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## Trade Adjustment Assistance for Firms

The Trade Adjustment Assistance for Firms (TAAF) program helps U.S. firms impacted by import competition to improve their global competitiveness. TAAF is administered by the U.S. Department of Commerce’s Economic Development Administration (EDA). **On July 1, 2022, TAAF termination provisions took effect**, meaning EDA cannot accept new petitions for TAAF but may continue to assist firms that submitted a petition prior to the program’s expiration.

Historically, Congress has reauthorized and expanded Trade Adjustment Assistance (TAA) programs, including TAAF and a larger program for workers (see **text box**), in tandem with trade liberalization legislation, such as for free trade agreements (FTAs). Congress has also reauthorized TAA programs during periods of high U.S. unemployment. While most of the policy discussions have focused on the TAA for Workers program, the 118<sup>th</sup> Congress may consider whether or not to reauthorize TAAF, or whether to make policy changes to the TAAF program.

**Trade Adjustment Assistance (TAA) for Workers** provides workforce services and other benefits for trade-affected workers. It is administered by the U.S. Department of Labor (DOL). Under sunset and termination provisions in the Trade Adjustment Assistance Reauthorization Act of 2015, the program began a phaseout on July 1, 2022. Workers who were receiving benefits prior to the termination may continue to do so, but new worker groups are ineligible for the program. TAA for Workers has continued to receive funding to support legacy participants. For FY2024, DOL has requested \$292.9 million for the program.

### Background

Congress first authorized TAA programs in the Trade Expansion Act of 1962 (P.L. 87-794), as amended. TAA programs were introduced to address domestic concerns about the localized negative impacts of trade liberalization without using trade protectionist measures such as tariffs, quotas, or duties. Congress reauthorized and expanded TAA programs in the Trade Act of 1974 (P.L. 93-618), which also created “fast track trade negotiating authority”—expedited legislative consideration of trade agreements, now referred to as Trade Promotion Authority (TPA).

Under the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA, part of P.L. 111-5, the American Recovery and Reinvestment Act), Congress expanded TAAF through provisions such as (1) the inclusion of service-sector firms to reflect their increased role in the U.S. economy, and (2) extended timeframes for evaluating negative impacts of import competition on firm sales and/or production.

Congress last reauthorized TAAF and other TAA programs in the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA, Title IV, P.L. 114-27), in conjunction with the latest TPA reauthorization. TPA expired in July 2021, and, to date, the Biden Administration has not sought reauthorization.

TAARA included “sunset provisions” for TAAF, which ended TGAAA’s expanded measures as of July 1, 2021. TAARA termination provisions took effect on July 1, 2022, meaning that firms can no longer submit new petitions for TAAF, but firms that filed a petition by June 30, 2022 can continue to receive assistance.

### TAAF Overview

EDA provides TAAF funding to 11 regional Trade Adjustment Assistance Centers (TAACs), which provide technical assistance to firms in the 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. EDA does not directly provide funds to firms. The following entities may apply to operate a TAAC: (1) universities or affiliated organizations; (2) states or local governments; or (3) nonprofit organizations.

**Phase 1: Certification.** TAACs worked with firms at **no cost** to complete and submit their petitions to EDA to be certified as a trade-impacted firm. Most firms that applied for TAAF certification have been from the manufacturing sector. EDA had to certify that firms met three conditions:

- Real or threatened negative employment impacts for “a significant number or proportion of workers”;
- Decreases to sales and/or production during a specified timeframe; and
- Import competition has “contributed importantly” to the negative impacts on employment and sales and/or production.

**Phase 2: Recovery Planning.** Once EDA certifies a firm, the firm works with TAAC staff to develop a business recovery plan (“adjustment proposal,” or AP) for approval by EDA. Firms have **two years** from certification to submit an AP. TAAF covers **75%** of phase 2 costs.

**Phase 3: AP Implementation.** Once EDA approves a firm’s AP, TAACs and firms jointly select and contract with consultants to assist with AP implementation. Firms have up to **five years** to implement projects, unless EDA approves an extension. TAAF covers **50%-75%** of costs (up to \$75,000) to implement APs, depending on the proposed project costs. Examples of AP projects include improvements to marketing/sales, production processes, financial systems, management, and information systems.

According to EDA, firms receive an average of 57 months of TAAF benefits from the time of petition certification until program completion.

**Table I. TAAF Program and Participant Information**

	2018	2019	2020	2021
Appropriations (millions)	\$13.0	\$13.0	\$13.0	\$13.5
APs Approved	98	66	64	97
Active Firms	530	538	498	538
Avg. Firm Sales (millions)	\$12.5	\$11.1	\$10.1	\$18.7
Avg. Firm Employees	67	63	57	59

**Source:** Department of Commerce EDA, annual TAAF reports.

**Notes:** EDA considers a firm “active” if it has an approved AP, has not completed all projects in its AP, and remains engaged in the TAAF program.

For FY2024, EDA has requested \$13 million in funding to continue providing technical assistance to firms already in the TAAF program. EDA stated that it expects a need for continued appropriations through FY2029 to serve firms currently in the program. EDA noted that unless Congress reauthorizes TAAF, the “inability to accept new firms into the program will ultimately result in program termination.”

## Impact of TAAF

The 2009 TGAAA included additional oversight and evaluation criteria for TAAF and required EDA to submit annual reports on TAAF to Congress. TGAAA also mandated the Government Accountability Office (GAO) to conduct a comprehensive evaluation of the TAAF program. GAO published this report in 2012, noting that changes mandated by TGAAA improved operations and led to increased TAAF participation. GAO found that a firm’s participation in TAAF was statistically associated with increased sales. At the same time, GAO recommended improvements to EDA’s performance measures and data collection. As of 2021, EDA had implemented all of GAO’s recommendations.

In its FY2021 TAAF annual report, EDA stated that self-reported TAAF participant data collected from FY2010-2021 shows that

- From certification to program completion, firms’ average sales increased by 30%, and average employment decreased by 4%.
- For the two years following program completion, average sales increased by 11%, and average employment increased by 18%.

Supporters of TAAF have argued that the program has a significant and positive impact on small- and medium-sized enterprises (SMEs), particularly manufacturers. Critics have questioned the program’s efficacy and noted that other government programs are available to provide similar assistance to firms. Previous Congresses and Administrations have considered eliminating TAAF due to

concerns about costs and duplication with other government programs.

## Issues for Congress

### TAAF reauthorization and trade liberalization.

Members in the 118<sup>th</sup> Congress may consider whether or not to renew TAAF and other TAA programs through bills such as H.R. 4276, which would also reauthorize the following trade measures that expired on December 31, 2020: (1) the Generalized System of Preferences (GSP), which provides nonreciprocal, duty-free access for certain goods from eligible developing countries, and (2) Miscellaneous Tariff Bills (MTBs) under the American Manufacturing Competitiveness Act of 2016 (P.L. 114-159), which temporarily suspend/reduce tariffs on certain imports.

During the 117<sup>th</sup> Congress, some Members expressed opposition to reauthorizing TAA without consideration of TPA. Some Members have criticized the Biden Administration’s overall trade policy approach, particularly what they describe as a lack of interest in negotiating with U.S. trading partners to secure new market access and tariff cuts. Some Members have also expressed concerns over executive trade agreements that the Administration has indicated do not require congressional approval (e.g., the March 2023 U.S.-Japan critical minerals agreement, ongoing negotiations for the Indo-Pacific Economic Framework for Prosperity). Administration officials have commented that a new model of trade policy is necessary to promote “equitable economic growth” and build a broader base of U.S. domestic support for global trade.

**Streamlining programs.** Members might consider streamlining TAAF with other federal programs that assist SMEs facing challenges, such as those operated by the Small Business Administration (SBA). For more on SBA programs see CRS Report RL33243, *Small Business Administration: A Primer on Programs and Funding*.

**Changes to TAAF.** If Congress chooses to reauthorize TAAF, Members may consider making changes to the program. For example, while TAAF has focused on firms that can demonstrate harm from import competition, Congress could consider measures to identify or support firms *before* they experience negative impacts. Congress could consider requiring EDA to prepare a capacity-building plan to assist industries or regions that the United States International Trade Commission (USITC) identifies as potentially vulnerable or likely to experience a negative impact from implementation of trade liberalizing measures.

Members may also consider whether or not firms affected by factors other than import competition should qualify for TAAF. It is difficult to disentangle trade-related impacts from changes related to technology, the growth of global supply chains, labor productivity, consumer preferences, and other domestic and global economic factors. In the 117<sup>th</sup> Congress, H.R. 5289 would have expanded TAAF eligibility to firms whose exports declined due to foreign tariffs imposed in retaliation for U.S. tariff increases under certain executive authorities.

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