

# Fiscal Year 2012 Budget Analysis

## Key Federal Workforce and Education Programs

February 2011

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On February 14, President Obama submitted his Fiscal Year (FY) 2012 budget to Congress, providing the administration's appropriations requests for all federal discretionary programs and activities beginning October 1, 2011. Although Congress will develop its own budget resolution, the administration's budget request nevertheless plays a critical role in the annual appropriations cycle, establishing a framework for congressional consideration of federal spending and signaling the administration's priorities for the coming year.

This analysis provides an overview of key workforce development funding requests under the Departments of Labor, Education, and Health and Human Services.

### Department of Labor

*Note: Because Congress did not complete FY 2011 appropriations bill for programs under the Department of Labor, funding for these programs has been extended at FY 2010 levels under a series of continuing resolutions. All references to current funding levels refer to FY 2010 enacted levels and FY 2011 annualized levels, as provided by the current Continuing Resolution (CR), which expires on March 4. The recent House-passed CR (HR 1), which would replace the current CR, would [significantly reduce FY 2011 funding for a range of DOL programs](#), including eliminating all Program Year 2011 funding for Workforce Investment Act state formula grants.*

Overall, the administration's discretionary budget request for the Department of Labor (DOL) is \$12.8 billion, a decrease of about 5 percent from current funding levels. Funding for the Employment and Training Administration (ETA), which administers the Workforce Investment Act (WIA) and other federal job training and employment programs, is set at \$9.9 billion, compared to just under \$10.6 billion in FY 2011. The reductions largely reflect the administration's proposals to transfer the Senior Community Service Employment Program (SCSEP) to the Department of Health and Human Services (HHS), eliminate funding for the Career Pathways Innovation Fund, and decreased funding for a number of other programs and activities.

The centerpiece of the administration's budget request for ETA is the establishment of a \$380 million "Workforce Innovation Fund," which would be jointly administered by the Departments of Labor and Education (DOEd) and would provide competitive grants to states or partnerships to support:



“innovative new strategies and activities, or the replication and expansion of activities, that are designed to align programs and strengthen the workforce development system in a state or region in order to substantially improve education and employment outcomes for adults and youth served by such system, cost effectiveness, and the services provided to employers under such system.”<sup>1</sup>

The Innovation Fund would be supported through contributions from a number of programs, including the WIA Adult, Dislocated Worker, and Youth programs and Wagner-Peyser Employment Service (ES) state grant program under DOL, and the adult education state grant program and vocational rehabilitation program under DOEd. The administration is requesting that contributions to the Innovation Fund be transferrable between the two departments, and that departments be given authority to waive statutory and regulatory requirements of the contributing programs for projects supported through the Innovation Fund. Up to \$20 million under the Fund would be available to test “Pay for Success” bonds, through which the federal government would enter into agreements with ‘social investors’ (such as philanthropic organizations), states and localities, and service providers to support social service projects, with federal funding only disbursed upon achievement of the project’s goals.

The administration offered a similar proposal as part of the FY 2011 budget request, though there are important distinctions between last year’s proposal and the FY 2012 request. Unlike the FY 2011 proposal, which would have increased overall formula funding under WIA to pay for the Innovation Fund contributions, the FY 2012 proposal would very slightly reduce WIA formula funding compared to current levels, and then take the contributions out of this smaller total, meaning that the total amount available to states through formula funding would decrease significantly from FY 2011 to FY 2012. To reduce the impact on local areas, the administration proposes reducing the state set-aside under the WIA Adult, Dislocated Worker, and Youth programs from the current 15 percent to 7.5 percent. Another major difference in the FY 2012 proposal is the addition of the Employment Service as a contributing program, although the administration requests additional funding over current levels to cover the costs of this contribution. Finally, the FY 2012 proposal would establish the Innovation Fund as a single program, while the FY 2011 budget appeared to create multiple, smaller Funds that would have been linked to populations and activities supported through each of the contributing programs.

Because Congress never completed the full FY 2011 appropriations bill for DOL and DOEd, the Workforce Innovation Funds were not established or funded last year. However, the Senate Appropriations Committee did approve a Labor-HHS-Education spending bill that would have provided about \$242 million for similar innovation funds,<sup>2</sup> and with Democrats retaining control of that chamber in the 112<sup>th</sup> Congress there is some possibility that the committee will continue to support the establishment of an Innovation Fund as part of the FY 2012 appropriations process.

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<sup>1</sup> <http://www.dol.gov/dol/budget/2012/PDF/CBJ-2012-V3-08.pdf>

<sup>2</sup> [http://www.nationalskillscoalition.org/homepage-archive/documents/labor\\_hhs\\_educationfy11spendingpassed\\_2010-08.pdf](http://www.nationalskillscoalition.org/homepage-archive/documents/labor_hhs_educationfy11spendingpassed_2010-08.pdf)



## Workforce Investment Act

As in the FY 2011 budget request, the administration expresses interest in working with Congress to reauthorize WIA, arguing that “[t]he time has come to take a fresh look at the broad range of Federal investments in job training and develop improved models for delivering quality services.”<sup>3</sup> The administration identifies five objectives for WIA reauthorization:

- **Streamlining service delivery** by providing flexibility to states and localities to navigate differing rules and practices across multiple federal agencies and programs, including through waivers and program realignment.
- **True one-stop shopping for high-quality services** by ensuring jobseekers have access to high-quality One-Stop Career Centers that connect them with the full range of services available in their communities, whether they are looking to find a job, build basic or occupational skills, earn a postsecondary certificate or degree, or get guidance on how to chart a career path.
- **Engaging with employers on a regional and/or sectoral basis** by ensuring that federal programs are structured to promote continual engagement by the workforce system with employers of all sizes in high-demand sectors of the regional or local economy, as well as other stakeholders, to ensure that training programs lead to good jobs.
- **Improving accountability** by overhauling performance measures and making them consistent throughout the workforce system to promote better outcomes for individuals of all skill and need levels, particularly those who are not yet ready and able to move quickly into a good job. Programs should also be designed so that successful completion moves a worker along a career pathway.
- **Promoting innovation and identifying and replicating best practices** by restructuring WIA funding streams to promote the search for successful practices across programs, continuous innovation, and adoption of the most effective approaches.

FY 2012 funding for the WIA Adult formula program would be set at \$860.5 million, a decrease of just over \$1 million from current levels. Of that total, 8 percent (\$68.8 million) would be reserved as a contribution to the Workforce Innovation Fund, leaving approximately \$791.7 million for distribution by formula to states. The Department estimates that more than 6 million individuals will receive Adult-funded services in FY 2012, though they also suggest that the overall reduction in formula funding could result in as many as 906,751 fewer adults receiving services through the program than would be served if funding was kept at current levels.<sup>4</sup> However, the Department suggests that the impact is likely to be less severe because local funding levels will stay fairly consistent with FY 2010 levels.

Overall funding for the Dislocated Worker formula program would be set at \$1.17 billion, a decrease of about \$9 million from current levels. Of that total, 8 percent (just under \$94 million)

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<sup>3</sup> <http://www.dol.gov/dol/budget/2012/PDF/CBI-2012-V1-03.pdf>

<sup>4</sup> <http://www.dol.gov/dol/budget/2012/PDF/CBI-2012-V1-04.pdf>



would be reserved for the Workforce Innovation Fund, with about \$1.08 billion remaining available for states. The Department estimates that more than 1 million individuals will be served under the Dislocated Worker formula program in FY 2012. The budget calls for \$229.2 million for the Dislocated Worker National Reserve account, which is level with current funding.

The administration requests \$923.9 million for the WIA Youth program, a decrease of \$156,000 from FY 2010. Eight percent of this funding (\$73.9 million) would be set aside for the Workforce Innovation Fund, with \$850 million remaining for state allotments. The Department estimates that about 257,000 participants will receive Youth-funded services in FY 2012, a decrease of about 22,000 from FY 2010 participation.

The administration also proposes to allow local areas to transfer up to 30 percent of funds between Adult and Dislocated Worker programs, subject to approval by the governor, and recommends retaining a provision adopted under the American Recovery and Reinvestment Act that would allow local boards to contract with institutions of higher education or other eligible providers to facilitate training for multiple individuals, so long as such contracts do not limit customer choice.

## **Other ETA programs**

**Green Jobs Innovation Fund.** The administration reiterates a goal from last year's budget request to train over 120,000 workers for green jobs by June 2012. The budget calls for an investment of \$60 million under the Green Jobs Innovation to support this goal, an increase of \$20 million over current levels, though less than the \$85 million requested in FY 2011.

**Career Pathways Innovation Fund.** As under the FY 2011 budget request, the administration requests no new funding for the Career Pathways Innovation Fund, which replaced the Community-Based Job Training Grant program in FY 2010 and had been funded at \$125 million per year. The administration justifies elimination of this program as duplicative of the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program, for which Congress appropriated \$2 billion in FY 2011-14.<sup>5</sup>

**Indian and Native American Programs.** The administration is requesting \$54.2 million for Native American programs, an increase of about \$1.4 million over current levels.

**Migrant and Seasonal Farmworkers.** The administration is requesting \$86.6 million for migrant and seasonal farmworkers programs, an increase of \$2 million over current levels.

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<sup>5</sup> See <http://www.nationalskillscoalition.org/homepage-archive/taaccct-sga.html> for information about DOL's FY 2011 grant solicitation.



**Reintegration of Ex-Offenders.** The administration requests \$90 million for this program, of which \$20 million will be used for competitive grants to national and regional intermediaries for activities aimed at young ex-offenders and dropouts. The request represents a decrease of more than \$18 million from current levels.

**Pilots, Demonstrations, and Research.** \$6.6 million is requested for Pilots, Demonstrations, and Research activities, a decrease of \$86.8 million from current levels. The steep decrease reflects the exclusion of \$49 million in earmarks and \$37.9 million in programmatic funding, including funding for transitional jobs demonstration grants.

**Workforce Data Quality Initiative (WDQI).** The administration requests \$13.75 for the WDQI, which supports grants to state workforce agencies to develop longitudinal workforce and education data systems. The program is currently funded at \$12.5 million.

**Women in Apprenticeship.** The budget calls for \$1 million to support grants under the Women in Apprenticeship and Non-Traditional Occupations Act (WANTO), comparable to current funding levels.

**YouthBuild.** The administration requests \$115 million, an increase of \$12.5 million over current levels.

**High Growth Industries Grants.** The administration estimates that \$125 million will be available to support discretionary Job Training for Employment in High Growth Industries grants, which are funded through fees generated from the H-1B visa program rather than annual appropriations. The department did not release any grants under this program in FY 2010 because of reduced revenues during the economic downturn, but expects to release competitive grants for training in the health care sector in FY 2011. The budget indicates that funds will be used to support programs that target skills and competencies in demand for industries where employers are using H-1B visas to hire foreign workers, and that result in an employer- or industry recognized credential.

## Other DOL Programs

**Job Corps.** The administration requests just under \$1.7 billion, a decrease of about \$8.5 million from current levels. The administration would rescind \$25 million in FY 2011 appropriations for the construction, rehabilitation, and acquisition of Job Corps centers.

**Trade Adjustment Assistance (TAA).** The American Recovery and Reinvestment Act made a number of key changes to the TAA for Workers program, expanding access to public and service sector workers, increasing the annual training cap from \$220 million to \$575 million, and establishing a series of competitive grant programs, including the TAACCCT program and a program to support sector partnerships in trade-impacted communities. The amendments were



allowed to expire in February 2011, meaning that the program reverts back to pre-Recovery Act eligibility and funding levels for one year. The budget reflects the overall reduction in funding for training, but the administration proposes reauthorizing and extending the expanded program.

**Senior Community Service Employment Program.** The administration proposes transferring this program to the Department of Health and Human Services, with FY 2012 funding set at \$450 million. This program was funded at \$825 million in FY 2010.

**Wagner-Peyser Employment Services (ES).** The administration requests \$764.8 million for ES state grants, of which eight percent (\$61.2 million) is reserved for the new Workforce Innovation Fund. The remaining \$703.6 million is available for states, comparable with current levels.

## Department of Education

*Note: Because Congress did not complete FY 2011 appropriations bill for programs under the Department of Education (DOEd), funding for most of these programs has been extended at FY 2010 levels under the CR. All references to current funding levels refer to FY 2010 enacted levels and FY 2011 annualized levels, as provided by the current CR. The House CR (HR 1) would significantly reduce FY 2011 funding for some key DOEd programs, including reducing the maximum individual Pell Grant award level by more than \$800—reducing overall FY 2011 funding by nearly \$5.7 billion<sup>6</sup>—and reducing funding for state career and technical education grants.*

The FY 2012 budget calls for overall discretionary spending of \$77.4 billion under DOEd, including nearly \$30 billion in discretionary funding for the federal Pell Grant program, up from about \$64.1 billion in FY 2011. Overall, the budget reflects a balancing act between administration priorities and their desire to demonstrate fiscal discipline. The administration would sustain current maximum award levels for Pell Grants, but would cover increased costs in part by eliminating year-round grants that help working adults and other non-traditional students shorten their time to completion. The administration proposes significant new funding for institutional incentive grants to support college completion, but would defer most funding for this program into FY 2013 and beyond. The budget also calls for \$80 million in adult education and vocational rehabilitation contributions to the Workforce Innovation Fund, but would reduce state grants for adult education and career and technical education activities.

**Pell Grants.** The administration requests a total of \$41.2 billion in new Pell Grant funding in FY 2012—including \$28.6 million in discretionary appropriations and \$12.6 billion in mandatory funding—which would support the current maximum individual award level of \$5,550. The

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<sup>6</sup> In addition, the Congressional Budget Office estimates that reducing the discretionary award level in FY 2011 will trigger a provision in current law that effectively eliminates mandatory funding for Pell Grants beginning in FY 2014, which would result in an additional \$66 billion in funding reductions over the next decade.



administration does not renew requests under the FY 2010 and FY 2011 budgets to make all Pell Grant funding mandatory.

Due to the substantially increased demand for Pell grants—the number of eligible recipients will increase from 6.2 million in 2008 to 9.4 million in 2011—and the subsequent increase in program costs over that period, the department estimates that Pell will face a funding shortfall of \$20.4 billion by the end of the 2012-2013 award year.<sup>7</sup> To reduce these costs, the administration recommends—as part of a proposed Pell Grant Protection Act—to suspend the “year-round Pell” provision that allowed eligible students to receive two Pell awards in a single academic year. The Department indicates that this provision, which was intended to help students pursue education during the summer to accelerate program completion, has added nearly \$8 billion to program costs in FY 2011 and 2012. The administration also proposes to eliminate a provision providing in-school interest subsidies for graduate students, which would generate about \$2.2 billion in savings in FY 2012.

**College Completion Incentive Grants.** The administration proposes \$50 million in FY 2012 for a new grant program designed to encourage states and institutions of higher education to develop strategies for increasing college completion. Participating states would be required to set goals for improving graduation rates and closing achievement gaps; all public institutions in the state would be required to participate, while private nonprofit and for-profit institutions would be allowed to participate if they met certain conditions. The administration anticipates requesting \$300 million per year in FY 2013-2016 to expand the program, for a total of \$1.25 billion over five years.

**Adult Education.** The budget would set FY 2012 funding for adult education state grants at \$635 million, about \$6.8 million above current levels. Of this total, eight percent (\$50.8 million) would be set aside as a contribution to the new Workforce Innovation Fund. The administration proposes boosting funding for adult education national leadership activities from \$11.3 million to \$23.3 million in FY 2012; the increase would provide \$6 million for an impact evaluation of college bridge programs that assist adult learners in transitioning from adult education to postsecondary education, as well as \$6 million to support development of a comprehensive technology infrastructure that would provide online and technology-based learning tools for adult learners.

**Career and Technical Education.** The administration proposes to reduce funding for career and technical education state grants from \$1.16 billion to \$1 billion in FY 2012, a decrease of about \$160 million. In addition, the budget calls for the elimination of funding for the Tech-Prep program, which is currently funded at \$103 million per year.

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<sup>7</sup> <http://www2.ed.gov/about/overview/budget/budget12/justifications/p-sfa.pdf>



## Department Of Health and Human Services

*Note: Because Congress did not complete FY 2011 appropriations bill for programs under the Department of Health and Human Services, funding for most of these programs has been extended at FY 2010 levels under the CR. All references to current funding levels refer to FY 2010 enacted levels and FY 2011 annualized levels, as provided by the current CR.*

### Temporary Assistance for Needy Families

The administration's FY 2012 Department of Health and Human Services (HHS) budget proposal would extend the Temporary Assistance for Needy Families (TANF) block grant at current levels. The administration's budget proposal would maintain existing FY 2012 advanced funding for the TANF Contingency Fund (\$612 million) and for TANF state supplemental grant. The budget proposal would not restore the Emergency Contingency Fund, which was established under the American Recovery and Reinvestment Act<sup>8</sup> but allowed to expire last September.

While the administration does not anticipate a full reauthorization of TANF in 2011 — asking instead for Congress to extend current law for a year — supporting documents include the statement that:

“[w]hen TANF reauthorization is considered, the Administration would be interested in exploring with Congress a variety of strategies to strengthen the program's ability to improve outcomes for families and children including helping more parents succeed as workers by building on the recent successes with subsidized employment; using performance indicators to drive program improvement; and preparing the program to respond more effectively in the event of a future economic downturn.”<sup>9</sup>

### Other Workforce Development Provisions

**American Opportunity Tax Credit.** Originally established under the American Recovery and Reinvestment Act, the American Opportunity tax credit temporarily replaced the Hope Scholarship credit and allows for a partially refundable \$2500 per year credit for qualifying postsecondary education expenses. The credit was extended through 2012 as part of the recent law extending the Bush-era tax cuts, and the administration's budget proposal would make the credit permanent.

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<sup>8</sup> P.L. 111-5

<sup>9</sup> <http://www.acf.hhs.gov/programs/olab/budget/2012/cj/TANF.pdf>