

Why GAO Did This Study

Over the past decade, U.S. imports of goods and services have almost doubled, reaching \$2.7 trillion in 2011. Although trade expansion can enhance economic welfare, many firms and workers experience difficulties adjusting to import competition. The TAA for Firms program assists trade-impacted, economically distressed U.S. firms in making adjustments that may enable them to remain competitive in the global economy. The Department of Commerce's EDA administers the \$15.8 million program through 11 TAA Centers throughout the United States. In 2009, the Trade and Globalization Adjustment Assistance Act, as part of American Recovery and Reinvestment Act, amended the TAA for Firms program and mandated that GAO review its operation and effectiveness. GAO examined (1) the results of the legislative changes on program operations and participation, (2) the performance measures and data EDA uses to evaluate the program and what these tell us about the program's effectiveness, and (3) how program funding is allocated and spent.

GAO reviewed pertinent legislation, program documentation, and data; conducted an economic analysis and a survey of participant firms; and met with EDA officials, representatives of the 11 TAA Centers, and others.

What GAO Recommends

GAO recommends that Commerce establish more effective measures of program outcomes, improve its data collection, and allocate funds in a way that considers program needs and costs. Commerce concurred with GAO's findings and recommendations.

View [GAO-12-930](#). To view an e-supplement with more data see [GAO-12-935SP](#). For more information, contact J. Alfredo Gomez at (202) 512-4101 or gomezj@gao.gov.

TRADE ADJUSTMENT ASSISTANCE

Commerce Program Has Helped Manufacturing and Services Firms, but Measures, Data, and Funding Formula Could Improve

What GAO Found

Changes to the Trade Adjustment Assistance (TAA) for Firms program mandated by the Trade and Globalization Adjustment Assistance Act led to program improvements and increased participation, but participation declined when the legislative changes lapsed and the program faced funding uncertainty. The changes resulted in reduced time to certify firms, new performance reporting, and increased participation. For example, officials told GAO that creating a director position and other full-time positions for the program reduced time to certify firms. In fulfilling new reporting requirements, the Economic Development Administration (EDA) collected information on performance measures and issued three annual reports. Also, EDA certified 26 services firms not previously eligible, as well as 32 additional firms based on more flexible certification requirements to demonstrate trade impacts. Although EDA increased the number of certified petitions and approved business recovery plans from fiscal years 2008 through 2010, the lapse in the legislative changes from February to October 2011 and uncertainty about program funding contributed to a decline in certified petitions and approved plans in fiscal year 2011.

EDA's performance measures and data collection for the TAA for Firms program provide limited information about the program's outcomes, although GAO's economic analysis found that participation in the program is statistically associated with an increase in firm sales. EDA collects data to report on 16 measures to gauge the program's performance, such as the number of firms that inquired about the program and the number of petitions filed, but most of these measures do not assess program outcomes. EDA is exploring better ways to assess the effect of their efforts on firms. In addition, EDA does not systematically maintain data collected by the TAA Centers on the firms they assist, resulting in gaps in centralized data that EDA could use to evaluate the program and meet reporting requirements. However, GAO's analysis of data collected from the centers showed that the program was associated with increased sales and productivity for manufacturing firms, although some factors were more strongly correlated with improved performance than was participation in the TAA for Firms program. GAO's survey of and interviews with firms participating in the program found that many firms reported satisfaction with the program's impacts. Notably, 73 percent reported that the program helped them with profitability; 71 percent that it helped them retain employees; and 57 percent that it helped them hire new employees.

To allocate funding to the TAA Centers, EDA uses a formula of weighted factors, such as each center's share of approved business recovery plans. However, the formula does not factor in differences in program need and costs in centers' service regions, even though centers varied in their use of program funds. For example, the formula does not take into account potential need for the program based on its objective of assisting firms that have lost sales and employment due to import competition. The formula also does not take into account the considerable differences in the costs of operating the centers to assist firms. As a result, some centers had spent their entire allocation by the conclusion of the most recent grant period, while other centers had not. Although EDA de-obligates and reallocates any unspent funds, it uses its allocation funding formula to do so, thus perpetuating the deficiency of failing to consider variable needs and costs.