

**TESTIMONY OF**  
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**DIRECTOR OF MIDATLANTIC TRADE ADJUSTMENT ASSISTANCE**  
**CENTER**  
**BEFORE THE**  
**UNITED STATES HOUSE OF REPRESENTATIVES**  
**COMMITTEE ON APPROPRIATIONS**  
**SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE AND RELATED**  
**AGENCIES**  
**MARCH 22, 2012**

Thank you Mr. Chairman for the opportunity to testify before this committee regarding appropriations for Trade Adjustment Assistance for Firms (TAAF). Since 1998 I have been the Director of the MidAtlantic Trade Adjustment Assistance Center (MATAAC) located in a suburb of Philadelphia. In that capacity I ask that Congress appropriate \$16 million in Fiscal-Year 2013 for the national Trade Adjustment Assistance for Firms program. MATAAC is a private sector non-profit entity, one of 11 such centers (or TAACs) that contract with the US Department of Commerce through the Economic Development Administration (EDA) to manage TAA for Firms throughout the nation. As part of that network my responsibility is to assist small firms in Pennsylvania, Maryland, Delaware, Virginia, West Virginia, New Jersey and the District of Columbia.

By way of credentials let me state that I have a Bachelor of Science Degree in Mechanical Engineering, have held engineering and executive positions in a variety of both public and private firms ranging in size from less than 20 to tens of thousands of employees in both manufacturing and service sectors. Positions held include: Project Engineer, Project Manager, Engineering Director, Plant Manager, General Manager, Vice President and Executive Vice President in the steel, chemicals, batteries, plastics, medical devices and management consulting markets. I have also been a small business owner.

TAA for Firms is a unique federal initiative focused exclusively on small companies under existential threat – threat contributed to by imports. Daily, I see small family-owned enterprises that have been in existence for generations who have spent the immediately previous couple of years burning working capital in a vain attempt to remain competitive. By the time I see them they are reduced to fighting for their survival from a position of significantly diminished financial strength with price reduction as the only tool left at their disposal.

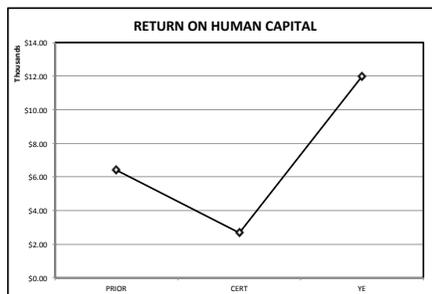
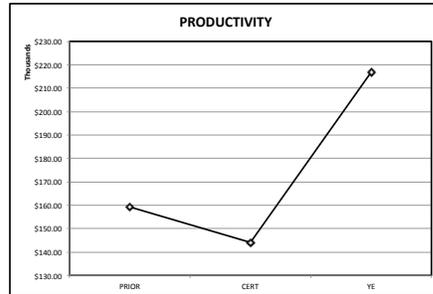
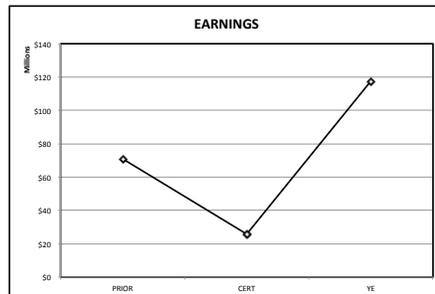
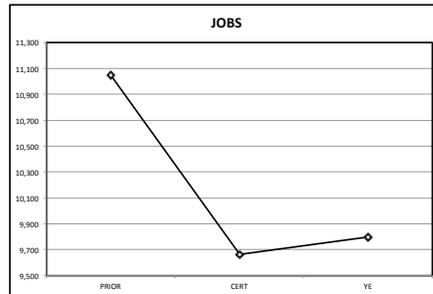
98% of MATAAC's portfolio responded to a recent survey. Aggregated results show that for the period immediately prior to program entry:

- Sales had declined more than 20%
- Productivity had declined by almost 10%
- Earnings had fallen more than 60%
- And more than 12% of employees had been laid off

Does anyone really think that a business exhibiting those stats (absent reversal) is in any way sustainable? In my previous life we had a term for it – death spiral.

Following program entry aggregated results as of YE 2011 show the breadth of the turnaround:

- Both Sales and Productivity grew more than 50%
- Earnings tripled
- And, not only had the decline in jobs been stopped, but 1.4% *more* jobs had been created



Some, in this building, have claimed that we are consultants and that we “grossly overcharge companies.” Further that we “ ... have been known to charge exorbitant overhead rates of 60 percent of grant funding ...” or that a high percentage of the firms assisted have gone out of business anyway. None of that is true. But what *is* true is that people like me have failed miserably in educating some folks. TAA for Firms doesn’t act as a consulting firm. It never has. It doesn’t sell anything. It doesn’t sell consulting time to keep its staffs busy. We don’t use the people’s money to compete against the private sector. We don’t pick up the pieces after catastrophic layoffs have already occurred and try to create new careers out of whole cloth. Our job is to prevent catastrophe in the first place. It’s a lot cheaper.

And as for overhead and sustainability consider:

1. Rather than cover several counties with a staff of as many as 10 or more, MATAAC covers 6 states with a staff of 4, resulting in an overhead rate for 2011 of just 16%. In other words, 84¢ of every dollar expended hits the street.
2. 98% of the firms assisted were still in business five years after entry into the program and half of the ones not in business didn’t go out of business, but were acquired.

TAA for Firms is an accelerator. Its overarching mission is to provide the wherewithal for small enterprises to do what they otherwise would have put off ‘till some tomorrow, i.e. upgrade their global competitiveness and upgrade it starting *now*.

And here’s the kicker: firms in the program have considerable skin in the game. With a dollar-for-dollar match (not exceeding \$75,000 in federal funds), TAAF leverages a company’s *own* financial investment in its *own* turnaround. Third-party private sector experts and consultants are jointly hired to implement a chain of knowledge-based projects over a period of time to reverse weaknesses heretofore preventing the company from truly achieving global competitiveness.

Each company’s circumstances are unique but there’s a common thread that I see every day. The typical small business owner can be the firm’s CEO, COO, CFO, its marketing manager, its sales manager, its HR manager and, at times, even its janitor – simultaneously. He or she routinely works insane hours six or seven days a week. And their main focus is *not* the status of trade agreements, international market dynamics, or even recent developments in operational technologies, new product development, shop floor or cash flow controls, or systems of management for agile performance. Their main concern is simply whether or not they’ll be able to make payroll by Thursday afternoon.

Program outcomes nationally speak for themselves:

- During the past 5 years 952 firms were assisted
- Aggregate results since program entry-
  - Jobs grew by 4%
  - Sales grew 26%
  - Productivity grew 21%

Nationally there is a backlog of approved, but unfunded, assistance exceeding \$26 million. For the period '07 through '11 federal funding for TAAF totaled \$71.2 million and the program returned more than \$14 in tax receipts for each dollar invested as follows:

**Investment per job:**

Funding, federal fiscal year 2007 to 2011 <sup>1</sup>	\$71,217,976
Total jobs impacted <sup>2</sup>	77,015
Investment per job	\$925

**Economic Impact per job:**

Income, average manufacturing job	\$44,221
Federal, state revenue on manufacturing @ 20.7%	\$9,154
Income multiplier <sup>3</sup>	\$22,111
Federal, state revenue on multiplier jobs	\$4,577
Annual federal & state revenue per manufacturing job <sup>4</sup>	\$13,731

**Return on Investment** **1,485%**

Mr. Chairman I realize that these numbers may seem heroic to some. That doesn't make them wrong. I believe they suggest that TAAF works – quite possibly better than most of what the federal government does on any given day. This program is small, agile and effective. Perhaps someday when we get serious about revitalizing the small business sector, it could possibly be considered the model-of-choice.

I thank the committee for giving me this opportunity today.

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<sup>1</sup> Funding covers 60 months (federal FY 2007 to 2011), includes only federal government expenditures, and includes funding only for the Trade Adjustment Assistance Centers. It does not include the administrative costs of the U.S. Department of Commerce.

<sup>2</sup> Jobs impacted are those jobs retained and generated at firms completing at least one technical assistance project by December 31, 2011. It does not include the impact of assistance for firms that entered the program after December 31, 2011.

<sup>3</sup> Multiplier jobs are those jobs generated in providing goods and services required by the employed manufacturing workers. Although often estimated at 2 or 2.5, for the purpose of this analysis, a very conservative multiplier of 0.5 was used. Manufacturing job revenue is calculated at an average hourly rate of \$21.26 (US Statistical Abstract 2011), an annual income of \$44,221 was assumed, and the multiplier income per manufacturing job is \$22,111.

<sup>4</sup> Annual revenue per job disregards local income tax or property tax revenue.