task forces can be created to support major economic adjustment problems or new initiatives. Task forces may be organized at the headquarters level, but are more likely to be formed in the Federal regions.

A task force may be established on the recommendation of a member agency or by an OEA project manager with the concurrence of the OEA Director. Notification occurs through a memorandum from the Director to the appropriate Federal agencies at headquarters, requesting the designation of a point of contact to support the project. The memorandum includes a brief explanation of the need and expected agency participation level.

OEA Support to EAC And Defense EAP

Each member of the OEA staff is assigned to one or more EAC agencies for policy coordination and program liaison purposes. Each apprises the other of project support requirements or program funding potential.

OEA project managers identify, as early as possible, EAC support requirements. OEA transmits these requirements to the EAC for consideration in current and following year budgets.

Selected Program Descriptions

The NAFTA North American Development Bank (NADBank):

In mid-1994 agreement was reached between the U.S. and Mexico on two new organizations to support border environmental clean-up and to provide support for community adjustment and investment related to NAFTA. The Border Environment Cooperation Commission (BECC) was developed to help border states and local communities in coordinating, designing and financing environmental infrastructure projects with cross-border impacts. The North American Development Bank (NADBank) was created to address two problems: the financing of border environmental projects and adjustment assistance to address NAFTA-related community trade adjustment problems. NADBank was provided with funding that should support \$2 to \$3 billion worth of projects over four years, however, only ten percent of its funds were to be allocated to the Community Adjustment and Investment Program (CAIP).

NADBank CAIP assistance is limited to loans and loan guarantees to businesses located in communities designated as eligible for assistance under the CAIP. There is no authority for supporting community capacity building, planning or technical assistance, and no provision for funding of infrastructure improvements to support local economic conversion in areas hard hit by import impacts when such areas aren't part of the NADBank border program. Only three loans or loan guarantees have been provided under the NADBank CAIP in the three years of its existence.

The Treasury Department made its first designations under the CAIP on August 1, 1997, when it designated 35 communities as eligible, which should make it possible for companies in those communities to apply for CAIP assistance. To be designated as eligible for the CAIP, a community must provide evidence of two factors: first, it must demonstrate job losses associated with the passage of NAFTA and second, it must suffer from an unemployment rate significantly higher than the national rate. The job loss test can be met by having a significant number of recent Department of Labor TAA worker group certifications, or by showing the loss of a significant number of jobs to business relocations to Canada or Mexico. At this point, the CAIP can only be viewed as an experiment.

Trade Adjustment Assistance for Firms and Industries:

The Department of Commerce has implemented the Trade Adjustment Assistance (TAA) Program for Firms and Industries since the late 1970's. (See attachment B - a detailed program description and fact sheet.) Although funding for the TAA Program for Firms and Industries has fluctuated significantly over the years and responsibility for the program has been transferred from EDA to the International Trade Administration (ITA) and the back to EDA, the program has proven itself to be an efficient and effective way to help U.S. firms and industries injured by imports regain the ability to compete in the global marketplace. While the program included loan

DRAFT

and loan guarantee authority in its early years, those authorities were later eliminated because they were cumbersome to implement and firms were generally able to obtain conventional financing once they had developed and implemented their Adjustment Proposals.

Most of the assistance provided under the TAA Program for Firms and Industries has been provide through a network of twelve Trade Adjustment Assistance Centers (TAACs) which provide direct, hands-on assistance to trade injured firms. The TAACs, established in 1978, were among the first government-sponsored providers of comprehensive assistance to manufacturers to help them improve their operations. TAACs work with firms to help them complete the necessary documentation to become certified under the program, develop a comprehensive Adjustment Proposal that identifies the company's strengths and weaknesses as well as the steps they need to take to become competitive, and then implement the proposal, generally through the cost-shared (50/50) hiring of outside consultants with expertise in the necessary business discipline. While the majority of TAACs are overseen by university-based entities, three are sponsored by private non-profit organizations, one by a state agency and one by a regional manufacturers' association.

The assistance provided through the TAACs is unique in a number of ways. First, unlike most business assistance programs, manufacturers must demonstrate injury due to imports and go through a certification process. Since they must have suffered lost sales and employment and those losses have to be at least partly due to increased imports of like or directly competitive products, firms receiving assistance from the TAACs are generally facing declining fortunes. This is another difference between the TAA Program and other business assistance programs that generally work with either start-ups or healthy firms seeking to improve operations. Because of the generally weak condition of their client firms, the TAACs also tend to work with their clients for a longer period of time and provide a higher level of assistance. It is not unusual for a TAAC to work with a client for over three years and to provide over \$100,000 in cost-shared consultant assistance to the firm.

In spite of the condition of the clients when they enter the program, however, the results of TAAC assistance have been impressive. A TAAC analysis of 651 firms completing assistance under the program between FY 1990 and FY 1996 showed that while sales had declined 11 percent (from \$7.3 billion to \$6.5 billion) in the two years prior to entering the program, they had increased 40 percent (from \$6.5 billion to \$9.1 billion) after receiving assistance. Employment also showed significant recovery, having dropped nearly 15 percent in the period before the firms entered the program and then recovering nearly 14 percent after assistance.

While recent years have seen limited funding going into industry assistance efforts because of reduced appropriations for the TAA Program for Firms and Industries, there have been a number of innovative and effective industry-government cooperative efforts undertaken through the program. Among the industry projects funded were the original American Electronics Association (AEA) and Semiconductor Industry Association (SIA) representative offices in Japan working to resolve trade issues with that nation; initial funding for the Tailored Clothing Technology Center (TC2) developing automated apparel technology on behalf of the U.S. apparel

DRAFT

industry; and a program with the Gear Research Institute to develop austempered ductile iron materials technology as a lower cost, lightweight and strong material for drive train applications. The TAA program for Firms and Industries should be viewed as the U.S. Government's "turnaround" consulting program for trade injured companies and industries, and a major source of support for community business retention efforts.

DRAFT

EXISTING TRADE ADJUSTMENT ASSISTANCE PROGRAMS:

Economic Development Administration:

The Economic Development Administration (EDA) was established under the Public Works and Economic Development Act of 1965, as amended (42 USC 3121 *et seq.*), to generate new jobs, retain existing jobs and stimulate industrial and commercial growth in economically-distressed areas of the United States. EDA assistance is available to rural and urban areas of the Nation experiencing high unemployment, low-income levels, extensive poverty, outmigration, or sudden and severe economic distress.

The basic principle underlying all EDA programs is that economic development is a local process that must be based on locally identified economic development plans and/or adjustment strategies. EDA works in partnership with state and local governments, regional economic development districts, public and private non-profit organizations and Indian tribes to support local development efforts. EDA's capacity building tools (planning, technical assistance, economic adjustment strategy and technical assistance, national technical assistance and research, and trade adjustment assistance) are used to provide communities with the resources needed to support the development and implementation of a comprehensive approach to the rebuilding of the local economic base. The Agency then uses its other program tools (public works, economic adjustment infrastructure and revolving loan funds) to support local efforts to implement their economic development programs. (See attachment A - EDA Fact Sheet and Program Booklet)

While originally created to address areas of the country suffering from general long-term economic decline, EDA's role in recent years has evolved to include a significant component of strategic adjustment assistance to help communities deal with defense cutbacks and natural disasters. The Agency has demonstrated effective coordinated use of its multitude of program tools in helping communities meet the challenge of significant short-term negative economic dislocations. A recent study of EDA's public works program conducted by a consortium led by Rutgers University, for instance, showed that for every \$1 million of funds EDA provided under its public works program, over \$10 million in private investment were leveraged resulting in the creation of 327 jobs at an EDA cost of \$3,058 per job.

Chapter 4 - Adjustment Assistance for Communities. The major program tools that would be brought to bear on trade injured communities include:

- **Planning/economic adjustment strategy funding** to provide the framework and support for the creation of a comprehensive community adjustment planning process that will involve local officials, business leaders, labor organizations, citizen groups and other interested community players in the development of an adjustment strategy for the rebuilding of the local economy. For example, EDA provided a \$45,000 grant to the City of Yuma, AZ, to prepare a comprehensive economic development strategy covering neighboring communities in Yuma County to emphasize industrial diversification linked to economic development in adjacent Mexican towns.
- **Technical assistance** support to evaluate the feasibility of proposed investments and to provide assistance to meet specific technical needs of the strategy such as an

DRAFT

environmental assessment or financial restructuring. In Owensboro, KY, for instance, a \$16,000 technical assistance project to prepare an airport industrial park master plan led to the funding of an infrastructure project to provide improvements to support the Mid American Air Industrial Park.

- **Public works/infrastructure investments** to meet the development needs of a restructured economy including industrial or commercial site development, incubator buildings, skill training centers or improved water and sewer systems. EDA provide the City of Mission, TX, and Mission Economic Development Authority with a \$1,500,000 public works grant to provide infrastructure improvements to develop a 90-acre industrial area to meet the need for new and expanding industrial and commercial business development. The Mission area has been hard hit by peso devaluations that hurt its retail trade and harsh freezes that devastated the citrus industry.
- **Revolving loan funds (RLF's)** for business assistance and infrastructure needs not met by the CAIP. While we would expect the comprehensive Community Trade Empowerment Initiative to play a significant role in developing investment opportunities for the CAIP, there may also be gaps in the financial resources available to these communities that only a RLF could meet. In St. Louis, MO, EDA provided a \$1,350,000 RLF grant as part of a defense adjustment effort to develop creative responses to meet the significant impacts on the local defense industry caused by defense procurement cutbacks. The RLF is targeted to providing assistance for small and medium-sized defense contractors seeking to diversify their businesses away from dependence on defense contracting.
- **Trade Adjustment Assistance (TAA) for Firms and Industries Program** authorities will be used to provide assistance to trade injured companies in these communities to develop and implement a comprehensive Adjustment Plan to restructure their firm and regain the ability to compete in the global marketplace, and to help industries facing growing imports undertake collective activities to help their member companies compete more effectively. The TAA Program helped a western provider of high quality electroplating and metal finishing services to the aerospace and micro-electronics industry who was losing sales to both Mexican and Asian companies. Employment had dropped from 27 to 18 while sales and profits were eroding. Company and TAAC staff developed a recovery strategy based on both addressing pressing environmental problems while also lowering production costs and expanding production capabilities. With TAAC assistance, a new water and metal reclamation system was developed which allowed the firm to isolate its operation from the city sewage system and reclaim metals in a useful form. As a result of the assistance, sales increased by over 25 percent, profitability was restored and employment has grown to 30.

In addition to the individual examples cited above, an example of EDA's program tools being used in a coordinated manner to address the adjustment needs of a community facing a significant dislocation may be useful. The 1991 round of Base Realignment and Closure (BRAC) decisions

DRAFT

SEP 24 1997

EXECUTIVE SUMMARY: COMMUNITY TRADE EMPOWERMENT INITIATIVE

- An emerging, changing global marketplace, the acceleration of technical innovation and the constant restructuring of firms and industries require the Nation's work-force, firms and communities to be more flexible and innovative in creating jobs and attracting private sector investment.
- The Manufacturing Institute and Partners for Livable Communities in their recent study "Creating the Globally Competitive Community" stress that for America to continue to be the most competitive nation in an increasingly global economy, the country must be comprised of localities, states and regions that are competitive in their own right.
- This Initiative recognizes that Federal investments in locally defined trade-related development efforts create communities that can compete in the global economy. The Initiative follows, to a great degree, the successful approach the Economic Development Administration (EDA) has used in helping other communities adjust to the economic restructuring that was mandated by reductions in Federal defense expenditures.
- EDA's existing legislative authority provides the flexibility to administer this Initiative. However, EDA lacks adequate program resources to implement it. Current appropriations permit EDA to assist only a small portion of the eligible and worthwhile projects proposed by the Nation's distressed areas in any given year.
- The Initiative seeks funding for a five-year demonstration period to make EDA's set of comprehensive economic development programs - planning, technical assistance, public works, revolving loans, and trade adjustment assistance - available to communities that are adversely affected by trade expansion agreements. Program funding for the Initiative is proposed at \$51.4 million for the first year, increasing to a high of \$127.6 million in the third year, and declining to \$71.2 million in the fifth year. An increase in EDA's salary and expense budget will also be necessary, as current staffing levels cannot absorb additional responsibilities. The total five-year budget is \$425 million.
- Communities eligible for assistance under this Initiative would include those certified by the NADBank's Community Adjustment and Investment Program, those meeting the criteria for either EDA's Sudden and Severe Economic Dislocation or Long-Term Economic Deterioration Title IX programs, and those able to demonstrate a special need arising from the economic impacts caused by changing trade patterns.
- The Initiative outlines how other Commerce agencies, including the International Trade Administration, the Census Bureau, the Technology Administration, and the Minority Business Development Agency, can help in developing and supporting this effort. The Initiative also suggests a coordinated outreach effort between EDA and appropriate offices within the Departments of Labor and Treasury for making trade impacted communities, firms, and workers aware of the Federal programs and resources that are available to help in their economic restructuring efforts.

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL# of pages **15**

To Lael Brainard	From Phil Singer
Dept./Agency	Phone # 202 482-5081
Fax # 395 68 53	Fax #

NSN 7540-01-317-7368

5099-101

GENERAL SERVICES ADMINISTRATION

DRAFT**BACKGROUND:**

There has been growing interest in trade adjustment assistance because of the recent World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA) agreements which have resulted in a significant liberalization of trade with U.S. major trading partners. As President Clinton seeks restoration of traditional trade negotiating authority to pursue additional market opening agreements with U.S. trading partners in Central and South America, concerns are being raised by those who believe that some U.S. workers, firms and communities might be negatively impacted by the agreements now in place.

While it is generally accepted that major trade-stimulation agreements like the WTO and NAFTA are of overall benefit to the Nation as a whole, it is also understood there may be shifts in trade patterns resulting from these agreements. Historically, to address such trade related changes, the United States has provided assistance to individuals and companies through the Trade Adjustment Assistance (TAA) Program authorized under the Trade Act of 1974, as amended (19 USC 2101).

The TAA Program for Workers is overseen by the Department of Labor, while the TAA Program for Firms and Industries is implemented by the Economic Development Administration in the Department of Commerce. The Trade Act of 1974, as amended, authorized a community adjustment assistance program under Chapter 4 - Adjustment Assistance for Communities. That program was never activated, however, and assistance to communities affected by increased imports was provided using basic EDA programs when those program requirements could be met.

Although there are existing TAA programs for workers and firms, there is no specific program to provide comprehensive adjustment assistance to communities in adjusting to changing trade patterns, with the exception of the limited NADBank program described later. As the Department of Commerce Mission Statement points out, the Department is committed to promoting "job creation, economic growth, sustainable development, and improved living standards for all Americans, by working in partnership with business, universities, communities, and workers to: 1. Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the nation's economic infrastructure;...". In keeping with its strategic plan, the Department proposes to establish the Community Trade Empowerment Initiative within EDA to provide comprehensive adjustment assistance to communities that must rebuild their economic base to adjust to changing trade patterns and effectively compete in an increasingly global economy.

EXISTING TRADE ADJUSTMENT ASSISTANCE PROGRAMS:**Economic Development Administration:**

The Economic Development Administration was established under the Public Works and Economic Development Act of 1965, as amended (42 USC 3121 *et seq.*), to generate new jobs, retain existing jobs and stimulate industrial and commercial growth in economically-distressed

DRAFT

areas of the United States. EDA assistance is available to rural and urban areas of the Nation experiencing high unemployment, low-income levels, extensive poverty, outmigration, or sudden and severe economic distress.

The basic principle underlying all EDA programs is that economic development is a local process that must be based on locally identified economic development plans and/or adjustment strategies. EDA works in partnership with state and local governments, regional economic development districts, public and private non-profit organizations and Indian tribes to support local development efforts. EDA's capacity building tools (planning, technical assistance, economic adjustment strategy and technical assistance, national technical assistance and research, and trade adjustment assistance) are used to provide communities with the resources needed to support the development and implementation of a comprehensive approach to the rebuilding of the local economic base. The Agency then uses its other program tools (public works, economic adjustment infrastructure and revolving loan funds) to support local efforts to implement their economic development programs. (See attachment A - EDA Fact Sheet and Program Booklet)

While originally created to address areas of the country suffering from general long-term economic decline, EDA's role in recent years has evolved to include a significant component of strategic adjustment assistance to help communities deal with defense cutbacks, natural disasters and other serious dislocations to an area's economic base. The Agency has demonstrated effective coordinated use of its multitude of program tools in helping communities meet the challenge of significant short-term economic dislocations. A number of recent studies of EDA's program performance have demonstrated the considerable capacity building and leveraging impacts resulting from EDA investments in the development and implementation of local economic restructuring strategies. Included among the findings of these studies were:

- A recent study of EDA's public works program conducted by a consortium led by Rutgers University, showed that for every \$1 million of funds EDA provided under its public works program, over \$10 million in private investment were leveraged resulting in the creation of 327 jobs at an EDA cost of \$3,058 per job.
- This consortium also looked at EDA defense adjustment projects funded during the FY 1992 to FY 1995 period, and found that each \$1 million in EDA investment in completed defense revolving loan fund (RLF) projects resulted in the creation of 304 jobs and leveraged an average of \$2.5 million of private-sector investment.
- A study by Aguirre International of EDA's efforts at disaster assistance in the aftermath of Hurricane Andrew found that EDA funded projects that responded directly to a strategic analysis of the regional economy; the EDA regional strategic planning process acted as a facilitating mechanism for recovery that would not otherwise have taken place; EDA projects were designed to fill a significant recovery need that would not have been funded by any other source in a timely fashion; the EDA team on-site approach supported the development of sustainable project through continuously available expert assistance and

DRAFT

follow-up; and the EDA approach to partnership building resulted in the creation of sustainable economic development networks that did not previously exist in the impact area.

All of the recent studies of EDA programs have confirmed the "but-for" nature of EDA activities, that is, but for the investment made by the Agency, there would not have been an effective, coordinated, locally-led economic adjustment effort. Of special value to grantees is the flexible and coordinated nature of EDA's array of economic development and adjustment tools.

Trade Adjustment Assistance for Firms and Industries:

The Department of Commerce has implemented the TAA Program for Firms and Industries since the late 1970's. (See attachment B - a detailed program description and fact sheet.) Although funding for the TAA Program for Firms and Industries has fluctuated significantly over the years and responsibility for the program has been transferred from EDA to the International Trade Administration (ITA) and then back to EDA, the program has proven itself to be an efficient and effective way to help U.S. firms and industries injured by imports regain the ability to compete in the global marketplace. The TAA program for Firms and Industries should be viewed as the U.S. Government's "turnaround" consulting program for trade injured companies and industries, and a major source of support for community business retention efforts.

Most of the assistance provided under the TAA Program for Firms and Industries has been provide through a network of twelve Trade Adjustment Assistance Centers (TAACs) which provide direct, hands-on assistance to trade injured firms. The TAACs, established in 1978, were among the first government-sponsored providers of comprehensive assistance to manufacturers to help them improve their operations. TAACs work with firms to help them complete the necessary documentation to become certified under the program, develop a comprehensive Adjustment Proposal that identifies the company's strengths and weaknesses as well as the steps they need to take to become competitive, and then implement the proposal, generally through the cost-shared (50/50) hiring of outside consultants with expertise in the necessary business discipline. While the majority of TAACs are overseen by university-based entities, three are sponsored by private non-profit organizations, one by a state agency and one by a regional manufacturers' association

The assistance provided through the TAACs is unique in a number of ways. First, unlike most business assistance programs, manufacturers must demonstrate injury due to imports and go through a certification process. Since they must have suffered lost sales and employment and those losses have to be at least partly due to increased imports of like or directly competitive products, firms receiving assistance from the TAACs are generally facing declining fortunes. This is another difference between the TAA Program and other business assistance programs that generally work with either start-ups or healthy firms seeking to improve operations. Because of the generally weak condition of their client firms, the TAACs also tend to work with their clients for a longer period of time and provide a higher level of assistance. It is not unusual for a TAAC to work with a client for over three years and to provide over \$100,000 in cost-shared consultant

DRAFT

assistance to the firm.

In spite of the condition of the clients when they enter the program, however, the results of TAAC assistance have been impressive. A TAAC conducted analysis of 651 firms completing assistance under the program between FY 1990 and FY 1996 showed that while sales had declined 11 percent (from \$7.3 billion to \$6.5 billion) in the two years prior to entering the program, they had increased 40 percent (from \$6.5 billion to \$9.1 billion) after receiving assistance. Employment also showed significant recovery, from a loss of nearly 15 percent before the firms entered the program to a gain of nearly 14 percent after assistance.

While recent years have seen limited funding for industry assistance efforts because of reduced appropriations for the TAA Program for Firms and Industries, there have been a number of innovative and effective industry-government cooperative efforts undertaken through the program. Among the industry projects funded were the original American Electronics Association (AEA) and Semiconductor Industry Association (SIA) representative offices in Japan working to resolve trade issues with that nation; initial funding for the Tailored Clothing Technology Center (TC2) developing automated apparel technology on behalf of the U.S. apparel industry; and a program with the Gear Research Institute to develop austempered ductile iron materials technology as a lower cost, lightweight and strong material for drive train applications. While the program included loan and loan guarantee authority in its early years, those authorities were later eliminated because they were cumbersome to implement and firms were generally able to obtain conventional financing once they had developed and implemented their Adjustment Proposals.

The NAFTA North American Development Bank (NADBank):

In mid-1994 agreement was reached between the U.S. and Mexico on two new organizations to support border environmental clean-up and to provide support for community trade adjustment and investment. The Border Environment Cooperation Commission (BECC) was developed to help border states and local communities in coordinating, designing and financing environmental infrastructure projects with cross-border impacts. The North American Development Bank (NADBank) was created to address: the financing of border environmental projects and adjustment assistance to address NAFTA-related community trade adjustment. NADBank was provided funding to support \$2 to \$3 billion worth of projects over four years, however, only ten percent of its funds were to be allocated to the Community Adjustment and Investment Program (CAIP).

NADBank CAIP assistance is limited to loans and loan guarantees to businesses located in communities designated as eligible for assistance under the CAIP. There is no authority for supporting community capacity building, planning or technical assistance, and no provision for funding of infrastructure improvements to support local economic conversion in areas hard hit by import impacts when such areas aren't part of the NADBank border program.

DRAFT

The Treasury Department made its first designations under the CAIP on August 1, 1997, when it designated 35 communities as eligible, which should make it possible for companies in those communities to apply for CAIP assistance. To be designated as eligible for the CAIP, a community must provide evidence of two factors: first, it must demonstrate job losses associated with the passage of NAFTA and second, it must suffer from an unemployment rate significantly higher than the national rate. The job loss test can be met by having a significant number of recent Department of Labor TAA worker group certifications, or by showing the loss of a significant number of jobs to business relocations to Canada or Mexico. At this point, the CAIP can only be viewed as a work in progress.

COMMUNITY TRADE EMPOWERMENT INITIATIVE:

Communities that face challenges to their economic base due to changing trade patterns have economic and business development needs similar to those of communities that must rebuild their economic base after the closure of a military base or a major disaster. These communities may have been an auto or military town, but now community leaders have to restructure their economic base to regain the ability to compete in the global economy. While the NADBank CAIP shows promise of meeting some of the adjustment needs of companies in communities impacted by increased imports and plant relocations, EDA's experience with communities injured by major plant closings, defense cutbacks or disasters, demonstrates that a more comprehensive approach to community adjustment is needed.

At the same time communities face major economic dislocation problems, they are generally confronted with decreasing tax bases and increasing social welfare costs. They are confronted with the difficult situation of greatly increased costs combined with significantly declining revenues. With the timely application of modest amounts of Federal investments, these communities can develop a new economic blueprint for their area and begin implementation of that plan. These communities have a workforce that proved it could be competitive before the rules of the game changed. All they need is to restructure their economy and workforce and rejoin the economy. This has been reflected in the Rutgers-led evaluation of EDA's Defense Economic Adjustment program which demonstrated that modest Federal assistance enables development of workable adjustment strategies, leverages substantial local investment, and creates new permanent employment opportunities at low costs per job.

EDA proposes to establish a Community Trade Empowerment Initiative to invest in community-based efforts to create globally competitive economies. This initiative would be based on EDA's proven approach to helping the restructuring of communities that have suffered major declines because of defense cutbacks and natural disasters. We recommend using EDA's existing and proven program tools to implement this initiative which would not require changes to existing legislative authorities; major program tools that would be brought to bear on trade injured communities include:

- **Planning/economic adjustment strategy funding** to provide the framework and support

DRAFT

for the creation of a comprehensive community adjustment planning process that will involve local officials, business leaders, labor organizations, citizen groups and other interested community players in the development of an adjustment strategy for the rebuilding of the local economy. For example, EDA provided a \$45,000 grant to the City of Yuma, AZ, to prepare a comprehensive economic development strategy covering neighboring communities in Yuma County to emphasize industrial diversification linked to economic development in adjacent Mexican towns.

- **Technical assistance** support to evaluate the feasibility of proposed investments and to provide assistance to meet specific technical needs of the strategy such as an environmental assessment or financial restructuring. In Owensboro, KY, for instance, a \$16,000 technical assistance project to prepare an airport industrial park master plan led to the funding of an infrastructure project to provide improvements to support the Mid American Air Industrial Park.
- **Public works/infrastructure investments** to meet the development needs of a restructured economy including industrial or commercial site development, incubator buildings, skill training centers or improved water and sewer systems. EDA provided the City of Mission, TX, and Mission Economic Development Authority with a \$1,500,000 public works grant to provide infrastructure improvements to develop a 90-acre industrial area to meet the need for new and expanding industrial and commercial business development. The Mission area has been hard hit by peso devaluations that hurt its retail trade and harsh freezes that devastated the citrus industry.
- **Revolving loan funds (RLF's)** for business assistance and infrastructure needs not met by the CAIP. While we would expect the comprehensive Community Trade Empowerment Initiative to play a significant role in developing investment opportunities for the CAIP, there are financial resources needs in these communities that only a RLF could meet. In Merced County, CA, EDA provided a \$1,000,000 RLF grant as part of a defense adjustment effort to develop creative responses to meet the significant impacts on the local defense industry caused by closure of Castle Air Force Base. The RLF is targeted to providing assistance to a variety of local businesses for expansion and to assist in the creation of new enterprises.
- **Trade Adjustment Assistance for Firms and Industries Program** authorities will be used to provide assistance to trade injured companies in these communities to develop and implement a comprehensive Adjustment Plan to restructure their firm and regain the ability to compete in the global marketplace, and to help industries facing growing imports undertake collective activities to help their member companies compete more effectively. The TAA Program helped a western provider of high quality electroplating and metal finishing services to the aerospace and micro-electronics industry who was losing sales to both Mexican and Asian companies. Employment had dropped from 27 to 18 while sales and profits were eroding. Company and TAAC staff developed a recovery strategy based

DRAFT

on both addressing pressing environmental problems while also lowering production costs and expanding production capabilities. With TAAC assistance, a new water and metal reclamation system was developed which allowed the firm to isolate its operation from the city sewage system and reclaim metals in a useful form. As a result of the assistance, sales increased by over 25 percent, profitability was restored and employment has grown to 30.

In addition to the individual examples cited above, an example of EDA's program tools being used in a coordinated manner to address the adjustment needs of a community facing a significant dislocation may be useful. The 1991 round of Base Realignment and Closure (BRAC) decisions included the proposed closure of the Philadelphia Navy Yard in September of 1996. In response to this decision, EDA provided a \$2.7 million grant to the Philadelphia Authority for Industrial Development (PAID) to undertake a number of tasks including technical assistance to assess the technology and equipment existing at the Navy Shipyard to determine possible civilian reuse strategies; assessment of various scenarios for the reuse of parts or all of the land, facilities and equipment at the Philadelphia Navy Base; and a revolving loan fund (RLF) to assist defense-dependent local businesses to convert to civilian sectors.

These efforts were followed in FY 1995 by a \$4.6 million grant to PAID to improve Washington Square Park to promote increased tourism and rehabilitate a vacant building, which created a large job training and education center in the West Oak Lane section of Philadelphia to support re-employment efforts of displaced Philadelphia Navy Yard workers.

In FY 1996, EDA provided an additional \$3.25 million to PAID to develop the Philadelphia Naval Business Center which will include a shipyard sector for use by small ship building and repair businesses; an industrial park sector for various types of medium-sized manufacturers; a commerce sector for research and development businesses; and a distribution sector for intermodal transfer terminal and warehousing businesses. Altogether, EDA has invested over \$10 million in the conversion of the Philadelphia Navy Yard in a coordinated effort including technical assistance, RLF and infrastructure improvements.

In addition to the comprehensive array of program tools available to the Agency, **EDA has a well-established network of economic development entities that can play a major role in meeting the adjustment needs of trade-injured communities.** Among the economic development resources created and supported by EDA are:

- **320 Economic Development Districts and 61 Indian Planning organizations** that provide economic development staff capacity at the local level. The resources of these organizations will be used to support community efforts to undertake a comprehensive adjustment effort to address losses due to increased imports. This will be especially important in smaller, rural communities that often lack full-time professional staff. (See attachment C - a map detailing Economic Development District and Indian Planning Grantee locations.)

DRAFT

- **69 University Centers** that utilize the expertise present in leading universities to provide direct technical assistance to local economic development efforts. Activities include feasibility studies, staff support, socio-economic data analysis and identification of community areas of competitive advantage. (See attachment D - a map highlighting the University Center service areas.)
- **12 Trade Adjustment Assistance Centers** that provide turn-around consulting assistance to trade-injured manufacturers. The TAACs' professional consulting staff have experience in the major business disciplines and help eligible companies prepare certification petitions, develop comprehensive adjustment strategies, and select qualified consultants to implement their adjustment strategies. TAACs would work closely with the communities and NADBank to help trade-injured firms in eligible communities restructure and regain the ability to compete in the global marketplace. We propose additional TAAC program funding in order to provide adequate support to the community initiative. (See attachment D - a map outlining TAAC locations and territories.)
- **Between 40 and 50 State and Urban planning organizations** that provide economic development capacity at the state and city level that could be utilized to assist trade-injured communities in their restructuring efforts. If major urban areas become eligible for assistance under the Community Trade Empowerment Initiative, urban planning grants could be used to provide the staff capacity to support restructuring efforts.
- EDA also has 150 staff members in the field with extensive experience in providing direct assistance to distressed communities in restructuring their economies. EDA's state Economic Development Representatives and Regional Office program staff are able to react quickly and effectively to help a community structure its economic adjustment strategic planning program and to implement the resulting adjustment strategy.
- At the national level, EDA's Technical Assistance and Research programs can 1) develop and disseminate information on trade adjustment efforts that work including "best practices" examples for other communities to emulate; 2) evaluate program performance and long-term impacts; and 3) develop, test and implement performance measures responsive to the Government Performance and Results Act (GPRA).

EDA anticipates working closely with other Department of Commerce agencies and programs to meet the needs of trade injured communities. Among the Commerce programs that could play a role are:

- The International Trade Administration's NAFTA Office, country desks and industry experts to help identify industries/sectors facing import challenges and support efforts to develop export promotion programs.
- The Census Bureau's programs that track and prepare regular reports on industrial sector

DRAFT

production and employment in order to identify industries suffering losses due to increased import competition.

- Technology Administration's Manufacturing Extension Partnership and the MBDA Minority Business Development Centers which could provide hands-on assistance to trade injured firms in cooperation with the TAAC efforts.

We also believe that close coordination between the major Departments involved in the provision of trade adjustment assistance to workers, firms, industries and communities would be beneficial. Just as Carter Administration officials established the Commerce-Labor Adjustment Action Committee (CLAAC) in the late 70's to coordinate and promote the existing Trade Adjustment Assistance Programs, we should revive an expanded effort that includes Commerce, Labor, USTR and Treasury's NADBank effort in order to more effectively develop, deliver and promote these programs. While program coordination at the local level is usually effectively handled through the community capacity developed by planning and technical assistance support, there has been little coordination at the Washington headquarters level since the CLAAC effort was abandoned in the early 1980's.

DRAFT**ELIGIBILITY FOR THE COMMUNITY TRADE EMPOWERMENT INITIATIVE:**

EDA recommends that eligibility for this initiative be determined using a number of different approaches, any one of which would be sufficient to qualify a community for assistance. Among the ways to qualify a community for TAA would be for them to demonstrate that the community:

- Has been certified by the CAIP program as eligible for assistance from NADBank.
- Meets the eligibility criteria of EDA's Sudden and Severe Economic Dislocation (SSED) Title IX program because increased imports or plant relocations have damaged the overall economic health and stability of the community. [For Metropolitan Statistical Areas with an unemployment rate higher than the national average, for instance, the SSED eligibility criteria require the dislocation to involve job levels at the lesser of 0.5 percent of the employed population or 4,000 direct jobs. In non-Metro areas with above average unemployment, the standard is the lesser of 2 percent of the employed population or 500 direct jobs. Job loss thresholds double for areas with unemployment at, or below, the national rate. While EDA will not formally "certify" a community as eligible for assistance, we would require that there be demonstration of an import connection to the injury suffered by the community. (See attachment E - Federal Register detailing SSED eligibility criteria.)]
- Is eligible for assistance under EDA's programs because it is in a designated distressed area or meets the Title IX Long Term Economic Deterioration (LTED) eligibility criteria and there is evidence the area's economic difficulties are at least partly due to import competition. Import injury could be demonstrated by factors such as Labor or EDA certification of worker groups or companies, or evidence that plant closures or relocations from the community were caused by trade impacts on the community or its companies. (See attachment E)
- Can demonstrate that it has "Special Needs" because of economic impacts resulting from changing trade patterns. While it may not be able to meet any of the traditional EDA eligibility criteria, a community may still be able to demonstrate it has suffered significant injury because of plant closures or relocations resulting from trade related impacts.

If they can meet the eligibility standards listed above, assistance under the Community Trade Empowerment Initiative would be provided to eligible applicants which include states, political subdivisions of states, county or local government, special purpose units of government, Indian Tribes and Non-Profit Organizations representing the affected community.

The Community Trade Empowerment Initiative would fulfill a double role of supporting continuing expansion of trade opening agreements of overall benefit to the Nation while also meeting the Federal obligation to assist those communities injured by the changes in trading patterns resulting from those agreements. Participating communities would be expected to provide at least 25 percent of the cost of the proposed adjustment program.

DRAFT

major import increases.

While EDA would expect the first year to find communities needing assistance in the development of their adjustment strategy and many companies requiring EDA's existing Trade Adjustment Assistance Program support, we would also expect a number of communities to be in the midst of their adjustment effort and needing significant implementation assistance. As the adjustment strategies of the first years developed, we would expect increased implementation assistance needs in the latter years of the program. A review should be conducted of whether there is a continuing need for the program at the end of the five year period,

DRAFT**PROPOSED FUNDING AND DURATION:**

The proposed Community Trade Empowerment Initiative should be authorized for five years with funding to start at \$51.4 million the first year and increasing as needed up to as much as \$127.6 million in the third year before declining to \$71.2 million in the final year. These figures include administrative funding averaging less than 7 percent. In total, the Community Trade Empowerment Initiative would require \$425.058 million in new funding. (See attachment F - budget projections.)

EDA's basic program appropriations do not provide a sufficient level of funding to support a Community Trade Empowerment Initiative. EDA's total program budget in FY 1997 is \$328.5 million with \$165 million allocated to Public Works, \$90 million to Defense Economic Conversion, \$31.2 million to Title IX/Economic Adjustment, \$24 million to Planning, \$500,000 to Research and \$17.6 million split among Trade Adjustment Assistance (\$9.5) and Technical Assistance (\$8.1). Because of the already limited level of program funding, EDA is able to approve only a small portion of eligible and worthwhile projects in the Nation's distressed areas in any given year.

Activities in the first year would focus on assisting the 35 communities already certified eligible under the CAIP, identifying other communities suffering trade injury, and working with trade injured firms through EDA's existing TAA Program for Firms and Industries. EDA would anticipate taking a pro-active approach to providing Community Trade Empowerment Initiative assistance and would expect to identify a number of additional communities eligible for assistance in the first year. Because the community adjustment process is a long-term effort, we anticipate working with communities over a three year period. (See attachment G - community assistance projections.) Once past the first year, we estimate we will be assisting up to 60 communities at any given time, with a total adjustment program cost per community of as much as \$6 million which, with a minimum local cost-share of 25 percent, would result in a total leveraged investment of at least \$8 million. Over the five year estimated life of the program, EDA would provide significant assistance to between 80 and 100 communities, with additional areas receiving lesser levels of capacity development and implementation support.

EDA recommends a coordinated approach to outreach with the Departments of Labor and Treasury including developing working relationships with the major organizations representing local governments, business and labor, to make them aware of the programs and resources the Federal Government can utilize to help communities, companies and workers adjust to changes caused by increased trade, and a series of outreach presentations in the major cities of the U.S. to inform these constituencies of available programs. Given the trends in import statistics as to the industrial sectors facing the greatest challenge as a result of NAFTA trading patterns, EDA would anticipate significant activity in the industrial Midwest as well as the border regions. While the NAFTA related trade impacts would be a significant focus of the effort, we must also be cognizant of the significant trade impacts resulting from the WTO agreement and will seek information on overall trade trends to determine likely areas of impact from products showing

DRAFT**PROGRAM PERFORMANCE MEASUREMENT:**

Economic development and adjustment assistance is a long-term process. The development of comprehensive strategies and plans for the restructuring of a community's economic base can take a significant amount of time since it involves representatives of a multitude of local government and private-sector organizations dealing with complex, and frequently controversial, topics. Once the plan is in place, numerous technical assistance, RLF and infrastructure investments may be needed to implement it. Even after these investments have taken place, it can be years before the projects reach maturity. A recent evaluation of EDA's infrastructure investments found that these projects continued to generate increasing numbers of businesses and jobs even after six to ten years. RLF's generally take several years to reach maturity and, because of their nature, will continue to generate new businesses and jobs throughout their lifetime.

As part of its efforts to comply with the requirements of the Government Performance and Review Act, EDA implemented a new comprehensive performance measurement system in the beginning of FY 1997 for all of its programs. The system will track data on outcomes such as new and saved jobs, new private investment, increased local tax base, and quality of local planning and technical assistance efforts. Grantees will provide performance measurement data to EDA at project completion, and at two and four years after completion. Since the intention is to implement the Community Trade Empowerment Initiative using existing EDA program authorities, the Agency anticipates using the performance measures associated with these programs to measure results under the new Initiative.

EDA's performance measurement system includes estimates of expected outcomes from investments under its various programs. Some of these estimates are derived from substantive studies of program outcomes, such as the public works study conducted by Rutgers University, while others are estimates based on EDA staff experience. The measures will be refined in the years ahead as actual data is reported and analyzed. Among the program performance measures and anticipated outcomes for EDA program tools are:

- **Public Works and Infrastructure:** The number of private sector jobs created and/or retained; private dollars leveraged by the EDA investment; additional dollars invested in the project by other public or private organizations; additional dollars invested directly related to, but not part of, the project; indirect, but project related, investments; improved capacity for growth; and the increase in the local tax base.

As an example, the \$100 million in public works projects completed in FY 1993 are expected to result in 30,000 private sector jobs; over \$700 million in direct private investment; nearly \$70 million in additional direct investments; over \$80 million in investments related to, but not part of, the projects; \$9 million of investment indirectly related to the projects; and \$710 million in increased local tax base.

DRAFT

- Revolving loan fund grants: The performance measures for RLF's include the jobs created or retained; number of loans made per completed grant; private dollars invested; other dollars invested; and RLF capital base for completed project.

The anticipated outcomes for \$15 million of RLF projects completed in FY 1993 include: 3,100 jobs; an average of 18 loans made per RLF; \$26 million in private investment; \$3 million in other investment; and \$16 million as the combined RLF capital base.

- Trade Adjustment Assistance for Firms and Industries: The performance measures for the TAA Program include the percentage of company adjustment proposals facilitated and developed and the sales and jobs created/retained for all firms completing the program.

The anticipated outcomes for the TAA Program for firms completing assistance in the FY 92 to FY 98 period include that 90 percent of company adjustment proposals will be facilitated and developed; that sales will increase 40 percent to \$9 billion and that jobs will increase by 10 percent to 86,000.

- Capacity building programs: The performance measures and proposed outcomes for capacity building programs like planning, technical assistance and Title IX strategy grants, are not as easily quantified as those of infrastructure and business assistance programs. Included in the planning and local technical assistance programs are such measures as the grantee's evaluation of: the value of the strategy grants and feasibility studies; the quality and impact of the plans or feasibility study on the actions taken by the grantee; and the extent of community participation in the plan or strategy development.

Grantees are expected to rate their projects on a 1 to 10 scale, with 10 being the best. EDA estimates grantees will rate the projects undertaken under capacity building programs as ranking around 8 on the scale of 10. As with all its programs, EDA is working to develop more refined measures of its capacity building programs.

Attachments

9/22/97

THE WHITE HOUSE
WASHINGTON

September 5, 1997

MEMORANDUM FOR DISTRIBUTION LIST

FROM: Gay Joshlyn, National Economic Council
SUBJECT: Meeting on Community Assistance and DOD

There will be a meeting to discuss how to apply the DOD base closing approach to trade adjustment on Monday, September 8, 1997 at 3:30 pm in OEOD Room 231. Please call me at 456-2801 in order to be cleared into the building or if you are not able to attend.

Distribution

Anne Lewis, NEC
Andrew Samet, DOL
Shirley Smith, DOL
Maryanne Wyrsh, DOL
Lael Brainard, NEC
Dorothy Robyn, NEC
Jon Orszag, NEC
Larry Matlack, OMB
Maureen Walsh, OMB
Barry White, OMB

COMMUNITY ASSISTANCE

OEA 30 project mgrs
w/ regional expertise

Exec. Order?

helps community, eg family reun etc
latent authority plus foster child

Coordinating mechanism

addl. resources beyond people

Warn note

↳ state goes in talks about rapid response

recpt. assist.

get services, then bigger addl. if

certified as NAFTA TAA

DoC/EDA has network of communities w/ business incentives

↳ infrastructure business parks
loans

DoL sends SWAT team for BRAC closures 500+ layoffs

↳ community
training

earmarked money

EDA Defense conversion

Revised: 9/8/97

ASSISTING TRADE-RELATED DISPLACED WORKERS: POLICY OPTIONS

I. Possible Administrative Actions to Improve Implementation and Delivery of Adjustment Assistance Services

Outreach and Early Intervention Develop public information campaign and improve public awareness of and access to TAA, NAFTA-TAA, and JTPA Title III services available to workers directly or indirectly affected by imports.

- o Implement targeted approach to identify and advise workers in firms indirectly affected by NAFTA about their rights to petition for benefits under JTPA Title III (ETA 1-a & b).
- o Develop guidelines for both TAA and NAFTA-TAA state outreach efforts and oversee their implementation (ETA 2-a).
- o Issue policy guidelines that encourage provision of rapid response assistance for all substantial layoffs and closures, prior to any notice that the event is trade-related (ETA 3-a).
- o Issue policy guidelines that encourage NAFTA-TAA, TAA, and JTPA Title III collaboration on worker adjustment committees and in planning the delivery of comprehensive services to trade-related dislocated workers who are entitled to benefits under TAA or NAFTA-TAA (ETA 3-b).

Program Administration Improve the timeliness and effectiveness of program services.

- o Develop and implement outcome-based performance measures for workers who received TAA or NAFTA-TAA benefits and services (ETA 2-b).
- o Develop guidelines which further restrict granting of waivers from the training requirement under TAA and monitor to ensure compliance by the states (ETA 2-c.1).
- o Shorten the determination period on a TAA petition from 60 to 40 days (ETA 2-c.2).

II. Possible Legislative Actions to Reauthorize or Modify TAA and NAFTA-TAA Programs

Extension o Seek a simple 4-year extension of both the TAA and NAFTA-TAA programs (ETA 6-a).

Expand Coverage o Add shift in production to any country to the current TAA criteria for worker certification (ETA 6-b.1).

o Extend TAA and NAFTA-TAA to directly affected services workers (ETA 6-b.2).

o Extend coverage of secondary workers under TAA, NAFTA-TAA, or JTPA Title programs (ETA 6-b.3).

o Extend coverage to workers not eligible for TAA or NAFTA-TAA (ETA 6-b.4).

Standardize Training Requirements o Eliminate TAA waiver (from training requirement) authority (ETA 6-b.6).

o Require early enrollment in training as a condition for income support under TAA (ETA 6-b.5).

- Budgeting**
 - o Seek a base annual amount for adjustment assistance and a larger contingency amount whose disbursement would be triggered by a Secretary of Labor's finding that a needs test was met (OMB-1).
- Pell Grants**
 - o Require prospective income accounting for all individuals with a documented severe income loss; or use prospective income for trade-related dislocated workers (OMB-2).
 - o Make Pell grants available for non-degree or certificate programs, and for individuals who already hold a bachelor's degree who need additional coursework (OMB-5).
- WARN Law**
 - To improve compliance and coverage to achieve early intervention
 - o Amend WARN to provide the Secretary of Labor with enforcement authority, modeled on the Fair Labor Standards Act (ETA 5-a).
 - o Amend WARN's statutory thresholds on the proportion and absolute number of workers affected by a layoff (ETA 5-b).

III. Coordinated Community-Based Approach to Trade-Affected Areas
[Possible Administrative and Legislative Actions—cost estimates to be developed]

- Coordination**
 - o Establish an interagency coordination mechanism to avoid duplication in services; explore options and develop an action plan to respond to economic development and job creation needs (ETA 4).
 - o To facilitate and target early adjustment assistance intervention, develop a mechanism to forecast regions and industries most likely to be affected by trade liberalization (ETA 7).
 - o Based on the EZ/EC program, structure federal grant competitions to provide more benefits to trade-related dislocated workers and their communities (OMB-4).
- Leveraging**
 - o Explore options available to coordinate worker adjustment programs with the activities of the North American Development Bank and the Community Adjustment and Investment Program (ETA 4).
 - o Require relocating firms to provide compensation equal to 3 years of property tax to communities affected by a company relocating to a foreign country; provide federal grants equal to above payment; or expand funding for Title I services for Affected School Districts (OMB-3).
- Capacity Building**
 - o Seek the authority and funds to offer the services of DOD's Office of Economic Assistance to NAFTA-affected regions [possible funding for ETA demonstration projects] (ETA 4; NEC-1).
 - o Give priority to trade-related dislocated workers who apply for specific federal grants (OMB-4).
- Legislative**
 - o Develop a new designation or assign EZ/EC status to trade-affected communities (OMB-4).

ETA 1. Outreach to Secondary Workers Employed in Firms Which Supply or Provide Upstream Processing for NAFTA-TAA Certified Firms				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
The Statement of Administrative Action which accompanied NAFTA-TAA provided that secondary workers may apply for a determination of eligibility for services under Title III of the JTPA.	a. As part of the NAFTA-TAA investigative process to certify directly affected workers, develop a targeted approach to identify, locate, and advise potentially eligible secondarily affected workers of their right to petition for benefits.	a. None	a. Increased public awareness of the secondary workers provisions related to NAFTA-TAA.	a. Program improvements can be accomplished within current administrative cost and program budget limitations.
	b. Provide for wider dissemination of information regarding the secondary worker provisions related to NAFTA-TAA (including specialized informational materials and public service announcements).	b. None	b. Possible increased demand for JTPA Title III funds. States would be expected to accept increased federal monitoring regarding their outreach efforts.	b. Any increased caseload resulting from greater awareness of program benefits will result in increased demand for JTPA Title III funds, but this can be expected to be met with formula funds, with National Reserve Account funds available if needed. Additional federal resources needed for anticipated increased NAFTA-TAA caseload processing are estimated to be 2-3 FTEs, but no significant FTE effects are anticipated for JTPA Title III staff.

ETA 2. Improved Implementation of TAA and NAFTA-TAA				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
a. Public Awareness of TAA and NAFTA-TAA Programs While DOL has funded outreach efforts to increase public awareness, no guidelines exist to ensure consistency of information disseminated by the states.	a. Develop guidelines for state outreach efforts and conduct reviews to ensure compliance.	a. None	a. Greater awareness of TAA/NAFTA-TAA programs.	a. Program improvements can be accomplished within current administrative cost and program budget limitations.
b. Performance Measures for the TAA and NAFTA-TAA Programs Current reporting systems do not provide for the measurement of outcomes following conclusion of services.	b. Develop and implement performance measures, consistent with the statutory requirements of GPRA, for outcomes of workers who receive TAA and NAFTA-TAA benefits and services.	b. None required, but DOL could seek legislation mandating improved performance for low-performing states.	b. Better tracking of TAA/NAFTA-TAA program effectiveness and improved outcomes for participants.	b. Program improvements can be accomplished within current administrative cost and program budget limitations.
c. Guidelines for the TAA and NAFTA-TAA Programs <i>1. Waivers from Training Requirement under TAA</i> Guidelines were issued December 1993 to narrow circumstances under which waivers are granted, but application of guidelines has been inconsistent.	c-1. Develop guidelines which restrict granting of waivers and conduct periodic reviews of practices by states to ensure compliance.	c-1. None	c-1. Ensures that program benefits are focused on retraining workers for satisfactory reentry to the workforce. Additional data reporting requirements may be placed upon the states.	c-1. Restrictions on waivers and increased caseload resulting from greater awareness of programs may require an increase in budget authority.
<i>2. Determination Period for TAA Cases</i> Under TAA, the Secretary is required to make a determination within 60 days of the receipt of a petition. Under NAFTA-TAA, the governor of the state must make a preliminary finding within 10 days after which the Secretary must make a final determination within 30 days. Since the NAFTA-TAA program was implemented, the determination period for TAA cases has remained at 60 days.	c-2. Institute procedures to reduce the determination period for TAA cases to 40 days.	c-2. None	c-2. More timely determinations for TAA. Conforms with NAFTA-TAA procedures.	c-2. Completion of TAA cases within 40 days would require increased federal staffing resources of 2-3 FTEs.

3. Coverage of Secondary Workers Neither TAA (except for oil and gas workers) nor NAFTA-TAA provide for assistance to workers in firms secondarily affected by trade (e.g., firms that supply or provide goods or services to directly affected firms). A Statement of Administrative Action that accompanied the NAFTA Implementation Act committed the Secretary of Labor's discretionary authority under JTPA Title III to provide assistance to secondarily affected workers in goods producing supplier firms. Other adversely affected workers, such as those in tertiary firms including restaurants, grocery stores, etc., that are indirectly affected are eligible for assistance under the general JTPA Title III program. 4. Coverage of Workers Not Eligible for TAA or NAFTA-TAA	b-3. Issue a Statement of Administrative Action to extend the Secretary's discretionary authority under JTPA Title III to assist: b-3.1. secondarily affected workers in goods-producing direct supplier firms to firms certified under TAA. b-3.2. secondarily affected workers in goods-producing direct supplier firms and secondarily affected services-producing workers in direct provider firms to firms certified under either TAA or NAFTA-TAA.	b-3.1. Propose legislation to expand coverage under TAA and/or NAFTA-TAA to secondarily affected workers who produce an article. b-3.2. Propose legislation to expand coverage under TAA and/or NAFTA-TAA to secondarily affected workers who produce an article or provide a service.	b-3.1. Would conform, in part, with NAFTA-TAA procedures. b-3.2.	b-3. Cost of the programs--see separate estimate. b-3.i. Additional caseload activity resulting from expansion to cover secondary workers under TAA would require increased federal staffing resources of 3-4 FTEs.
---	--	--	--	---

5. Waiver of Training Requirement TAA generally requires that a participant be enrolled in training in order to qualify for income support, but waivers may be granted if it is determined that training is not feasible or appropriate. There is no waiver authority under NAFTA-TAA.	b-5. Issue administrative guidance to narrow TAA waiver authority.	b-5. Seek legislation to limit TAA waiver authority.	b-5. Would conform more nearly to conditions under NAFTA-TAA. Would reduce the abuse of the waiver authority under TAA.	b-5. Possible increased need for training funds.
6. Early Enrollment in Training To qualify for income support, NAFTA-TAA requires that a participant be enrolled in training by the 16th week from the individual's most recent qualifying separation (an extra 30 days may be granted for extenuation circumstances, or 6 weeks after the petition is approved. TAA contains no such requirement.	b-6. None	b-6. Issue administrative guidance to require early enrollment in training to qualify for income support under TAA.	b-6. Conforms with NAFTA-TAA procedures. Would accelerate TAA participants' adjustment and prevent them from enrolling in training after exhaustion of UI benefits simply to continue income support.	b-6. None anticipated.

ETA 3. Early Intervention/Rapid Response for Workers Who Petition for NAFTA-TAA and TAA				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
Under JTPA Title III, state Dislocated Worker Units are responsible for designing and managing rapid response activities for substantial layoffs and plant closures as well as for dislocation events involving workers who have been preliminarily certified for NAFTA-TAA. There is no similar requirement for those certified under TAA.	Take actions to standardize the initiation of services to all dislocated workers, including those certified for NAFTA-TAA and TAA. Issue policy guidelines to the governors that: a. Encourage the provision of rapid response for all substantial layoffs and closures prior to any notification or determination that the event may be trade-related; b. Encourage NAFTA-TAA/TAA and JTPA Title III collaboration on worker/employer committees and planning for a comprehensive service strategy once it has been determined that workers are eligible for NAFTA-TAA or TAA entitlements. Devise a mechanism that would trigger the provision of rapid response services for workers certified under TAA.	None	More effective service strategies for workers affected by trade. More systematic approach to readjustment services for all dislocated workers that will facilitate their return to the workforce more quickly. Conforms with NAFTA-TAA procedures.	No significant budgetary or FTE implications are expected. States may increase formula fund spending for rapid response and early intervention services. Although increased levels of services beyond rapid response could put pressure on state funds, additional resources are available to the states and other entities from JTPA Title III Secretary's National Reserve Account. However, substantial increases which would require larger budget requests for JTPA Title III are not expected. Funds for rapid response activities for dislocated workers are currently authorized and funded under a portion of the annual JTPA Title III formula allotments to the states reserved for use by the governors (about 6% of Title III funds are used for rapid response activities). Other early intervention strategies, including basic readjustment services, are funded through the formula program.

ETA 4. Coordinated Community-Wide Approach to Providing Assistance to Areas Affected by NAFTA

Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
Current authority under NAFTA-TAA does not provide for community economic development and job creation assistance. [However, DOL has gained extensive experience through its collaboration with DOD in its defense conversion activities that include economic development and job creation programs and through similar activities undertaken to assist community efforts in the Northwest timber and salmon initiatives.] Authority under other NAFTA-related legislation provides for a North American Development Bank (NADBank) and a Community Adjustment and Investment Program (CAIP) under the supervision of the Treasury Department with participation from Agriculture, HUD, and SBA. Under the Trade Act of 1974, the Department of Commerce provides technical assistance to firms affected by trade through 12 regional technical assistance centers (TACs). Also, Commerce's Economic Development Administration administers community economic adjustment programs. At present, there is no coordinating mechanism among these various efforts.	Establish an interagency coordinating committee to explore options and develop an action plan to respond to the need for economic development and job creation in selected communities.	Seek legislative authority to permit demonstration economic development and job creation activities, in combination with other available resources, for areas affected by NAFTA.	Expand the job market in affected communities, especially those where few alternative employment opportunities exist.	Projects can be funded with resources currently available under JTPA Title III and resources identified from other federal agencies and state and local funds. No significant federal FTE impacts are expected; demonstration projects could be part of ongoing activity, unless unusually large in scope and number. Formula funds or funds for the Secretary's JTPA Title III National Reserve demonstration opportunities might be tapped for these activities. Additional resources would be requested through the normal budget process, if required.

ETA 5. Modification of the Worker Adjustment and Retraining Notification Act (WARN)				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
WARN requires that employers provide at least 60 days advanced notice of a plant closing or mass lay off to affected workers. There are statutorily-prescribed thresholds that trigger the notification requirement: employers of 100 or more full-time employees who lay off at a single site during a 30-day period at least one-third of the employees (but not less than 50), or at least 500 employees. The employer is also required to notify the local government and State Dislocated Workers Unit which is responsible for provision of rapid response adjustment services. Remedies for failing to notify affected workers are limited to recovery of back pay and lost benefits through civil suit and for failing to notify the local government to a civil court fine. The authority of the Secretary of Labor is limited to issuing interpretive regulations.	None	a. Amend WARN to provide enforcement authority for the Secretary of Labor. Similar to the Fair Labor Standards Act and the enforcement of other labor standards, the enforcement mechanism might provide for both civil suits and federal agency enforcement. b. Amend WARN the statutory thresholds that trigger notification requirements for mass layoffs. For example, lower either the threshold for the proportion affected to a proportion below one-third, or lower the absolute number affected from 500 to 250.	a. Would ensure greater adherence to the Act's requirements and protect workers irrespective of their economic status or access to private legal assistance. b. Would ensure that more workers receive the benefits attributable to early notification.	a. ? [base estimates on experience from enforcement of FLSA] \$2-25 mil. b. No large increase in rapid response spending would be anticipated, but there might be a slight federal FTE impact (1/4) due to an expected increase in the level of information calls.

ETA 6. Reauthorization and Modifications/Merging of TAA and NAFTA-TAA				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
a. Reauthorization of TAA and NAFTA-TAA Authorization for the TAA and NAFTA-TAA programs expires on September 30, 1998. b. Modifications/Merging of TAA and NAFTA-TAA <i>1. Shift in Production as a Basis for Certification</i> Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA, workers may be certified if either their firm is adversely affected by imports from Mexico or Canada or their firm shifts production to Mexico or Canada. <i>2. Coverage of Service-Producing Workers</i> Neither TAA nor NAFTA-TAA provide assistance to workers in the services-producing firms that are directly affected by services imports.	None b-1.1. None b-1.2. None b-2. None	a. Draft legislation was transmitted on June 9 by the Administration to the relevant Congressional committees for a simple 4-year extension of the two programs. b-1.1. Add shift in production of an article to any country to the TAA criteria for worker certification. b-1.2. Add shift in the provision of a service to any country to the TAA and NAFTA-TAA criteria for worker certification. b-2. Modify TAA and NAFTA-TAA certification criteria to cover service workers as well as those who produce goods.	a. Continues status quo. b-1.1. Conforms with NAFTA-TAA criteria. b-1.2. Would expand coverage to service workers directly affected by outsourcing the provision of services. b-2. Would expand coverage to service workers directly affected by imports.	a. No significant changes in costs are anticipated. b-1.1. Anticipated increased caseload would require additional federal staffing resources of 3-4 FTEs. Cost of additional adjustment assistance services will increase program costs—see separate estimate.

ETA 7. Establishment of an Early Warning System for Targeted Assistance

Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
Lack of a targeted and coordinated intervention strategy to bring resources to areas and industries where trade impacts are concentrated. Need for an Early Warning System to identify trade-impacted regions and industries before dislocations occur. Elements of an effective strategy might include: — Enhancement of WARN legislation on advanced notice of mass layoffs; — Analysis and profiling of TAA and NAFTA-TAA certifications by industry and region; — Development of a forecasting tool (an Early Warning System) to identify regions and industries that are most likely to be adversely affected by specific trade liberalizations; — Establishment of a coordination mechanism to facilitate coordination among the various federal agencies responsible for the delivery of adjustment assistance to workers, firms, and communities affected by trade liberalization.				

OMB-1. Contingency Approach to Spending for Trade Adjustment Assistance				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
Estimating the need for adjustment assistance services is inherently difficult and resource estimates are often made arbitrarily. Seeking a large amount in advance can give a misleading impression that an agreement may have a substantial negative effects.	None	Seek "Base plus Contingency" authority for the TAA and NAFTA-TAA programs by establishing a base annual account and a larger contingency account (or an uncapped "such sums" authority), above the base, to be used only if the Secretary of Labor determines that the contingency terms (triggers) have been met.	The contingent amount is sought as prudent management Contingent amounts would be triggered in a supplemental appropriation request by the President (based on the advice of the Secretary of Labor) designating the triggering event is tantamount to an emergency.	The contingency amount would not be scored in the President's budget, but CBO might score an estimate of the likelihood of the use of such authority.

OMB-2. Prospective Income Accounting in Federal Student Financial Aid (SFA) Programs				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
The Higher Education Act's (HEA's) income eligibility system of prospective accounting disqualifies persons with recent low income from eligibility for Pell Grants and other SFAs unless school aid officers exercise their authority to use prospective accounting. In the early 1990, dislocated workers' pre-layoff earnings were excluded from the SFA family income calculation; this practice was eliminated by the 1992 HEA amendments.	None	a. Amend the HEA to require the use of prospective income accounting for trade-related dislocated workers. DOL would be required to certify trade-related dislocated workers to school aid officers. b. Amend the HEA to require the use of prospective income accounting for all individuals with a documented severe income loss.	a. Data for 1992-93 show that about 107,000 persons in post secondary education identified themselves as "dislocated workers" on their student financial aid application. It is impossible to estimate how many of the dislocated workers enrolling in post secondary education or training lost their jobs because of trade-related reasons.	a. Based on 1992-93 Pell Grant experience with dislocated workers, an average Pell Grant awarded for such workers would cost about \$2,060 per student, or \$206 million per year for each 100,000 workers. b. This option would have broader appeal, but cost much more than option (a). Based on analysis done in March, the estimated annual cost could be as high as \$1.6 billion. This estimate assumes a 25% take-up rate for that population.

OMB-3. Targeted Assistance to Schools Affected by a Company Relocation				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
Relocation of a company from the United States to a foreign country as the result of a trade agreement may have a negative impact on local communities and their schools. Unless a company is very small or receives a tax break, it is likely to contribute significantly to local schools through property and income taxes paid to local and state governments. Abrupt loss of these revenues could result in a decrease in the quality of local educational services, especially for low-income and low-achieving students.	None	a. Seek legislation that would require a transitional payment from the relocating company to the local community that would be equal to the amount of the local property tax that the company would have paid for the next three years. (The size of the payment could be based upon the size of the company.) b. Seek legislation that would require the federal government (rather than the relocating company) to make a similar payment as in (a) above, through a grant program, to the affected school district. A trigger for this payment might be that the school district lost 5% or more of its revenue from local property tax due to company relocations. c. Expand funding for Title I services for school districts affected by a company relocation to help compensate for lost revenue. This would require the federal government to designate "affected school districts." Designated districts could receive a three-year increase in their Title I allocations as the needs of low-achieving and poor students would be most affected by the loss of revenue from the firm. A trigger for this payment might be that the school district lost 5% or more of its revenue from local property tax due to company relocations.		a. No federal cost other than administrative. b. No cost estimate available yet. c. No cost estimate available yet.

OMB-4. Expansion of Federal Program Eligibility for Dislocated Workers				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
Some federal grant programs give priority to a particular set of applicants for various programmatic reasons. For example, the School-to-Work initiative recognizes the special challenges faced by an Empowerment Zone and Enterprise Community (EZ/EC) by giving preferential treatment to applicants serving youths residing or schools located in an EZ/EC. A similar approach could be used in the case of communities affected by a company relocation abroad.	None	Structure federal grant competitions to provide more benefits to dislocated workers and their communities. a. For a specific list of competitive federal grant programs (e.g., EDA, HUD, HHS, ED, and DOL), give priority to applicants serving dislocated workers as well as their families and communities. b. Establish a new designation for communities affected by trade agreements or an automatic designation of EZ/EC status to communities that meet certain criteria, such as loss of 25% of their revenues as the result of documented trade impact.		Since competitive federal grant programs are often not funded very well, neither option might be effective at current funding levels.

Re: 2017/2018

OMB-5. Loosening Enrollment Eligibility Requirements in the Pell Grant Program				
Current Practice	Administrative Changes	Statutory Changes	Effects of Changes	Costs of Changes
Some dislocated workers require only one or two specific skill courses rather than a degree or certificate program to prepare for new careers. Under the Higher Education Act (HEA), individuals are eligible to receive federal student financial aid (SFA) only if they pursue a bachelor or associate degree or certificate at an eligible institution of higher education. In addition, individuals with a BA/BS degree are ineligible for federal SFA. To receive student loans, an individual must enroll at a postsecondary institution on at least a half-time basis; however, there is no minimum enrollment requirement in the Pell Grant program.	None	Eliminate certain enrollment eligibility requirements in the Pell Grant program for trade-related dislocated workers certified by DOL. a. Waive the requirement that SFA recipients enroll in programs leading to a degree/certificate. b. Waive the BA/BS eligibility restriction for SFA.		a. An average award for those who do not have a BA/BS degree that take one or two skill courses at an institution of higher education is estimated to be \$750, using Pell minimum award rules and assuming no living allowance adjustments. The annual cost per 100,000 persons served would be about \$75 million. b., About one in six dislocated workers are estimated to hold a BA/BS degree; the number affected by trade-related changes is not known.

*limit to public school
check on abuse.*

PRELIMINARY DRAFT
September 4, 1997, 11:30 AM

**Current and Potential Coverage Under
Existing and Modified Adjustment Programs**

Program	NAFTA	NAFTA	NAFTA	NAFTA
Statement of Administrative Action	X	X		X
Trade Adjustment Assistance	✓	X		X
Trade Adjustment Assistance for Dislocated Workers	✓	✓	X	X
Trade Adjustment Assistance for Dislocated Workers	✓	✓		X
Trade Adjustment Assistance for Dislocated Workers	✓	✓		X
Trade Adjustment Assistance for Dislocated Workers			X	X

* Statement of Administrative Action, which accompanied the NAFTA Implementation Act, and committed the Administration to using JTPA Title III funds to provide services similar to those available under NAFTA-TAA to eligible individuals in supplier firms and certain other workers.

"X" in a cell indicates that workers are already covered by program. "✓" indicates additional coverage under consideration.

PRELIMINARY DRAFT
September 4, 1997, 11:30 AM

**Current Certifications and Preliminary Estimates
of Potential New Certifications
Under Modified Trade Adjustment Program Options**

Annual Estimates Based on 1994-1996 Certification Data

Employment	Current	Potential
Workers Who:		
Are currently employed by a firm	90,000	15,000
Work in firms subject to trade adjustment	<i>13,000</i>	15,000
Simultaneously are employed in a firm that is not subject to trade adjustment	<i>78,000</i>	<i>36,000</i>
Are employed in a firm that is not subject to trade adjustment		<i>4,000</i>

NOTE: Numbers not italicized indicate current certifications. Italicized and bolded numbers indicate estimates of workers who would be included under additional coverage criteria.

OCIA DRAFT

NAFTA-TAA: Reason for Certification

	1994	
	# Workers	% Total
Grand Total	21,139	100
Shift in Production	11,479	54
Imports	9,660	46

	1995	
	# Workers	% Total
Grand Total	33,493	100
Imports	18,739	56
Shift in Production	14,754	44

	1996	
	# Workers	% Total
Grand Total	45,730	100
Shift in Production	24,948	55
Imports	20,782	45

Number of extended mass layoff events, separations, and initial claimants for unemployment insurance by country of overseas relocation, second quarter 1995-first quarter 1997

Country	Events	Separations	Initial claimants for unemployment insurance
Total	50	9,437	7,130
Honduras	3	427	429
Mexico	30	4,831	3,887
Korea	3	1,585	810
Dominican Republic	1	130	97
Canada	4	675	567
El Salvador	1	131	81
Malaysia	1	450	286
Unknown	7	1,208	973

58.3%

Source: Bureau of Labor Statistics (unpublished data)
September 3, 1997

TAA: Certifications by Industry
3 year's data, aggregated

	total	% of total	indirect multiplier	addtl wkrs per year	cumulative total per year
Apparel	100278		0.82	27409	
Oil and gas extraction	23282		0.2	1552	
Electronic and other electrical ec	22169		1.1	8129	
Industrial/commercial machinery	15892		1.2	6357	
Transportation equipment	15105	0.660335	1.6	8056	511503
Textile mill products	14552				
Leather and leather products	11570				
Primary metal industries	7093				
Misc. manufacturing industries	6265				
Lumber and wood products	6174				
Fabricated metal products	6100				
Measuring, analysing/ controlling	6005				
Food and kindred products	5614				
Paper and allied products	4910				
Rubber/ misc. plastics	4400				
Stone, clay, glass, concrete proc	4270				
Chemicals and allied products	3706				
Furniture and Fixtures	3428				
Printing & publishing	1884				
Petroleum refining	1075				
Business services	1008				
Electric, gas, and sanitary servic	944				
Coal mining	554				
Metal mining	466				
Agricultural production - crops	328				
Heavy construction	150				
Communications	137				
Pipelines, except natural gas	93				
Mining/quarrying - nonmetallic m	76				
Misc. services	41				
Wholesale trade- durable goods	40				
Fishing, huntin, trapping	10				
Agricultural production - livestock	8				
Motor, freight transportation and	4				
Total	267631				77995

NAFTA- TAA: Certifications by Industry
3 year's data, aggregated

	% of total	indirect multiplier	addtl wkrs per year	cumulative total per year
Apparel	21271	0.82	5814	
Electronic and other electrical ec	13965	1.1	5121	
Transportation equipment	9371	1.6	4998	
Fabricated metal products	5323	1.1	1952	
Lumber and wood products, exc	4573	1.5	2287	
Leather and leather products	4512	0.6	902	
Measuring, analyzing, and contr	4005	0.8	1068	
Industrial and commercial machi	3909	0.667375	1564	23705
Electric, gas, and sanitary serv	3844			
Paper and allied products	3784			
Primary metal industries	3695			
Textile mill products	3399			
Stone, clay, glass and concrete	2689			
Rubber and miscellaneous plast	2353			
Agriculture production - crops	2212			
Food and kindred products	2081			
Chemicals and allied products	2034			
Miscellaneous manufacturing inc	1680			
Printing, publishing, and allied in	1420			
Furniture and Fixtures	1377			
Mining	1133			
Oil and gas extraction	1054			
Business Services	474			
Wholesale trade - non durable g	40			
Agriculture production livestock	35			
Petroleum refining and related ir	21			
Building construction - general c	19			
Construction - special trade cont	10			
Engineering, accounting, resear	4			
Total	100287			35519

Industry distribution: Number of extended mass layoff events, separations, and initial claimants for unemployment insurance due to overseas relocation, second quarter 1995-first quarter 1997

Industry	Events	Separations	Initial claimants for unemployment insurance
Total	50	9,437	7,130
FOOD AND KINDRED PRODUCTS	2	205	107
TEXTILE MILL PRODUCTS	3	332	339
APPAREL AND OTHER TEXTILE PRODUCTS	12	2,154	1,553
RUBBER AND MISC. PLASTICS PRODUCTS	6	1,922	1,109
LEATHER AND LEATHER PRODUCTS	2	786	482
FABRICATED METAL PRODUCTS	3	385	394
INDUSTRIAL MACHINERY AND EQUIPMENT	4	1,002	759
ELECTRONIC & OTHER ELECTRIC EQUIPMENT	8	917	1,053
TRANSPORTATION EQUIPMENT	3	416	374
MISCELLANEOUS MANUFACTURING INDUSTRIES	1	300	49
TRUCKING AND WAREHOUSING	1	304	123
WHOLESALE TRADE--DURABLE GOODS	2	302	274
BUSINESS SERVICES	2	357	414
NONCLASSIFIABLE ESTABLISHMENTS	1	75	100

Source: Bureau of Labor Statistics (unpublished data)
September 3, 1997

TRADE POLICY AND TRADE LEGISLATION IN 1998

Introductory Remarks by
C. Fred Bergsten
Director, Institute for International Economics

} Given mainly verbatim
as the opening statement

To a conference on

RESTARTING FAST TRACK

Institute for International Economics

Washington, D.C.

February 3, 1998

Trade policy has become a contentious political issue in the United States after almost six decades of bipartisan consensus. The Congressional debate over NAFTA in 1993 was the most divisive battle over trade since the Smoot Hawley tariff. The controversy over the merits or demerits of NAFTA continues to rage. The two camps fought to a virtual standoff last fall over whether new fast track negotiating authority should be extended to the President

Trade has become the new "third rail" of American politics, both between and (maybe especially) within the parties. Fortunately, it now appears politically feasible to discuss previously untouchable topics like Social Security and Medicare. Trade was banished by both presidential candidates from the 1996 election campaign, however, after playing a divisive role in the Republican primaries (as in Democratic primaries in earlier years). Hence an opportunity to join the debate was missed. Nor did last year's conflict over fast track significantly advance the discussion.

Any Congressional action on fast track in 1998 is unlikely to progress much further in resolving the basic clash between proponents and opponents of globalization. A new consensus on which US trade policy can rest in the early twenty-first century will require much more analysis of the impact of trade and investment on our economy, including the effects on losers from the process; much more interaction between the two sets of views; and much more public education and participation in the debate. The Institute for International Economics, like many others around the country and elsewhere in the world, is working on all those aspects of the issue.

But the immediate question is how the United States should proceed in the interim while, hopefully, a stable consensus for the long run is being developed. Today's conference will not attempt to discover how to generate more votes for the legislation that failed in late 1997. It will ask a series of questions concerning the policy issues surrounding that legislation:

- Can the United States pursue its national economic and foreign policy interests without fast track authority?
- Should the scope of the negotiating authority be changed, for example, to rule out regional liberalization efforts ("no more NAFTAs") in favor of multilateral initiatives (a "WTO-only" approach)? To the contrary, to focus on a few bilateral agreements (Chile only? Also Australia, New Zealand, Singapore and/or South Africa)? To emphasize sectoral negotiations? Solely to provide tariff proclamation authority? Some combination of these?
- Should the labor and environmental provisions, the major sources of contention last fall, be altered? To incorporate these issues in new trade agreements? To launch parallel efforts on them in other forums?

- Should complementary domestic initiatives, with respect to both the social safety net and the ability of workers to take advantage of globalization rather than feel victimized by it, be undertaken to help deal with the adverse effects of trade expansion? Do the numerous proposals made by President Clinton, especially his “G.I. Bill for Workers,” and by Congressional leaders show the way to dealing effectively with the domestic consequences of future trade liberalization (as well as other sources of change in the economy)?
- Are there changes in the legislative details that could improve the fast track process while maintaining its core principles?

Papers have been prepared and distributed on each of these topics, and will be summarized at the outset of each segment of the conference. Leading members of the Congress from both parties who have been active on trade policy, especially from the House where the debate has been much more intense than in the Senate, will launch the discussion of each topic. My own remarks will be followed by overview perspectives by three of the Members who have played especially important roles in the previous and continuing debate.

In setting the stage for the conference, and hence the 1998 debate on fast track, we need to recognize the multifaceted impact of a major new development of perhaps overriding importance: the Asian economic crisis. This year, and perhaps next, are likely to be “lost years” for much of Asia including Japan—zero or negative growth, large rises in unemployment, widespread bankruptcies, unstable markets and possible political disruption. Growth in China, the other megamarket in Asia, will be dampened to a lesser but still substantial extent. There are several implications for the United States and specifically for US trade policy.

On the one hand, continued openness of the American market is essential for a successful resolution of the Asian crisis. Each of the troubled emerging market economies in the region must be able to strengthen its trade and current account balance in order to restore its economic health and regain global confidence. All these countries continue to rely on the US market for a sizable portion of their exports and thus must be able to continue selling here. Any American retreat from openness would shatter the prospects for successful resolution of the crisis.

Even more importantly, the International Monetary Fund and the United States are insisting that the Asian nations remedy their problems by accelerating the liberalization of their own economies. Every one of the troubled countries has thus committed itself to further opening its economy, particularly its financial sector but other key sectors as well, far beyond what had been achievable in all the US and WTO negotiating efforts of the past decade or more. Moreover, the APEC heads of state agreed at their summit meeting in Vancouver in November to eliminate barriers by early 1999 in nine major sectors with a global trade value of more than \$1.5 trillion. Any US rejection of market liberalization could jeopardize this “potential silver lining” in the cloud of the crisis.¹

Failure to legislate new fast track authority would of course not produce any new closure of US markets. Nor would it necessarily mean a reversal of the basically open US trade policy of the past sixty years. Such an outcome, however, would almost certainly be viewed around the world—notably including in Asia—as heralding a US move in those directions. It would clearly strengthen the forces within the Asian countries (and perhaps elsewhere) that would respond to the crisis by rejecting global norms in favor of protectionism, mercantilism and even xenophobia.

¹ “The (Potential) Asian Silver Lining,” William V. Roth, Jr. and C. Fred Bergsten, *The Washington Post*, December 28, 1997.

There would be some justification for such a reaction. We know from history that trade policy is dynamically unstable; it either moves forward steadily toward further liberalization or it retreats toward protection. The opponents of fast track could indeed be expected to follow up a confirmation of their victory of last year by seeking subsequently to roll back the liberalization of the past, perhaps starting with NAFTA and then moving on to broader arrangements if they continued to prevail. Other countries would thus be correct to react with some alarm to a toppling of the bicycle of liberalization in the United States.²

A strategy of “retreat rather than compete” by the Asian countries would almost certainly worsen their crises, causing enormous damage to the countries themselves. It would also cause enormous damage to our trade and investment interests, undercutting a source of substantial economic growth for the United States over the past three decades and an even more promising prospect for the future. It would raise the specter of renewed instability in a region where we have had to fight three wars in the past sixty years. We certainly do not want to encourage such an outcome.

On the other hand, the improvement of Asian trade balances—due to both the sharp declines of their exchange rates and the recessions they will experience over the next year or two—will produce a sizable further deterioration in our own external position. A new global analysis by my colleagues at the Institute suggests that, even if the Asian currencies bounce back substantially from their present levels (as is likely), the US trade deficit will rise by about \$50 billion in nominal terms and by perhaps \$100 billion in real terms.³ (The large difference

² See C. Fred Bergsten, “American Politics, Global Trade,” *The Economist*, September 27, 1997.

³ *Asian Competitive Devaluations*, Li-Gang Liu, Marcus Noland, Sherman Robinson, and Zhi Wang, Institute for International Economics, Working Paper Number 98-2, January 1998.

reflects the sharp improvement in our terms of trade resulting from the rise of the dollar against the Asian currencies.) The real effect drives our economic growth and probably our trade politics, so the impact will be substantial (even if there are no more major market shocks that could retard our investment and consumption levels by additional amounts).

The United States is not alone in this situation. Our new study suggests that Europe will experience an even greater deterioration in its trade balance as a result of the Asian adjustment.

The existence of this burden sharing is unlikely, however, to obviate much of the additional pressure on US trade policy from the further large deterioration in our position. Our merchandise deficit is already approaching an annual rate of \$200 billion and the postulated increase could bring it near the share of GDP that obtained at the previous record levels of the middle 1980s. Our net foreign debt has already soared past \$1 trillion and, in absolute terms, is by far the largest in the world.

Fortunately, the continued strength of the US economy enables us to absorb this trade deterioration with some equanimity at least for now. Indeed, the decline in net foreign demand will help keep inflationary pressures at bay (and the Federal Reserve from raising interest rates as Chairman Greenspan strongly implied last week). With its very high rates of unemployment, Europe may in fact be more tempted to react with new trade restrictions. We will have to work closely with the Europeans to assure that they do their share to ease the crisis—and to avoid another source of pressure on our own policies which could further undercut the outlook. Any appearance of retreat by the United States itself would of course make that task much more difficult as well.

The net effect to date of the Asian crisis on legislative strategy, in both the Administration and Congress, is apparently to shift priority to the bills that would provide new

resources for the IMF and—despite the President’s reiteration, in his State of the Union message, “to renew my request for the fast track negotiating authority necessary to open more new markets”—to relegate fast track to a much lower priority. I strongly support the IMF bills, testified in favor of them last Friday before the House Banking Committee, and will be doing so again tomorrow before the Senate Finance Committee. But the foregoing analysis suggests that passage of fast track authority is also an essential component of the American response to the Asian crisis. Any indication of significant US slippage on trade would be as serious as rejection of IMF support in undermining the prospects for Asian policies that will produce successful and constructive resolution of their problems—resolutions that promote the economic and security interests of the United States as well.

I therefore conclude that early passage of fast track has become imperative. We must reject the view that we must choose between the IMF and fast track. President Clinton was wise to link these issues in last week’s State of the Union address and call for Congressional action on both. I would hope that both the business community and organized labor would recognize the substantial risks to their interests from US failure to move forward on either the IMF or trade policy fronts.

It would be desirable if the President could have fast track authority in time for the second Summit of the Americas in Chile in April and the fiftieth anniversary celebration of the GATT/WTO in Geneva in May. He clearly needs new authority to take full advantage of APEC’s agreement to eliminate barriers by early 1999 in a number of sectors of substantial export interest to the United States. The United States will need the forward momentum provided by fast track to counter the negative international reaction to the spate of anti-dumping cases that will surely be launched here against “cheap exports” from Asian countries with

weakened currencies. But the most compelling reason for prompt action is the direct impact that our domestic outcome, on fast track as well as on funding for the IMF, will have on policies, performance and fundamental attitudes in Asia—which is still the largest, potentially most dynamic, and potentially most unstable region in the world—and perhaps in Europe and other regions as well.

As noted at the outset, however, there are a large number of Americans (including members of Congress) who have doubts about the wisdom of this course. Hence the Institute decided to hold this conference to explore whether changes in the legislation could, at least for an interim period while the more fundamental debate proceeds, provide adequate responses to their concerns.

To respond at least partially to those concerns, it seems to me essential that Congress adopt, in parallel to the fast track trade legislation, a series of domestic measures that would (1) continue to strengthen the safety net for all temporarily displaced workers and (2) further enhance the ability of all Americans to benefit from trade rather than be hurt by it.⁴ The President's explicit linkage of trade and domestic supports in his State of the Union message, especially his call for a single "G.I. Bill for Workers," may point the way to a Congressional consensus on which we could proceed for at least the moment. This is the key issue with which we will wind up today's conference in the hope that creative ideas may emerge, as on the other policy topics, that will pave the way for positive action on trade during the current session.

The bottom line is three-fold. We need to link our international efforts and our domestic policies more closely than ever before, We need to link the economic and security elements of

⁴ As proposed in Dani Rodrik, *Has Globalization Gone Too Far?* Washington: Institute for International Economics, March 1997, which reputedly provided much of the conceptual foundation for President Clinton's remarks on these topics in the State of the Union message.

our foreign policy as never before. We need to link the trade and financial components of our international economic strategy more closely than ever. Misplaced efforts to choose domestic over foreign, or security over economics, or finance over trade would doom the achievement of all these goals. The United States clearly needs an integrated strategy for 1998. We hope that this conference will make a useful contribution to moving in that direction.

ADMINISTRATION INITIATIVES ON ENVIRONMENTAL AND LABOR ISSUES

I. Environmental Issues

A. World Trade Organization (WTO): Transparency and Openness

This Administration has long been committed to improving the transparency of WTO activities and the openness of WTO proceedings and we will be continuing our active pursuit of these goals in the coming year. First, to demonstrate the significance we attach to this issue, the Administration's fast track bill included a principal negotiating objective of achieving the observance of open and equitable procedures by U.S. trading partners and WTO members. The Ways and Means and Senate Finance bills both contain a similar provision. Second, we will present our transparency objectives objectives with respect to WTO activities and proceedings at a meeting of the WTO General Council (the WTO's governing body) before the end of the year. Third, we will adopt increased transparency, openness and public participation as priority objectives for the mandated review of the WTO dispute settlement rules and procedures that must be completed by WTO Members by the end of 1998.

The specific objectives that we will pursue in support of greater openness and transparency include in dispute settlement:

- Advocating consideration by WTO panels and the Appellate Body of *amicus curiae* submissions from non-governmental interested parties in dispute settlement proceedings that involve environmental and conservation issues.
- Seeking to open WTO dispute settlement panel and Appellate Body proceedings to observance by the public.
- Providing for more timely public access to dispute settlement documents, including through electronic means, to enhance the ability of non-governmental representatives to provide their input and expertise.

In addition, we will work to ensure that similar transparency and openness provisions are included in future trade agreements -- whether multilateral, regional, or bilateral -- that contain dispute settlement provisions.

B. WTO: Eminent Persons Group

We strongly support efforts to improve the understanding of how environmental considerations relate to GATT/WTO rules and principles. We believe that establishment of an "eminent persons group" can advance that process significantly and help establish the groundwork for further initiatives in this area. To that end:

- We will propose that the WTO Director General convene a group of eminent persons, to include independent experts in the fields of trade, and the environment, and development, to examine issues and to formulate options for the WTO Committee on Trade and Environment to consider with respect to the issues on its agenda.
- We will propose that the group examine the interaction of national and international environmental policies with WTO rules and principles . Among the issues it We anticipate that the issues this group should address could focus are on would include: the relationship interpretation of GATT Articles III and XX with respect to environmental matters measures that affect trade; the relationship between trade measures in international environmental agreements and WTO rules; and the relationship between trade disciplines and "ecolabeling." provisions and proposals.

C. Improving the Operation of the NADBank and BECC

We are committed to improving the effectiveness of the North American Development Bank (NADBank) and the Border Environmental Cooperation Commission (BECC), established in 1993 to develop and finance environmental infrastructure projects. We are encouraged by plans to approve financing by the end of this year for important wastewater treatment projects for the major border cities of Tijuana and Juarez. We intend to work closely with the BECC and NADBank to ensure implementation of the work plan they have developed to accelerate project development -- under which they have identified more than 30 projects with a total cost exceeding \$500 million.

Secretary of the Treasury Rubin and EPA Administrator Browner are determined to ensure that these institutions effectively address border environmental problems; toward this end they will concentrate on making infrastructure financing affordable to poor communities and on speeding the pace of project development. For example:

- The NADBank is establishing cofinancing arrangements with U.S. and Mexican grant programs to address the needs of poor communities along the border, and recently entered into a cooperative agreement with the EPA establishing a Border Environmental Infrastructure Fund to provide access to up to \$170 million in EPA grants.
- The NADBank also is developing a plan, in conjunction with the State Revolving Funds in states along the border, to help smaller communities access the tax-exempt bond market through the establishment of reserve funds for debt servicing.
- In cooperation with the EPA, the BECC is preparing to commit and disburse up to \$10 million to communities under its Project Development Assistance Program. Once existing resources are committed, the BECC and EPA are prepared to infuse additional funding into this program.

- We will pursue additional resources for the NADBank's Institutional Development Program -- which already has approved \$1.8 million and plans to double in size -- to help border communities operate their water, sewage, and solid waste management services more efficiently.
- We will seek additional appropriations of \$100 million annually for the EPA border grant program in FY 1998-2001, with these resources to be combined with NADBank loans to provide affordable financing packages for border environment infrastructure projects.

In addition to the above measures, in an effort to expedite the process of approving small projects proposed by smaller border communities, the following steps will be taken:

- Small projects (typically those costing \$100,000 or less) will be eligible for expedited processing, provided they are sponsored by an appropriate Federal or state agency (*e.g.*, the Texas Water Development Board).
- Similar projects that meet the BECC/NADBank requirements for project quality and review will be considered for certification as a group and financed through a NADBank line of credit with an appropriate Federal or state agency.
- BECC/NADBank will establish a new program to assist residents in poor communities to finance residential hook-ups of water and wastewater services by providing lines of credit (through a public utility or other intermediary) to fund the costs of such services.

D. International Financial Institutions (IFIs)

We intend to build upon and expand our efforts to promote incorporation by the IFIs of the full range of environmental issues into their operations and promote a greater flow of resources to environmental projects. In an effort to achieve these goals, the following specific steps will be taken:

- Secretary Rubin will propose that the Inter-American Development Bank (IDB) create an independent advisory committee comprised of senior IDB officials, representatives of non-governmental organizations, and others to examine environmental issues arising from prospective operations and to make specific recommendations to the IDB.
- We will press for significant increases in direct lending for environment and natural resources management projects (in the IDB such funding rose to \$815 million in 1996 due in large part to our advocacy) and for a higher share of lending to be dedicated to these projects.

- We will continue to scrutinize closely the effectiveness of public information disclosure for environmentally sensitive projects to ensure compliance with the Pelosi Amendment, focusing on the required advance consultation with affected and interested persons.
- We will examine closely the practices of the independent inspection panels established to examine alleged non-compliance with established policies and propose improvements to this process and its expansion to the IFIs that currently do not make use of independent inspection panels. , as required.
- We will pursue vigorously international support for our proposal to create a \$250 million fund that would provide below market rate loans to finance environmental initiatives.
- We will continue to urge the IMF, as appropriate, in its program design and annual consultations with members, to consider the link between the environment and economic policy choices.

Please note also the environmental dimensions of the review of future free trade agreement partners, described below at II(A).

II. Labor Issues

In the labor area, the Administration supports a range of initiatives designed to strengthen the respect for core labor standards. We already have taken a number of important steps to broaden international respect for freedom of association; the right to organize and bargain collectively; prohibitions on forced labor and exploitative child labor; and discrimination in employment. The list of measures that follows illustrates our commitment to address worker rights issues aggressively in a variety of ways.

A. Review of Future Free Trade Agreement (FTA) Partners

The Administration ~~is has committed~~ to ensuring that Congress and the American public have an opportunity to thoroughly evaluate future free trade agreements. ~~set out a series of commitments to ensure that we consult closely with the Congress on any plans to initiate future free trade negotiations.~~ One important element of this plan is our commitment to make certain that Members of Congress and the public are informed of the broader relevant conditions in prospective FTA partner countries, including each country's labor laws and practices, environmental laws and ~~laws,~~ practices, legal system , macroeconomic policies and conditions, trade laws and practices, ~~and economic conditions and other relevant conditions. of each prospective FTA partner.~~ To advance this effort:

- We will submit to the Congress, and make available to the American public, a undertake a review evaluating these conditions in each prospective FTA partner country of the laws and policies of each such country when an agreement is brought back for congressional approval. This review will be prepared with the participation of relevant Executive Branch agencies, including the Department of Labor, the Environmental Protection Agency, the Department of Justice, the Department of Treasury, the Office of the United States Trade Representative, and the Department of Commerce. ~~include an evaluation of the country's legal system, trade laws and practices, labor laws and practices, environmental laws and practices, macroeconomic policies and conditions, and other relevant conditions. We will provide the report to the Congress, and also will make it publicly available.~~
- Among the matters this review will address are: (1) the FTA partner country's relevant labor and environmental laws, including the enforcement of those laws; (2) the integrity and effectiveness of the country's legal system; (3) the country's macroeconomic policies and practices including the operation of its exchange rate system and (4) a description of the country's institutional structures and general policies and practices for addressing each of these areas.

B. Labor Department Annual Report on Labor Conditions under Review of the North American Labor Agreement on Labor Cooperation

We believe that a greater understanding of the labor conditions in our NAFTA partners will allow us to build on the work already being done under the North American Agreement on Labor Cooperation (NAALC) and, at the same time, strengthen the NAALC's own effectiveness on addressing relevant labor issues. To aid in this objective:

- The Department of Labor will produce an annual report reviewing for each NAFTA partner, the labor laws, practices, and conditions covered by the the operation of the NAALC, as well as the relevant including a survey of major issues arising under the Agreement, the proceedings, and actions and cases brought by the under the NAALC parties, and the steps being taken by our NAFTA partners to conform to the findings in any such cases, brought under the Agreement.

C. International Financial Institutions (IFIs)

The Administration will undertake a series of measures designed to enhance the U.S. leadership role in pressing for incorporation of issues related to core labor standards into the planning and programs of the IFIs. Our goal in this regard is to ensure that program countries take all steps possible to guarantee protection of these core labor standards. The following measures will help enhance attention to these issues within the U.S. Government, secure a

greater international focus on worker rights issues, and heighten the priority given to worker rights issues by the IFIs:

Ensuring International Focus on Worker Rights Issues

- The Administration believes the U.S. should continue to heighten attention to this issue. To that end, Secretary Rubin highlighted the need to place greater emphasis on labor standards in his recent speech at the World Bank/IMF Annual Meeting in September. He will continue to do so in appropriate fora.
- We will propose a summit meeting of the presidents of the IFIs and the Director General of the ILO to reinforce the commitment of the institutions to working closely together.

Enhanced Focus Within the Administration

- In consultation with Secretary of Labor Herman, Secretary of the Treasury Rubin will propose formation of an interagency team -- including the Departments of Labor, State, and Commerce -- to explore issues related to core labor standards more broadly and examine ways to incorporate these issues more systematically into the work of the IFIs. As part of this, the State Department will undertake a variety of diplomatic efforts to promote observance of core labor standards.

Heightening the Priority given by the IFIs to Worker Rights Issues

- We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office. We will seek over time to pattern this effort on the institutional reforms undertaken by the Bank in recent years to strengthen its capacity to incorporate environmental considerations in lending and policy advisory activities.
- We will continue to promote vigorously our proposal to develop a screening mechanism -- now under discussion with the multilateral development banks -- to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.
- We will actively promote the Administration's proposed joint World Bank-IMF conference on issues related to core labor standards to pursue explicit commitments to make tangible progress in the IFIs on these issues. The conference could bring together senior IFI and ILO officials, as well as academics and representatives of

non-governmental organizations.

- ~~☐ We will continue to promote vigorously our proposal to develop a screening mechanism — now under discussion with the multilateral development banks — to ensure that worker rights issues are taken systematically into account in the institutions' operational planning and programming. We also will explore the best means for ensuring that IFI budgets contain resources sufficient to conduct screening operations and similar analytical functions.~~
- ~~☐ We will call for the World Bank to establish an office that is dedicated to analysis of labor issues and has direct input into the Bank's program and lending activities, and will encourage regular direct contacts between ILO staff and this office.~~
- We will urge the multilateral development banks to increase both technical assistance and direct lending to promote greater adherence to core labor standards.
- We will urge the IMF to further emphasize the importance of labor issues in its annual reviews of member countries and by examining the link between promotion of core labor standards and long-term macroeconomic performance (for possible inclusion in its new governance policies).
- We will follow up vigorously on the paper completed, at our urging, by the World Bank on child labor issues, including its specific proposals for more active Bank engagement on these issues.
- ☐ We will continue to implement the statutory requirement (Frank Amendment) directing the Secretary of the Treasury to urge the IFIs to adopt policies encouraging borrowing countries to protect worker rights and requiring an annual report to Congress on how the IFIs are performing.

D. Export Processing Zones

The U.S. Government has been concerned over the past several years with programs through which certain countries apply lower labor standards and permit less adequate worker protections in special tariff-free export processing zones (EPZs). We are committed to developing a clearer understanding of such programs and, in so doing, exploring the best means for addressing the concerns that already have been identified and any others that may be highlighted through additional study of EPZs. To accomplish this:

- The Department of Labor will update its 1990 study finding that some countries applied different rules in such zones with the intent of restricting certain important labor standards, including the freedom of association and the right to bargain collectively.
- We will continue to encourage work within the ILO to analyze the extent to which differential standards exist in such zones, and will urge the ILO to work with member states to address these practices. We also will review whether to recommend increased coordination on this issue between the ILO and the WTO.

E. Additional Labor Issues

Child Labor

The Administration has focused particular attention on addressing concerns about the exploitation of child labor. Since 1993, we have responded to congressional concerns by preparing three major reports on child labor practices, and have used these reports to aid the private sector in developing voluntary codes of conduct, labeling efforts, and production changes in overseas facilities. Innovative approaches in this area also include providing funds to the ILO's International Program for the Elimination of Child Labor (IPEC); pressing successfully for greater ILO focus on exploitative child labor; using U.S. laws to suspend trade benefits in response to persistent exploitative child labor practices; and holding two workshops in 1997 with our NAFTA partners to discuss child labor concerns in North America. To build on these efforts:

- The Labor Department is preparing a fourth study on the use of child labor in products exported to the United States.
- We are encouraging additional private sector efforts to eliminate child labor, including through codes of conduct or labeling efforts.
- We are working in the ILO to strengthen the measures available to pressure

member states to end exploitative child labor, and are continuing to engage other governments directly on this issue.

Apparel Industry Partnership

We have spearheaded collaborative private sector activities among companies, labor unions, and non-governmental organizations, including the development of voluntary codes of conduct. Last year, for example, the President brought together a cross-section of interested private sector parties with senior government officials to initiate the Apparel Industry Partnership (AIP), and in April, the AIP members announced agreement on a “Workplace Code of Conduct” and monitoring principles. To continue this progress:

- We plan to build on this Partnership by encouraging additional collaborative initiatives in targeted sectors by businesses, labor unions, and non-governmental organizations to discourage activities that contravene the protection of core labor standards.

Expanded WTO-ILO Cooperation on Labor Matters

At the WTO Ministerial meeting in Singapore last December, the WTO trade ministers endorsed continued collaboration between the WTO and ILO Secretariats. To build on this:

- The Administration supports the provisions contained in the fast track bills produced both by the Ways and Means Committee and the Finance Committee that encourage Administration efforts to promote respect for worker rights, and a better understanding of the relationship between trade and worker rights – particularly by encouraging the ILO to examine and report on the observance and enforcement of core labor standards (i.e., freedom of association; right to organize and bargain collectively; prohibition on forced labor; prohibition on exploitative child labor; prohibition on discrimination in employment).
- In pursuit of this objective we will redouble our efforts to strengthen cooperation between the WTO and the ILO on a range of fronts, including with respect to member states’ observance of core labor standards (freedom of association; right to organize and bargain collectively; prohibition on forced labor; prohibition on exploitative child labor; prohibition on discrimination in employment).

TRADE-IMPACTED COMMUNITY EMPOWERMENT INITIATIVE

September 22, 1997

Background: The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed to respond to communities experiencing a military base closure, this approach has been used effectively as well in regions suffering from defense industry cutbacks. Three features distinguish the approach:

- ***Focus on community organization and planning:*** Staff from DoD's superb Office of Economic Adjustment intervene early to help a community organize itself and develop a credible economic adjustment strategy. In addition to pointing the way to other sources of federal assistance, OEA staff help identify and attract state, local and private resources.
- ***Targeted support for implementation:*** Defense-impacted regions have received dedicated funds for worker training/assistance from the Department of Labor, and for economic development (primarily infrastructure grants and revolving loan funds) from Commerce's Economic Development Administration. Other sources of support include: DOT funds for converting military airports to civilian use, SBA loan guarantees, and competitively awarded R&D grants from DoD and elsewhere.
- ***Close interagency coordination:*** Although the NEC coordinates the Administration's defense economic adjustment *policy*, day-to-day implementation is coordinated through an interagency committee established in 1970 and formalized by executive order in 1992. OEA effectively chairs this group, and each OEA staffmember is responsible for coordinating with one or more participating agencies.

Proposal: Undertake a Trade-Impacted Community Empowerment Initiative modeled after the Administration's defense economic adjustment effort. At a minimum, the initiative would establish a mechanism for better interagency coordination of trade adjustment assistance and provide funding for an OEA-like entity. A more ambitious initiative would make additional EDA resources available for trade-impacted communities.

- ***Interagency Coordination:*** Establish a President's Interagency Trade Economic Adjustment Committee, chaired by the Secretary of Commerce. (To avoid delay, this should be done by executive memorandum rather than EO.) The committee's mandate would be to improve outreach to and assistance for trade-impacted regions.
- ***Planning Grants to Help Communities Develop an Economic Adjustment Strategy:*** Provide funds for an OEA-like entity to help trade-impacted communities bring the appropriate local groups to the table and develop a credible economic adjustment plan. Project managers also would help communities tap into federal funds for worker training, economic development and other implementation activities. (Estimated cost: [\$XX million/year])

Targeted Support for Worker Training, Business Assistance and Economic Development: Trade-impacted communities currently can receive funds for economic adjustment activities under several programs dedicated to trade adjustment, including DOL's Trade Adjustment Assistance (TAA) and NAFTA-TAA programs; the North American Development Bank (NADBank); the Community Adjustment & Investment Program (CAIP); and Commerce's Trade Adjustment Assistance Centers (see program descriptions, attached).

Trade-impacted communities also can apply for EDA Title IX funds (technical assistance, revolving loan funds, infrastructure grants) and SBA loans and loan guarantees. However, EDA's funds (which have been critical to defense adjustment) are heavily oversubscribed. Other possible sources of support include: []

Options: The Administration could pursue the Trade-Impacted Community Empowerment Initiative in one of three ways. The key difference has to do with the role of EDA.

- Option 1 would request no new additional funds; the Administration would simply try to do a better job of serving trade-impacted communities using existing resources (and the steps described in the first two bullets above).
- A second option would be to give trade-impacted communities priority in the allocation of scarce economic development funds -- notably EDA Title IX funds.
- A third option would be to request additional, **dedicated** EDA funds for trade-impacted communities. (Estimated cost: [\$400M over 5 years])

EDA's appropriators would oppose Option 2, as borrowing from Peter to pay Paul. Thus, realistically, the choice is between Options 1 and 3.

Eligibility: A community could qualify for this initiative in one of four ways:

- It has been certified by the CAIP program as eligible for assistance from NADBank.
- It is eligible for EDA's Sudden and Severe Dislocation Title IX program as the result of increased imports or trade-related plant relocations.
- It is eligible for EDA's Long Term Economic Deterioration Title IX program at least partly as a result of trade impacts.
- It can demonstrate that it has "special needs" because of economic impacts resulting from changing trade patterns.

(See EDA's discussion of these four criteria, attached.)

From: Anne Lewis

To: Fast Track, TAA Working Group
See the distribution list at the bottom

Subject: Fast Track, TAA Meeting

Please find attached the DOL materials for today's Fast Track, TAA Meeting.

Lael Brainard
Dorothy Robyn
Kristen Panerali
Larry Matlack

Administrative Measures to Improve Outreach to Secondary Workers

I. Background:

Many "secondary workers", workers employed in firms which supply NAFTA-TAA-certified firms or perform "upstream" processing for certified firms, are not aware of their rights to petition for readjustment services which are available to them under Title III of JTPA.

II. Current Practice:

The Statement of Administrative Action which accompanied the North American Free Trade Agreement - Transitional Adjustment Assistance (NAFTA-TAA) provided that "Secondary Workers" - e.g., workers employed by suppliers for, or "upstream" producers for trade impacted firms, may apply for determination under NAFTA-TAA. Eligible workers are entitled to receive services under Title III of the Job Training Partnership Act. Although the NAFTA-TAA petition advises secondary workers of their rights to petition, it is believed that the level of public awareness of the secondary worker provisions of NAFTA-TAA is low.

III. Administrative Actions:

A Secondary Worker Initiative would consist of:

- A. As part of the investigative process with respect to certified primary firms, development of a targeted approach to locating and advising potentially eligible secondary workers of their rights to petition for NAFTA-TAA secondary worker certification.
- B. A wide dissemination of information, including development of specialized informational materials and production of public service announcements and printed informational materials regarding the secondary worker provisions of NAFTA-TAA.

IV. Impact on Workers:

Increased awareness of the secondary worker provisions of the NAFTA-TAA. States would be expected to accept increased Federal monitoring regarding their outreach efforts.

V. Cost Implications:

Program improvements can be accomplished within current administrative cost and program budget limitations. Increased caseload resulting from greater awareness will result in increased use of Title III funds. *Title III so no net new cost but could describe as ↑ spending*

*not using reserve
+ extra funds in NAFTA
1-1*

hold or do now

*vs. direct coverage of
secondary workers
w/in program*

Administrative Measures to Improve Implementation of TAA and NAFTA-TAA

I. Background:

The Department will implement certain administrative measures which serve to maximize the effectiveness of the TAA and NAFTA-TAA programs with respect to workers' knowledge of their rights to seek assistance and the accessibility of adjustment services and to establish performance measures which ensure that the programs are fulfilling their objectives of providing timely and effective services to workers seeking satisfactory reemployment following dislocation.

II. Current Practice:

A. Outreach: DOL has funded outreach efforts to increase public awareness of the TAA and NAFTA-TAA programs. However, no guidelines exist to ensure consistency of States' dissemination of information regarding TAA and NAFTA-TAA and it is believed that knowledge of the programs varies widely from State to State. (For secondarily affected workers under NAFTA-TAA, outreach has been a significant issue -- see separate paper for discussion of outreach efforts targeted to secondary workers).

B. Performance Measures: Current reporting systems do not provide for the measurement of outcomes for TAA and NAFTA-TAA following the conclusion of services.

C. Other Administrative Actions

- **Waivers**: While TAA generally requires a participant to be enrolled in training in order to receive income support (TRA), the law allows for a waiver of training if it is not "feasible or appropriate". There have been concerns that this authority has been overused, with some States granting waivers to as many as 50% of participants. Federal guidelines were issued in December, 1993 to narrow the circumstances under which waivers are granted, but application of these guidelines has been inconsistent.
- **Determination Period**: Although the DOL has 40 days within which to issue a determination with respect to NAFTA-TAA, the determination period for regular TAA petitions remains at 60 days.

III. Administrative Actions:

A. Improved Outreach: DOL will develop guidelines for State outreach efforts and will conduct reviews to ensure compliance. Outreach will include public service announcements and targeted outreach to workers employed in industries most heavily impacted by imports.

good govt
addresses
"don't wait"
point

B. Development of Performance Measures to Assess Outcomes: Consistent with the statutory requirements of GPRA, DOL will implement a system for measuring outcomes for workers who receive TAA and NAFTA-TAA services and benefits. Outcome measures will include entered employment rate, wage replacement rate and employment retention rate.

C. Other Administrative Actions:

- ▶ Strict Enforcement of Waiver Provisions for TAA: DOL will develop guidelines which restrict the granting of training waivers under TAA and will conduct periodic reviews of State waiver practices to ensure compliance.
- ▶ Determination Period: DOL will administratively seek to reduce the investigative period for TAA cases to 40 days following receipt of a petition, thereby providing for a more timely delivery of TAA adjustment services to certified workers.

IV. Impact on Workers:

Improved outreach will result in heightened awareness of TAA/NAFTA-TAA programs. Development of performance measures will result in better tracking of program effectiveness. Stricter enforcement of conditions for the granting of waivers under TAA will ensure that program benefits are focused on retraining workers for satisfactory reentry to the workforce. These actions may entail additional requirements being placed on States for data reporting.

V. Cost Implications:

Program improvements can be accomplished within current administrative cost and program budget limitations. Restrictions on waivers and increased caseload resulting from greater awareness may require increase in budget authority.

EARLY INTERVENTION/RAPID RESPONSE FOR WORKERS WHO PETITION FOR NAFTA-TAA

I. Background:

The NAFTA-TAA program requires that rapid response and basic readjustment services be provided to workers where a Governor has made a preliminary finding that the layoff was due to NAFTA. These services, however, are not implemented under NAFTA-TAA but are provided and funded under Title III of the Job Training Partnership Act (JTPA). State Title III Dislocated Worker Units (DWUs) are responsible for designing and managing all rapid response activities for substantial layoffs and plant closures¹, as well as for workers who have been preliminarily certified for NAFTA. Although there is no similar requirement under TAA and no data are available, it is expected that workers who are TAA-certified may have received rapid response as part of the routine for general layoffs/closures.

II. Current Practice:

Generally, rapid response consists of a tiered approach to providing information to workers (as well as to employers and to organized labor) at the point in time that notification has occurred that there will be an impending plant closing or a substantial layoff. These actions trigger the provision of rapid response, and the initiation of other job training services, several weeks prior to actual layoff when individuals about to be laid off can be considered "eligible dislocated workers" for the purpose of receiving services under JTPA Title III. Rapid response activities authorized under JTPA Title III include--

- on-site contact after becoming aware (preferably within 48 hours) of a current or projected permanent closure or substantial layoff in order to provide information on and facilitate access to available public programs and services and to provide emergency assistance adapted to the particular closure or layoff;
- facilitate the formation of labor-management committees, by providing immediate financial assistance to cover the start-up costs;
- assist the local community in developing its own coordinated response and in obtaining access to State economic development assistance.

¹The State may receive notice as a result of the employer's compliance with the WARN Act, or the employer has made a public announcement of a closing, or workers have been certified under Trade or NAFTA, or through other means. During the year ending June 30, 1996, States report that nearly 4,000 initial on-site rapid response visits occurred as a result of approximately 3,000 WARN notices and nearly 1,000 other types of notices.

III. Administrative Actions:

In order to improve the effectiveness of rapid response and to promote the principle of early intervention, DOL is undertaking administrative actions to standardize the initiation of services to all dislocated workers, including those who are certified for NAFTA-TAA, and TAA. Utilizing the current JTPA authority, DOL will issue policy guidance to the Governors along the following lines--

- encourage the provision of rapid response for all substantial layoffs and closures prior to any notification or determination that the event may be NAFTA-related;
- encourage NAFTA-TAA/TAA and JTPA Title III collaboration on worker/employer committees and planning for comprehensive service strategy (from all available resources in the State/community including the employer, JTPA Title III, UI, Wagner-Peyser, Trade, education, State-funded initiatives, etc.) once it has been determined that workers are eligible for NAFTA or TAA entitlements.

IV. Impact on Workers:

Improved communication and collaboration will result in more effective service strategies for Trade-impacted workers. In addition, the administrative improvements will result in a more systematic approach to readjustment services for all dislocated workers, enabling them to return to the workforce more quickly. These strategies should assist in eliminating the types of issues raised in El Paso.

V. Cost Implications:

There are no budgetary implications expected. Rapid response activities for all workers being dislocated are currently authorized and funded under a portion of the annual Title III formula allotments to States reserved for use by Governors. Currently, States report that approximately six percent of Title III funds are used for rapid response activities. Other early intervention strategies, including basic readjustment services, are funded through the formula program. Although increased levels of services beyond rapid response could put pressure on State funds, additional resources are available to States and other entities from the Title III Secretary's National Reserve Account. Any substantial increases would be reflected in budget requests for Title III.

PROPOSED COMMUNITY-WIDE APPROACH IN IMPACTED BORDER AREAS AS A RESULT OF NAFTA

I. Background:

Several communities are being impacted by NAFTA, especially those one-company towns that are dependent upon textile, garment and electronics industries along the U.S./Mexico border. Current NAFTA-TAA authority does not appear to provide for the type of economic development and job creation that is required to assist these small communities to grow jobs for their residents, and no economic development authority exists within the training and income support provisions for workers.

Current authority under NAFTA-TAA provides some assistance to impacted communities, including--

- ▶ The Department of Commerce [ck] administers the North American Development Bank (NADBank) which was established to finance environmental infrastructure along the border region, and community adjustment and investment throughout the United States and Mexico.¹
- ▶ The Department of Treasury runs the Community Adjustment and Investment Program (CAIP) Finance Committee under NADBank, and is mandated to oversee making of loans and loan guarantees or grants for the community adjustment and investment responsibility of NADBank. This initiative also has the participation of Agriculture, HUD and SBA. Treasury published a list of 35 communities certified as eligible for NADBank assistance on August 1 [1997?] but no projects have been funded.

As with NAFTA-TAA, there is no DOL authority under TAA for economic development; however, the Department of Commerce administers the "firm" program. This technical assistance for firms impacted by trade is provided through Commerce which maintains twelve centers around the country, many of them on university campuses. The Economic Development Administration at Commerce also administers an economic adjustment program that could be used to assist trade-impacted communities and firms.

II. Current Practice:

As stated above, NAFTA-TAA, TAA and JTPA Title III funds are used to train dislocated workers for new jobs which doesn't help when there are limited employment opportunities. The Department of Labor has not been involved in the BECC or the CAIP process, and there is no existing coordination mechanism in this area with Commerce, Treasury, SBA, Agriculture, HUD, etc.

DOL has extensive experience with coordination and collaboration with DOD in its successful conversion activities and assisting communities with economic development and job creation vis-a-vis

¹ EPA and the U.S. Commissioner of the International Boundary and Water Commission (IBWC) represent the U.S. on the Border Environment Cooperation Committee (BECC), which approves the decisions of NADBank on environmental infrastructure projects. Coordination for BECC positions rests with EPA and the IBWC, as well as State, Treasury, HUD, Interior and AID. Four wastewater-related projects have been approved for financing--two in the U.S. and two in Mexico.

BRAC closures and/or defense downsizing. DOL administered funds that were appropriated to DOD for the purpose of adjustment services for workers. In addition to the BRAC closures/defense downsizing, similar activities have been undertaken to assist community efforts for the Northwest timber and salmon initiatives. These initiatives provide precedence and could be used as models for responding to NAFTA impacts.

The following actions could be taken by the Administration to develop a strategy to respond to the needs of small communities in need of assistance for the creation of new jobs through economic development and entrepreneurial initiatives

III. Legislative Action:

The Administration should consider legislative authority to permit demonstration economic development and job creation activities to be combined with other available resources in order to have jobs available for workers in high-impact areas affected by NAFTA, and to provide replicable models for future needs.

IV. Administrative Actions:

- Establish an inter-agency group representing each of the federal departments who have a part in the initiatives described above, and others to be identified, to explore options and develop an action plan to respond to the need for economic development and job creation initiatives in selected communities.
 - Identify other opportunities/initiatives which could assist the Administration in meeting its goals to assist needy communities, such as EC/EZ economic development initiatives; EPA's Brownfields initiatives for creating jobs in environmental cleanup if such needs exist in communities selected for this initiative.
- The Secretary's Title III National Reserve demonstration opportunities can be considered to partially fund such a comprehensive community approach. Any such project will build in an evaluation component to assist the dislocated worker system to learn from the experience and to replicate areas which could prove beneficial to respond to other strategic needs.

V. Impact on Workers/Communities:

The proposed actions will help grow the job market in the effected communities thereby creating jobs for workers who have no or few employment opportunities in their communities. It will enable the workers to return to self-sufficiency and improve the economic health of the communities.

VI. Cost Implications:

Current information indicated that projects can be funded with resources currently available under Title III of JTPA, and resources identified from other Federal agencies, State and local funds (including Title III formula allotments). Additional resources would be requested through the normal budget process, if required

POSSIBLE LEGISLATIVE CHANGES TO THE WORKER ADJUSTMENT AND RETRAINING NOTIFICATION ACT (WARN)

I. Background/Current Practice:

- o Advance notice of closures and layoffs is key to providing time to plan and implement assistance to affected workers that will help those workers adjust and accelerate their successful reemployment. WARN generally requires that employers provide at least 60 days advance notice of a plant closing or mass layoff to affected workers. There are statutorily-prescribed thresholds relating to the size of the employer's workforce and the number/proportion of workers affected by the closing or layoff that triggers the requirement. In addition to notifying the workers, the employer is also required to notify the affected local government and the State Dislocated Worker Unit (DWU). The DWUs are established under Title III of the Job Training Partnership Act (JTPA) and are authorized to provide "rapid response" adjustment services to affected workers. The enforcement of WARN requirements is limited to civil suits filed by affected workers or the local governments, depending on who was not notified. The exclusive remedies are back pay and lost benefits for affected workers and a civil fine for failure to notify the local government. Courts are prohibited from enjoining a closure or layoff to secure compliance. The authority of the Secretary of Labor is limited to issuing interpretive regulations.
- o WARN was enacted in 1988 and considered in conjunction with the Omnibus Trade and Competitiveness Act (OTCA), which was also enacted that year. WARN was perhaps the most controversial provision in that legislation and was a basis for President Reagan's initial veto of the legislation. While a number of bills amending WARN to strengthen its requirements have been introduced in subsequent Congresses, WARN has not been amended nor have any of the proposals advanced out of committee.
- o A GAO report issued in February, 1993 identified several areas in which WARN was not meeting its objectives. The report found that many employers did not provide any notice or provided less than 60 days notice. For example, in a survey of layoffs appearing to meet the WARN criteria, GAO found 54 percent of employers did not notify the State DWU. The report stated that providing DOL authority to enforce the requirements should be considered as a means for addressing this concern. Second, primarily due to the high thresholds for triggering notice requirements in cases of mass layoffs, the GAO found over 40 percent of layoffs affecting 250 or more workers were exempt from such requirements.

II. Legislative Actions for Consideration:

- o Therefore, one amendment that could significantly strengthen WARN would be to provide enforcement authority to the Secretary of Labor. The current enforcement approach is of limited effectiveness because affected workers often lack the resources and information needed to file civil suits when violations have occurred. Authorizing the Secretary of Labor to enforce WARN would ensure greater adherence to the Act's requirements and protect workers irrespective of their economic status or access to private legal assistance. Indeed, similar to the Fair Labor Standards Act (FLSA), the enforcement mechanism could include both private suits and Federal agency enforcement. This would make enforcement of WARN consistent with other labor standards and improve compliance nationwide.
- o A second amendment would be to lower the statutory thresholds that trigger notice requirements for mass layoffs. Under current law, WARN only applies to employers of 100 or more full-time employees who lay off at a single site during any 30-day period (1) at least one-third of the employees (but not less than 50); or (2) at least 500 employees. The threshold could be lowered either by reducing the proportion affected to a proportion below one-third, or by lowering the absolute number that must be affected from 500 to 250. This would ensure that more workers receive the benefits attributable to early notice.

big problem
is Rep. ...
opinion

ISSUES TO BE ADDRESSED IN REAUTHORIZATION OF TAA AND NAFTA-TAA

The authorization for the TAA and NAFTA-TAA programs terminates on September 30, 1998. The Secretary of Labor, on behalf of the Administration, transmitted draft legislation on June 9, 1997 to the relevant Committees providing for a simple extension of the two programs for fiscal years 1999-2002. The Administration could continue to seek a simple extension, or submit another proposal amending or merging the programs. In evaluating these options, it is important to note that there are four key differences between TAA and NAFTA-TAA that are described below. In addition, the issue of secondary workers may be raised and that issue is also addressed below.

- o Shift in Production as Basis for Certification - Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA workers may be certified either due to their firm being adversely affected by imports from Mexico or Canada or if their firm shifts production to Mexico or Canada. Extending the shift in production criteria worldwide could have significant cost implications. Dropping the criteria would renege on commitments made to workers when NAFTA passed. Retaining current law raises issues of equity and appears to provide a "body count" on lost jobs that are attributed to NAFTA, even if NAFTA is not a cause
- o State Role in Certification and Required Provision of Rapid Response Services - Under TAA, the Secretary is to certify or deny a petition within 60 days of receipt. Under NAFTA-TAA, petitions are first filed with the Governor, who makes a preliminary finding within 10 days, and then transmits the petition to the Secretary, who has 30 days to make a final determination. If the Governor makes an affirmative finding, the State is to provide rapid response and basic readjustment services to affected workers using funds available under title III of JTPA. While there are some questions as to whether State involvement has aided the certification effort, it is important to ensure that the filing of petitions triggers the provision of rapid response services and it would be desirable to extend that trigger to TAA. In addition, the shorter certification deadlines under NAFTA-TAA may be appropriate for both programs.
- o Waiver of Training as a Condition for Income Support - While TAA generally requires that a participant be enrolled in training in order to qualify for income support, it allows the requirement to be waived if it is determined that training is not "feasible or appropriate." There have been criticisms from the OIG, GAO and others that waivers have been overused and in some States almost half the participants have received such waivers. In response to these criticisms, NAFTA-TAA eliminated the waiver authority. In addition, the Department has issued administrative guidance narrowing the basis for waivers under TAA, although this guidance has not been effectively implemented in all States. While there may be some limited circumstances where training should not be required, the existing TAA waiver authority needs to be reviewed and narrowed either legislatively or administratively.

contingency
scoring
to be
included

farther
better

- o **Early Enrollment in Training as a Condition for Income Support.** - NAFTA-TAA requires that in order to qualify for income support a participant must enroll in training by the 16th week in which the individual is receiving unemployment compensation, or if later, six weeks after a petition is approved. This is similar to a requirement under title III of JTPA where dislocated workers must be enrolled in training by the 13th week of UI receipt. The intent is to accelerate the participants adjustment and to prevent participants from enrolling in training after UI is exhausted simply to continue income support. TAA contains no such requirement.
- o **Secondary Workers.** - Neither TAA (with one exception) nor NAFTA-TAA provide assistance to workers in firms that are indirectly impacted, such as firms that are suppliers of, or provide services to, the directly impacted firms. While there have been several legislative proposals in previous Congresses to expand TAA to cover such workers, the only successful effort was an extension to oil and gas workers that was sponsored by the Finance Committee Chairman (Senator Bentsen) in 1988. Generally, the cost implications (i.e., the entitlement to income support) have been viewed as prohibitive. For example, in the early 1980s a proposal by Congressman Vanick to expand TAA to all component part suppliers of directly impacted firms was estimated to triple the cost of the program. In NAFTA-TAA, while secondary workers were not included in the legislation, the Administration made a commitment in the Statement of Administrative Action (SAA) accompanying the NAFTA Implementation Act to use the Secretary's discretion under title III of JTPA to provide assistance to secondary workers. Specifically, the National Reserve Account under title III would be used to provide services and benefits comparable to NAFTA-TAA to workers of supplier firms. (As indicated previously, the Department intends to expand its outreach for that program). It should be noted that other adversely workers, such as workers in tertiary firms including restaurants, grocery stores, etc. that may be indirectly affected are eligible for assistance under the general title III program. Any legislative proposal to expand TAA or NAFTA-TAA to secondary workers would have to address the issue of defining appropriate limits to eligibility (i.e. how far is the ripple effect is to be followed) that would be equitable and administrable, and the issue of significantly increased costs.

o Service Workers NAFTA or TAA were generally

From: Anne Lewis

To: Fast Track, TAA Working Group
See the distribution list at the bottom of this page

Subject: Fast Track, TAA Meeting

Please find attached the OMB materials for today's Fast Track, TAA Meeting.

Lael Brainard
Dorothy Robyn
Kristen Panerali
Kitty Higgins
Mary Ann Wyrsh
Ed Montgomery

NOTE: THIS A STAFF DRAFT ONLY. POLICY OFFICIALS HAVE NOT SEEN IT.

CONTINGENCY APPROACH TO SPENDING FOR ADJUSTMENT ASSISTANCE

Background: Trade agreements benefit the U.S. economy, but may have negative effects on certain workers, firms, or communities. Adjustment programs (TAA; NAFTA-TAA) address these effects. Estimating the need for adjustment assistance is inherently difficult, as it involves predicting business behavior and trade-related actions in foreign countries. In general, therefore, the current approach is to obtain a relatively arbitrary amount. Seeking a large amount in advance can give the impression that an agreement is "known" to have a large degree of negative effect, when in fact there can only be speculation.

Option: Seek "Base plus Contingency" authority

- Establish in the Fast Track Act, a Base annual Amount for adjustment assistance, and (b) a larger contingency amount (or an uncapped "such sums" authority), above the base, but spend above the Base Amount, only upon a finding by the President that the contingency terms have been met. For example: the number of workers, or the number or size of firms or communities (as the case may be) eligible for and claiming assistance has exceeded the base amount.
- The Contingent Amount is sought as "prudent" management: negative effects of this magnitude are not predicted but, should they occur, resources would be needed at once.

On the "prudence" rationale, see Administration policy to build up unemployment insurance reserves to be available in the event of an economic downturn now not envisioned. The approach was enacted in Reconciliation as justification for keeping large amounts of State unemployment taxes in the Federal funds.

- Like Emergency funds, Contingent amounts would be triggered in a supplemental appropriation act by a request by the President designating the triggering event tantamount to an emergency, as described in the emergency spending provisions of the Budget Enforcement Act. (We would try not to call it an actual "emergency", because of the negative connotations of that word.) Language for the implementing appropriation would be modeled on current emergency appropriations language; something like:

"For an additional amount for "Fast Track Adjustment Assistance," \$XX,000,000, to remain available until expended; Provided, That the entire amount is designated by Congress as a contingency, in accord with section ## of the Fast Track Act, and thus, as provided by that section, is treated as if it were an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended."

The Contingency amount would not be scored in the President's Budget, though CBO might score an estimate of the likelihood of use of the authority.

discretionary
score budget authority not outlay

Avila

NOTE: THIS IS A STAFF DRAFT ONLY. POLICY OFFICIALS HAVE NOT SEEN IT.

August 13, 1997

Prospective Income Accounting in Federal Student Financial Aid (SFA) Programs

Background: Dislocated workers often have low recent income because of job loss which, in the Higher Education Act (HEA) income eligibility system of retrospective accounting, would disqualify them from eligibility for Pell Grants and other SFA, unless the school aid officer exercises his or her authority to use prospective accounting. In the early 1990s, dislocated workers' pre-layoff earnings were excluded from the SFA family income calculation. This practice was eliminated by the 1992 HIEA amendments. 1992-93 data show that about 107,000 individuals in postsecondary education identified themselves as "dislocated workers" on their student financial aid application. It is impossible to estimate how many of the dislocated workers enrolling in postsecondary education/training lost their jobs for trade-related reasons.

Option 1: Use prospective income accounting for trade-related dislocated workers.

- Amend the HIEA to require the use of prospective income accounting for trade-related dislocated workers.
- The Department of Labor would be required to certify trade-related dislocated workers to the school aid officers.
- Based on the 1992-93 Pell experience with dislocated workers, an average Pell grant award for such workers would cost a \$2,060 per student, or \$206 million per year for each 100,000 workers.

Option 2: Require prospective income accounting for all individuals with a documented severe income loss.

- This option would have broader appeal but cost a great deal more.
- Based on the last analysis done in March, the estimated annual cost could be as high as \$1.6 billion. This estimate assumes a 25 percent take-up rate for that population.

vs. \$ 200 M.

3.1 MM workers

Good

Targeted Assistance to Schools Affected by a Company Relocation

Background: If companies relocate from the United States to a foreign country as a result of a trade agreement, there may be a negative impact on local communities, in particular on local schools. Unless a company has received a tax break or is very small, it is likely to contribute significantly to local schools primarily through the payment of property taxes and through the taxes paid by the firm and its employees to the State and local governments, which also finance educational services. Abrupt loss of these revenues could cause a decrease in the quality of local educational services, especially for low-income and low-achieving students.

Option 1: Provide compensation from the firm to local school districts. Require a transitional payment from the relocating company to the local community that equals the amount of local property tax the company would have paid for the next three years. The size of the payment could vary based on the size of the company. The Federal role would be to determine that a firm is benefitting from the trade agreement by its move and to enforce the payments. No Federal cost other than administrative.

Option 2: Provide a similar payment to the school district as in Option 1, but fund it as a Federal grant program. No cost estimate yet available.

Option 3: Expand funding for Title I services for school districts affected by a company relocation to help compensate for lost revenue. This would require Federal designation of "affected school districts." Those districts could then receive a three-year increase in their Title I allocations as the needs of low-achieving and poor students would be most affected by the loss of revenue from the firm.

Threshold: For options 2 and 3, the program should apply only to school districts that have lost 5% or more of their revenue from local property tax due to company relocations so that the program addresses real need and is not overly burdensome.

Expansion of Federal Program Eligibility

Background: Some of the Federal grant programs give priority to a particular set of applicants for various programmatic reasons. For instance, recognizing particular challenges faced by an Empowerment Zone and Enterprise Community (EZ/EC), the School-to-Work initiative give preferential treatment to applicants serving youths residing or schools located in an EZ/EC. A similar approach can be used in the case of communities affected by a company relocation.

Option: Structure Federal grant competitions to provide more benefits to dislocated workers and their communities

- For a specific list of competitive Federal grant programs (e.g., EDA grants, HUD grants, HHS grants, ED grants, DOL grants), give priority to applicants serving dislocated workers as well as their families and communities.
- A new designation for communities affected by trade agreements could be developed or automatic designation of EZ/EC could be granted to communities that meet certain criteria, such as losing a 25% of their revenues because of the documented trade impact.
- Since competitive grant programs are often not very well funded, this approach might not be effective at current funding levels.

Loosening Enrollment Eligibility Requirements in the Pell Grant Program

Background: Some dislocated workers have no need of degree or certificate programs, but rather need only one or two specific skill courses to prepare for new careers. Under the Higher Education Act, an individual is eligible to receive Federal student financial aid (SFA) only if s/he pursues a bachelor or associate degree or certificate at an eligible institution of higher education. Individuals with a BA/BS degree are ineligible for Federal SFA. To receive student loans, an individual must enroll at a postsecondary institution on at least a half-time basis; however, there is no minimum enrollment requirement in the Pell program.

Option: Eliminate certain enrollment eligibility requirements in the Pell program

- For trade-related dislocated workers (as certified by DOL), waive the requirement that SFA recipients enroll in programs leading to a degree/certificate.
- For trade-related dislocated workers (as certified by DOL), waive the BA/BS eligibility restriction -- that is, allow people with a BA/BS degree to be eligible for the Pell grant program. (About one in six dislocated workers are estimated to have a bachelor degree.)
- An average award for those who do not have a BA/BS degree and one or two skill courses at an institution of higher education is estimated to be \$750 under the assumption that no living allowance adjustment is made and under the current Pell minimum award rules. Thus the annual cost per 100,000 worker would be about \$75 million.

Community-Based Approach to Assisting NAFTA-Affected Areas (to complement DOL's proposal)

A key ingredient in the Administration's successful defense economic adjustment strategy has been DoD's Office of Economic Adjustment. OEA was created in 1961 to help communities cope with military base closures, and that has been its traditional role. Typically, OEA helps communities organize a planning group, provides a planning grant, guides the group through government requirements for base closures, and helps it develop a "reuse" plan for redevelopment of the base.

With the end of the Cold War, OEA's responsibilities have expanded to include help for communities hit by closings and cutbacks of defense plants. For example, in St. Louis, where McDonnell Douglas laid off 30,000 workers, OEA was instrumental in helping the region develop a broad strategy for worker adjustment and firm diversification.

OEA's superb reputation is due to several factors:

- Intervention typically comes early, before serious impact has occurred;
- OEA staff catalyze a local, grassroots adjustment planning process, using planning grants as financial carrot to get all key stakeholders at the table;
- OEA's 30 project managers are economic adjustment experts, with skill at helping communities create an appropriate economic adjustment strategy or vision;
- OEA is at center of network of federal adjustment specialists, and skilled at helping communities tap into JTPA, EDA and other programs at the appropriate time.

Because OEA's focus is on the planning stage, it does a lot with relatively few resources: a single OEA project manager oversees 3-4 communities simultaneously. And planning grants (which are typically staggered over several years) are in the range of \$500,000-\$3 million per community.

Proposal:

The Administration should seek the authority and funds to offer OEA's services (project managers plus planning grants) to NAFTA-affected regions. (The funds should not come out of DoD's budget -- Republicans would view that as a diversion of scarce resources for defense -- but should be transferred to OEA from DOL, DOC or other civilian agency.) Because Congress refused to approve another BRAC round, OEA has a shrinking portfolio and should be in a position to assign project managers to non-DoD projects.

From: Anne Lewis

To: Fast Track, TAA Working Group
See the distribution list at the bottom of this page

Subject: Fast Track, TAA Meeting

Please find attached the OMB materials for today's Fast Track, TAA Meeting.

Lael Brainard
Dorothy Robyn
Kristen Panerali
Kitty Higgins
Mary Ann Wyrsh
Ed Montgomery

NOTE: THIS A STAFF DRAFT ONLY. POLICY OFFICIALS HAVE NOT SEEN IT.

CONTINGENCY APPROACH TO SPENDING FOR ADJUSTMENT ASSISTANCE

Background: Trade agreements benefit the U.S. economy, but may have negative effects on certain workers, firms, or communities. Adjustment programs (TAA; NAFTA-TAA) address these effects. Estimating the need for adjustment assistance is inherently difficult, as it involves predicting business behavior and trade-related actions in foreign countries. In general, therefore, the current approach is to obtain a relatively arbitrary amount. Seeking a large amount in advance can give the impression that an agreement is "known" to have a large degree of negative effect, when in fact there can only be speculation.

Option: Seek "Base plus Contingency" authority

- Establish in the Fast Track Act, a Base annual Amount for adjustment assistance, and (b) a larger contingency amount (or an uncapped "such sums" authority), above the base, but spend above the Base Amount, only upon a finding by the President that the contingency terms have been met. For example: the number of workers, or the number or size of firms or communities (as the case may be) eligible for and claiming assistance has exceeded the base amount.
- The Contingent Amount is sought as "prudent" management: negative effects of this magnitude are not predicted but, should they occur, resources would be needed at once.

On the "prudence" rationale, see Administration policy to build up unemployment insurance reserves to be available in the event of an economic downturn now not envisioned. The approach was enacted in Reconciliation as justification for keeping large amounts of State unemployment taxes in the Federal funds.

- Like Emergency funds, Contingent amounts would be triggered in a supplemental appropriation act by a request by the President designating the triggering event tantamount to an emergency, as described in the emergency spending provisions of the Budget Enforcement Act. (We would try not to call it an actual "emergency", because of the negative connotations of that word.) Language for the implementing appropriation would be modeled on current emergency appropriations language; something like:

"For an additional amount for "Fast Track Adjustment Assistance," \$XX,000,000, to remain available until expended; Provided, That the entire amount is designated by Congress as a contingency, in accord with section ## of the Fast Track Act, and thus, as provided by that section, is treated as if it were an emergency requirement pursuant to section 251(b)(2)(D)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended."

The Contingency amount would not be scored in the President's Budget, though CBO might score an estimate of the likelihood of use of the authority.

NOTE: THIS IS A STAFF DRAFT ONLY. POLICY OFFICIALS HAVE NOT SEEN IT.

August 13, 1997

Prospective Income Accounting in Federal Student Financial Aid (SFA) Programs

Background: Dislocated workers often have low recent income because of job loss which, in the Higher Education Act (HEA) income eligibility system of retrospective accounting, would disqualify them from eligibility for Pell Grants and other SFA, unless the school aid officer exercises his or her authority to use prospective accounting. In the early 1990s, dislocated workers' pre-layoff earnings were excluded from the SFA family income calculation. This practice was eliminated by the 1992 HIEA amendments. 1992-93 data show that about 107,000 individuals in postsecondary education identified themselves as "dislocated workers" on their student financial aid application. It is impossible to estimate how many of the dislocated workers enrolling in postsecondary education/training lost their jobs for trade-related reasons.

Option 1: Use prospective income accounting for trade-related dislocated workers.

- Amend the HIEA to require the use of prospective income accounting for trade-related dislocated workers.
- The Department of Labor would be required to certify trade-related dislocated workers to the school aid officers.
- Based on the 1992-93 Pell experience with dislocated workers, an average Pell grant award for such workers would cost a \$2,060 per student, or \$206 million per year for each 100,000 workers.

Option 2: Require prospective income accounting for all individuals with a documented severe income loss.

- This option would have broader appeal but cost a great deal more.
- Based on the last analysis done in March, the estimated annual cost could be as high as \$1.6 billion. This estimate assumes a 25 percent take-up rate for that population.

Targeted Assistance to Schools Affected by a Company Relocation

Background: If companies relocate from the United States to a foreign country as a result of a trade agreement, there may be a negative impact on local communities, in particular on local schools. Unless a company has received a tax break or is very small, it is likely to contribute significantly to local schools primarily through the payment of property taxes and through the taxes paid by the firm and its employees to the State and local governments, which also finance educational services. Abrupt loss of these revenues could cause a decrease in the quality of local educational services, especially for low-income and low-achieving students.

Option 1: Provide compensation from the firm to local school districts. Require a transitional payment from the relocating company to the local community that equals the amount of local property tax the company would have paid for the next three years. The size of the payment could vary based on the size of the company. The Federal role would be to determine that a firm is benefitting from the trade agreement by its move and to enforce the payments. No Federal cost other than administrative.

Option 2: Provide a similar payment to the school district as in Option 1, but fund it as a Federal grant program. No cost estimate yet available.

Option 3: Expand funding for Title I services for school districts affected by a company relocation to help compensate for lost revenue. This would require Federal designation of "affected school districts." Those districts could then receive a three-year increase in their Title I allocations as the needs of low-achieving and poor students would be most affected by the loss of revenue from the firm.

Threshold: For options 2 and 3, the program should apply only to school districts that have lost 5% or more of their revenue from local property tax due to company relocations so that the program addresses real need and is not overly burdensome.

Expansion of Federal Program Eligibility

Background: Some of the Federal grant programs give priority to a particular set of applicants for various programmatic reasons. For instance, recognizing particular challenges faced by an Empowerment Zone and Enterprise Community (EZ/EC), the School-to-Work initiative give preferential treatment to applicants serving youths residing or schools located in an EZ/EC. A similar approach can be used in the case of communities affected by a company relocation.

Option: Structure Federal grant competitions to provide more benefits to dislocated workers and their communities

- For a specific list of competitive Federal grant programs (e.g., EDA grants, HUD grants, HHS grants, ED grants, DOL grants), give priority to applicants serving dislocated workers as well as their families and communities.
- A new designation for communities affected by trade agreements could be developed or automatic designation of EZ/EC could be granted to communities that meet certain criteria, such as losing a 25% of their revenues because of the documented trade impact.
- Since competitive grant programs are often not very well funded, this approach might not be effective at current funding levels.

Loosening Enrollment Eligibility Requirements in the Pell Grant Program

Background: Some dislocated workers have no need of degree or certificate programs, but rather need only one or two specific skill courses to prepare for new careers. Under the Higher Education Act, an individual is eligible to receive Federal student financial aid (SFA) only if s/he pursues a bachelor or associate degree or certificate at an eligible institution of higher education. Individuals with a BA/BS degree are ineligible for Federal SFA. To receive student loans, an individual must enroll at a postsecondary institution on at least a half-time basis; however, there is no minimum enrollment requirement in the Pell program.

Option: Eliminate certain enrollment eligibility requirements in the Pell program

- For trade-related dislocated workers (as certified by DOL), waive the requirement that SFA recipients enroll in programs leading to a degree/certificate.
- For trade-related dislocated workers (as certified by DOL), waive the BA/BS eligibility restriction -- that is, allow people with a BA/BS degree to be eligible for the Pell grant program. (About one in six dislocated workers are estimated to have a bachelor degree.)
- An average award for those who do not have a BA/BS degree and one or two skill courses at an institution of higher education is estimated to be \$750 under the assumption that no living allowance adjustment is made and under the current Pell minimum award rules. Thus the annual cost per 100,000 worker would be about \$75 million.

MEMORANDUM

TO: GENE SPERLING

FROM: ANNE LEWIS

RE: EDUCATION, TRAINING & TRADE ADJUSTMENT

DATE: AUGUST 7

Here are a few very general ideas which might form the basis of several policy options. None of these are fleshed out, but they should give you some general direction for asking DOL to do some more detailed work.

DISLOCATED WORKER GUARANTEES

1. Guarantee every dislocated worker who can't find another job a community college degree (or up to two years of training) through skill grants and/or less restrictive use of Pell grants. Where necessary, the skill grant would be supplemented with income support. The income support features would make this very expensive.

2. Same as above, but allow income support only for those workers who lose their jobs to the "globalization of the economy."¹ This would mean applying a screen similar to the NAFTA-TAA screen very broadly.

INCUMBENT WORKER TRAINING AND PLANT "SAVING"

1. Target communities, workers, and firms which are likely to lose in the globalized economy for training and support BEFORE the workers lose their jobs and/or the firm shuts down. We would "profile" workers in targeted regions/communities/industries and subsidize their access to reemployment services before they lose their jobs. This might be as simple as setting up a rapid response center in a targeted firm and giving workers access to Pell/skill grants -- even if they are going to school less than half time and/or in non-degree programs.

2. Give the Secretary of Commerce some rapid response resources to help targeted firms "retool" themselves to remain competitive or the facilitate other buy outs etc.

PROTECTING THE MOST VULNERABLE WORKERS

1. Expand the applicability of UI so that all workers who lose their jobs as a consequence of

¹ Both the NAFTA TAA and TAA programs attempt to ascertain when a worker has lost his job as a consequence of trade policies. Under this option, in theory, we would maintain the principle of selecting workers who have been adversely affected, but substantially broaden the screen. This would be tough to do, but might be the only way to make a "guarantee" affordable.

the global economy will qualify for UI benefits. Under most states current requirements part time, low tenure workers are not eligible for UI benefits.

3.

Under this scenario we would use a broad definition of trade impacted workers, give them access to PELL grants through prospective income accounting and give long term income support, when necessary, to allow them to complete up to two years of training and education. To reduce the cost of the income support we could allow people access to Pell grants even when they are in non-degree programs, less than half time.

call Larry Katz

NAFTA TAA nego.

cover broadly or favor unions

vehicle for education oppy.

Proposal

1. current law

2. proposed A

3. money

4. left/admin

other committee

5. who likes it
people

strengthen civility programs

I.

eg plant closing notification, Warren legislation
fix NAFTA-TAA, or TAA

II.

secondary workers, incomplete support in Edward
timeliness of acts, increasingly

broaden DWP & encompass all pieces

old TAA

EDWAA → Labor

III.

community adjustment, plant adjustment
like base courses

DOC has \$10-11
mm. for
business
...

VI.

excluded from UI → also from TAA
↑ huge for turn

NAFTA-TAA too small

TAA pay for production or shifts

IV.

tech.
assistance
plant-saving

promise to put in budget & fight for

V. Full grant/prospective income

↳ certify at DOC

IX

plant sweat teams on
notification
community reuse group

VII

task force rapid response

probability scoring
impact aid:
community public education system
loss of local revenues

July 31, 1997

MEMORANDUM FOR GENE SPERLING

FROM: LAEL BRAINARD

SUBJECT: Fast Track -- Trade Adjustment Assistance

At the fast track meeting yesterday, Dan and Vickie asked for some background on trade adjustment assistance programs and options in advance of the meeting this evening. A very preliminary comparison of the existing programs and broadbrush consideration of options is attached, FYI. Labor will be fleshing out these and other options over the next month.

Both regular TAA and NAFTA-TAA are set to expire in September 1998. Labor has transmitted legislation that would simply reauthorize the existing programs in their current form.

Attachment

WORKER ADJUSTMENT PROGRAMS

Dislocated Workers Program (Title III of JTPA as amended by EDWAA)

Eligibility: All dislocated workers.

Benefits: -- Little additional income support beyond standard 26 weeks of UI.
-- Training comprises bulk of benefits.
-- Job search and counselling.

Cost: \$1.35 billion FY 98 appropriation.

Beneficiaries: 605,000 in FY 98

Trade Adjustment Assistance (TAA)

Eligibility: Workers displaced by trade.

Benefits: -- Extends income support for up to 78 weeks in total.
-- Provides training for up to 104 weeks, and includes liberal waiver provisions.
-- Job Counselling and Job Search.

Cost: \$208 million in FY 98 for benefits
97 million in FY 98 for training

Budget status: Entitlement; requires reauthorization in September 1998.

Beneficiaries: 30,000 in 1996

NAFTA Transitional Adjustment Assistance (NAFTA-TAA)

Eligibility: -- Workers displaced by trade or production shift to Mexico or Canada;
-- "Secondary" workers displaced by shift of supplier to Mexico or Canada (eligible for income support);
-- Family farmers and farmworkers (who do not meet TAA "group" requirement).

Benefits: -- Extends income support for up to 78 weeks in total.
-- Training requirement: must be enrolled within limited time; provides training for up to 104 weeks.
-- Relocation allowance.
-- Job search and counselling.

Cost: \$22 million in FY 98 for benefits
22 million in FY 98 for training

Budget status: Entitlement; reauthorization in September 1998.

Beneficiaries: 49,000 certifications in 1996; 3300 beneficiaries.

Note: Budget request for TAA is based on historical experience, not forecast of job losses. Statistics on TAA beneficiaries have never received scrutiny as a proxy for job displacement associated with trade comparable to that directed at NAFTA-TAA.

Trade Adjustment Assistance - Options

Status Quo: Reauthorize existing programs.

Pros:

- Simple.
- Least risk approach.

Cons:

- Nothing new for labor.

Best of Both: Combine NAFTA-TAA with TAA and include features of both programs that are most attractive to unions.

- Extended income support for up to 78 weeks in total.
- Liberal waiver of training requirement.
- Cover production shift as well as trade dislocation.
- Cover secondary job displacement.

Pros:

- More efficient to combine programs.
- Labor would favor.
- Buries NAFTA job loss numbers.

Cons:

- Risks losing favored features of either program.
- Higher cost (estimate needed).
- Training waiver is inconsistent with our broader welfare policies.

Best of Both Plus: Combine two programs into best of both and add coverage for workers in services industries (for primary not secondary displacement).

Pros:

- Big gain for Teamsters and SEIU.
- More equitable.

Cons:

- Might raise cost substantially (estimate needed).

Trade Adjustment Assistance - Features Favored by Labor

- Extend income support up to 78 weeks (in both TAA & NAFTA TAA) or more.
- Liberal waiver of training requirement (in TAA only).
- Coverage of “secondary” workers suffering indirect displacement (in NAFTA-TAA only).
- Coverage of production shift/plant relocation (in NAFTA-TAA only).
- Coverage for workers in services industries suffering direct displacement (in neither).

U.S. DEPARTMENT OF LABOR

ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE ACT (EDWAA)

EDWAA amended Title III of the Job Training Partnership Act, and provides funds to States and local substate grantees so they can help dislocated workers find and qualify for new jobs.

ELIGIBILITY: Workers who have lost their jobs and are unlikely to return to their previous industries or occupations are eligible for the program. This includes workers who lose their jobs because of plant closures or mass layoffs; long-term unemployed persons with limited job opportunities in their fields; and farmers, ranchers and other self-employed persons who become unemployed due to general economic conditions. Under certain circumstances, States may also authorize service for displaced homemakers.

SERVICE DELIVERY STRUCTURE: Each State is divided into substate areas. The programs are designed and operated at the local level, where the decisions about who can be served and which services will be offered are made based on local labor market needs and opportunities, and available resources.

The Governor of each State designates a Dislocated Worker Unit which has the primary responsibility for overall administration and management of the program, including the establishment of a system to respond rapidly to major worker dislocations. Funds are made available to the States each year using a distribution formula based on unemployment in each State.

SERVICES AVAILABLE: EDWAA authorizes an array of comprehensive and timely retraining and readjustment services. States and local substate grantees can tailor the services to meet participants' individual needs based on the funds available. These services include:

- **Rapid Response.** Each State has a Dislocated Worker Unit (DWU) which receives notices of plant closures and mass layoffs covered under the Worker Adjustment and Retraining Notification Act (WARN). When a DWU obtains information about a major layoff, it can respond with on-site services to assist

workers facing job losses. The DWU may also help to set up a labor-management committee at the worksite and/or assist in efforts to avert worker dislocations.

- **Retraining Services.** Workers can receive classroom, occupational skills, and/or on-the-job training to qualify for jobs in demand. Basic and remedial education, entrepreneurial training, and instruction in literacy or English-as-a-second-language may be provided.

- **Readjustment Services.** These include: outreach and intake; testing and counseling; development of individual service plans; labor market information; job development; job search and placement; supportive services (including child care and transportation allowances); relocation assistance and pre-layoff assistance programs.

- **Needs Related Payments.** Dislocated workers who have exhausted their unemployment insurance (UI) benefits may receive needs-related payments while they complete training.

- **Certificates of Continuing Eligibility.** These certificates allow eligible dislocated workers to defer the start of retraining, or to obtain their own retraining.

NATIONAL RESERVE ACCOUNT (NRA): States and substate areas may apply for NRA grants from the Department of Labor's Employment and Training Administration (ETA) if they need additional funds to administer and operate projects for eligible workers dislocated due to mass layoffs, plant closures, disasters, and Federal government actions.

FOR FURTHER INFORMATION: Workers, employers, and anyone interested in learning more about the EDWAA program and the services available should contact the appropriate State Dislocated Worker Unit at the phone number listed on the back, or write: Office of Worker Retraining and Adjustment Programs, U.S. Department of Labor, Room N-5426, 200 Constitution Avenue, N.W., Washington, D.C. 20210.



FAX

**EMPLOYMENT AND TRAINING ADMINISTRATION
OFFICE OF WORKER RETRAINING
AND ADJUSTMENT PROGRAMS**

PHONE: 202/219-5339

FAX: 202/219-5938

DATE: July 31, 1997

TO: Lael Brainard
395-6853

FROM: Shirley Smith, Program Manager
Office of Worker Retraining and Adjustment Programs

NUMBER OF PAGES, INCLUDING THIS COVER SHEET 3

COMMENTS:

Mary Ann Wyrach asked that I fax the attached to you. If you need additional assistance or information, please free to call me at 219-5339, extension 112.

**IF THERE ARE ANY PROBLEMS WITH THIS TRANSMITTAL, PLEASE CALL
THE FOLLOWING PHONE NUMBER: (202) 219-5339.**

State Dislocated Worker Units

STATE	PHONE	STATE	PHONE
Alabama	(334) 242-5893	Nebraska	(402) 471-9903
Alaska	(907) 269-4658	Nevada	(702) 687-4310
Arizona	(602) 542-2484	New Hampshire	(603) 228-9500
Arkansas	(501) 682-3137	New Jersey	1-800-343-3919
California	(916) 654-9212	New Mexico	(505) 827-6866
Colorado	(303) 758-5020	New York	(518) 457-3101
Connecticut	(203) 566-7550	North Carolina	(919) 733-6383
Delaware	(302) 368-6913	North Dakota	(701) 328-2843
District of Columbia	(202) 673-4434	Ohio	(614) 466-3817
Florida	(904) 488-9250	Oklahoma	(405) 557-7294
Georgia	(404) 656-6336	Oregon	(503) 373-1995
Hawaii	(808) 586-9067	Pennsylvania	(717) 787-9282
Idaho	(208) 334-6303	Puerto Rico	(809) 754-5633
Illinois	(217) 785-6006	Rhode Island	(401) 277-3450
Indiana	(317) 232-7461	South Carolina	(803) 737-2601
Iowa	(515) 281-9013	South Dakota	(605) 773-5017
Kansas	(913) 296-7876	Tennessee	(615) 741-1031
Kentucky	(502) 564-5630	Texas	(512) 936-0474
Louisiana	(504) 342-7637	Utah	(801) 538-8757
Maine	(207) 624-6390	Vermont	(802) 828-4177
Maryland	(410) 767-2803	Virginia	(804) 786-2037
Massachusetts	(617) 727-8158	Washington	(206) 438-4611
Michigan	(517) 373-9109	West Virginia	(304) 558-1847
Minnesota	(612) 296-7918	Wisconsin	(608) 266-0745
Mississippi	(601) 949-2234	Wyoming	(307) 235-3601
Missouri	(314) 751-7796	U.S. Department of Labor, Office of Worker Retraining	(202) 219-5577
Montana	(406) 444-4800		