



October 23, 2007

**Re: October 24<sup>th</sup> Markup of TAA Reauthorization Legislation**

Dear Representative:

I am writing on behalf of the 1.4 million members of the American Federation of State, County and Municipal Employees (AFSCME) to urge you to support the Trade and Globalization Assistance Act of 2007 (TGAA) and to oppose both alternative legislation that has been proposed by Ranking Member Jim McCrery and any limiting amendments.

AFSCME strongly supports the Chairman's mark. It is an excellent bill that makes important reforms to both the Trade Adjustment Assistance (TAA) and Unemployment Insurance (UI) programs. It will provide much needed and overdue help to displaced and unemployed workers while also shoring up the long neglected delivery system for both programs.

With regard to the TAA provisions, we especially support the extension of eligibility for TAA benefits and training to service sector workers, including public sector workers, and the necessary increase in training funds from \$220 million to \$440 million, with additional increases in future years. We also strongly support the provision of increased resources for state agencies to conduct eligibility determinations and provide employment services, including the \$12.5 million for each state to maintain a stable staff to conduct important outreach activities.

TGAA includes a critical requirement that the new TAA funds for administration and employment service be used to support state merit staff employees to make eligibility determinations and deliver services. AFSCME strongly urges you to oppose any effort to delete or modify this provision.

The merit staffing requirement will reinforce the existing delivery system for TAA, which is composed primarily of state agency merit staff in the unemployment insurance and Wagner-Peyser programs. As such, it is important not only as a way to ensure accountability and transparency in the operation of the program but also as a buffer against the Administration's intention to collapse TAA into the Workforce Investment Act (WIA) dislocated worker program and open the program up to private companies and agencies. The requirement is drafted in such a way that it will not interfere with arrangements some states have to use WIA funding to help supplement services to TAA workers.

Other important improvements in the legislation include industry-wide certification in certain instances and provisions to simplify and improve the process by which eligible workers access training and to cover all instances of off-shoring without needing to prove increased imports.

TGAA also makes improvements to the Health Coverage Tax Credit (HCTC) which provides a refundable, advanceable tax credit to eligible individuals, including certain retirees, for the purchase of health coverage. The bill addresses some of the problems with the current tax credit by increasing it from 65 percent to 85 percent, addressing gaps in coverage that wipe out needed consumer protections and putting some restrictions on the premiums insurers can charge. It also covers COBRA for newly covered public employees. We appreciate these changes, but are

concerned that the tax credit is eliminated after two years. We look forward to working with the Committee to ensure that a more workable program providing coverage to all eligible individuals be enacted and prevent the loss of health care assistance to anyone who has gained coverage.

The UI reforms in the legislation are likewise extremely important. We strongly support the financial incentives to states to modify their programs to make it easier for low wage, part-time workers to receive UI benefits. These provisions compliment the expansion of TAA assistance to service workers since TAA eligibility is tied to eligibility for unemployment insurance benefits, and low wage workers constitute a significant share of the service sector workforce. We also strongly support the annual \$100 million distribution of funds to the states to strengthen their UI and employment services delivery systems which have been eaten away by decades of stagnant funding and cuts

AFSCME strongly opposes the discussion draft circulated by Ranking Member McCrery. The draft reflects the Administration's objective to merge TAA into WIA, which is often administered by private contractors who are unfamiliar with the complexities of the TAA program. In particular, the draft mandates that all states co-enroll TAA workers in WIA and caps TAA training at \$8,000 to bring the program more in line with WIA training programs.

We urge you to vote against amendments that would have the effect of collapsing TAA into WIA. Merging the two programs will diminish the quality of services that TAA workers receive and deprive other dislocated workers of assistance as WIA dislocated worker funds are redirected to trade impacted workers.

AFSCME also opposes provisions in the McCrery draft that would vastly expand "wage insurance" which presently is a small pilot program limited to workers age 50 or older in the TAA program. These provisions would remove the current age limit in the TAA program and allow state UI trust funds to be diverted to wage insurance.

Under wage insurance workers who take jobs paying less than their previous job would receive a two-year wage subsidy to make up some of their lost income. There is little empirical evidence on wage insurance, but we do know that it encourages workers to take jobs they otherwise would not take and, in the process, also displaces other low-skilled workers who might otherwise take those jobs. Scarce budgetary resources should be used to help workers retrain for new careers and find good jobs instead of subsidizing downward mobility.

In summary, AFSCME strongly urges you to support the Trade and Globalization Assistance Act of 2007 and oppose the McCrery alternative or any weakening amendments.

Sincerely,



Charles M. Loveless  
Director of Legislation

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