

House Fiscal Year 2012 Budget Resolution

Impact on Workforce Development Programs

April 2011

On April 15, the House of Representatives approved its Fiscal Year (FY) 2012 budget resolution (H.Con.Res.34). The budget resolution, which is supposed to be adopted jointly by the House and Senate each year, sets spending limits across nineteen broad federal “functions” (such as agriculture, transportation, etc.), creating an overall blueprint for the appropriations committees as they allocate federal funding for specific programs. The budget resolution can also include instructions to authorizing committees, requiring them to develop legislation that results in long-term savings—although it is ultimately up to the committees to determine how to achieve these savings—and often includes a range of other substantive policy recommendations which, though technically non-binding, can significantly shape policy debates in Washington.

The FY 2012 House budget resolution seeks to reduce federal spending by approximately \$4.3 trillion over the next ten years,¹ primarily through steep cuts and structural changes in health care, income support, and other programs that have traditionally provided the social “safety net” for working individuals and their families. Of particular concern to workforce development advocates are a series of recommendations and assumptions included in the House budget resolution relating to job training and education assistance programs that promise to significantly reduce access to these critical services for a broad range of U.S. jobseekers and students.²

The Democratically-controlled Senate will not adopt the House-passed budget resolution. However, House leaders have made clear that they intend to push for adoption of annual federal spending caps—likely as a condition for raising the debt ceiling—at or near the levels

¹According to an [analysis](#) done by the Center on Budget and Policy Priorities, the House budget resolution also contains \$4.2 trillion in tax cuts, resulting in actual deficit reductions of just \$155 billion over ten years.

²Additionally, several [key House committees held hearings](#) in April to highlight the findings of a January 2011 Government Accountability Office (GAO) report on job training programs, claiming that the report provided evidence of ineffectiveness and duplication across the workforce system. Taken together, these developments clearly signal forthcoming efforts to radically transform the federal role in investing in the skills of the U.S. workforce. Although the budget resolution itself cannot make changes to existing law, it does provide insights into the types of policies likely to be considered by House authorizing committees.



proposed in the House budget. If adopted, such caps almost certainly ensure that appropriations for workforce and other discretionary programs in FY 2012 and beyond will be significantly lower than current funding levels.

This paper provides a brief summary of workforce and education provisions included in the House budget resolution.

Federal Job Training Programs

Although the budget resolution sets only the broadest funding parameters for FY 2012, the budget committee makes a number of assumptions about policy changes they believe Congress should make in order to achieve the funding levels specified in the budget resolution. While the budget resolution often provides only limited details about these underlying assumptions, it is possible to read between the lines somewhat and begin looking for clues in some of the language accompanying the budget resolution.

In particular, the [committee report](#) accompanying the budget resolution makes several references to restructuring federal job training programs. In a section entitled “Welfare reform to strengthen the social safety net” — a category of “reforms” that also includes recommendations to block grant Medicaid and the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) — the report states:

The government’s dozens of job-training programs suffer from overlapping responsibilities and too often lack accountability. The government must do a much better job of leveraging and targeting existing resources in this policy area. This budget consolidates a complex maze of dozens of job-training programs into more accessible, accountable career scholarships aimed at empowering American workers with the resources they need to pursue their dreams. (p. 27)

In the more detailed policy section describing reforms under the Education, Training, Employment, and Social Services budget function, the report includes a section called “Reform Job Training Programs,” which cites the January GAO report and recommends that “All congressional committees with jurisdiction over job training programs should look to consolidate as many administrative structures as possible to eliminate duplication and maximize taxpayer funds by focusing them on the most effective means of delivering job training activities.” (p. 94).

A further reference to job training programs may be found under the description of a budget function³ which is used to address the budgetary effects of proposals that are not clearly specified or would affect multiple categories of spending. This section describes \$6.2 billion in cuts in budget authority in FY 2012 and \$61.5 billion in cuts in budget authority over the next decade, at least part of which would reflect the repeal of unobligated discretionary funding

³ Function 920 (“Allowances”), p. 123 of the committee report.



under the American Recovery and Reinvestment Act (P.L. 111-5) and “consolidation of Federal job training programs.” It is likely that to get to this level of savings Congress would need to make extraordinarily deep cuts, potentially all but eliminating funding for federal education and training programs.

The committee report returns repeatedly to the idea of consolidating workforce programs, and clearly assumes extensive savings can be achieved through consolidation. In particular, the idea of collapsing multiple funding streams into a single “career scholarship” program seems to be a core provision of the reforms envisioned under the House-passed budget resolution. However, the budget resolution provides no details on the structure of these “career scholarships” or the programs that would be targeted under this proposal. It seems plausible, though, that the scholarships would build on the “career advancement accounts” (CAAs) proposed by the George W. Bush Administration in the FY 2007 and 2008 budget requests.

CAAs as proposed by the Bush Administration would have consolidated several funding streams under the Department of Labor to create self-directed individual training accounts with strict time and spending limits.⁴ Many workforce development advocates opposed the CAA proposal because it involved significant spending cuts (the FY 2008 would have reduced combined funding for the consolidated programs by \$887 million, or 22 percent⁵) and would have limited the availability of counseling, job placement and other services that can be particularly effective for jobseekers with barriers to employment.⁶

Given the references in the budget resolution to the consolidation of “dozens” of job training programs, and the estimated savings from such consolidation, it is reasonable to assume that the career scholarship proposal would have a far greater impact, across a broader range of programs, than the earlier CAA proposal. The apparent coordination of hearings by House committees with jurisdiction over Workforce Investment Act (WIA) and Temporary Assistance for Needy Families (TANF) employment and training programs further suggests that any proposed consolidation would expand beyond the relatively small set of programs recommended by the Bush Administration.

Pell Grants

While the budget offers relatively little detail regarding proposed changes to federal job training programs, the committee report does include a number of specific recommendations for the Pell

⁴The 2008 budget proposal called for consolidation of the Adult, Dislocated Worker, and Youth formula funding streams under the Workforce Investment Act, state Employment Services grants, grants to support labor-market information activities, and administrative funding relating to the Welfare to Work and Work opportunity tax credits. <http://www.dol.gov/dol/budget/2008/PDF/CBJ-2008-V1-04.pdf>.

⁵ http://www.workforcealliance.org/resources/washington-updates/2007/twa_washingtonupdate_2007_february.pdf.

⁶ <http://www.policyarchive.org/handle/10207/bitstreams/14099.pdf>.



Grant program, which provides tuition assistance to low-income college students. In a section entitled “Make the Pell Grant Program Sustainable,” (p. 94-95), the committee report suggests that Pell Grant reform would, among other things:

- *“End year-round Pell. The Higher Education Opportunity Act expanded Pell Grant funding for eligible students to receive a second Pell Grant in a single year to attend summer school. The Department of Education attributes 22-percent of program growth since 2008 to this extra award.”*

President Obama proposed suspending the “year-round” Pell provision in his FY 2012 budget request, arguing that it would add a projected \$8 billion in program costs in FY 2011 and 2012.⁷ The final FY 2011 continuing resolution (HR 1473) discontinued funding for these awards.⁸

- *“Set stricter lifetime limits. Currently, students can get Pell Grants for 18 semesters (9 years). The budget recommends a limit of 12 semesters (6 years), or their equivalents for part-time students.”*

Introduced as part of the 2008 Higher Education Opportunity Act (HEOA), the lifetime caps for Pell include time spent in developmental education or English as a Second Language (ESL) programs to prepare for credit-bearing coursework.⁹ With nearly 60 percent of all community college students requiring at least one developmental course, and only 25 percent of such students earning a degree within eight years,¹⁰ further reducing the availability of Pell Grants would likely have a disproportionate impact on students with lower literacy and numeracy skills.

- *“Roll back certain recent expansions to the Need Analysis to Ensure Aid is Targeted to the Truly Needy. The Department of Education attributes 14 percent of program growth since 2008 to recent legislative expansions to the need analysis formula. The biggest cost drivers come from changes made in the College Cost Reduction and Access Act of 2007 [CCRAA], such as the expansions of the level at which a student qualifies for an automatic zero ‘Expected Family Contribution’ [EFC] and the income protection allowance. These should be returned to pre-CCRAA levels.”*

The CCRAA increased the “automatic zero” EFC threshold—meaning the level at which a student’s family would not be expected to contribute to the student’s college costs—from \$20,000 in household income to \$30,000. Considering that the pre-CCRAA automatic zero threshold was below the federal poverty threshold for a family of four in

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

⁸ <http://appropriations.house.gov/files/41211SummaryFinalFY2011CR.pdf>.

⁹ See analysis in <http://www.clasp.org/admin/site/publications/files/0430.pdf>.

¹⁰ <http://www.nga.org/Files/pdf/C2CBriefingPaperRemedialEd.pdf>.



2010,¹¹ it seems likely that reverting to the earlier level will have little impact beyond reducing awards for students with the greatest levels of financial need.

- *“Eliminate eligibility for less-than-half-time students. Funding should be reserved for students with a larger commitment to their education.”*

Less-than-half time students represent a fairly small percentage of students receiving Pell awards— about 38,500 out of 6.2 million recipients during the 2008-09 Award Year. However, it is worth noting that fully 70 percent of these students were classified as independent students with dependents, suggesting that, far from lacking commitment to their education, many of these individuals are using Pell Grants to pursue their studies while continuing to work and support their families. Rather than being penalized, federal policy should be reformed to ensure that these individuals are receiving the highest possible level of tuition assistance and supportive services to enable them to upgrade their skills and enhance their career prospects.

- *“Terminate eligibility for those who currently receive the minimum award. Right now a student can get a minimum Pell award of \$278, which is unlikely to have much, if any, impact. Funding should be more effectively targeted towards those who need it most.”*

The HEOA created a “bump” that ensured that any student qualifying for Pell Grant assistance would receive a minimum award of ten percent of the total maximum award (\$555 in Award Year 2010-11). For students attending public community colleges in 2010, that level of award covered 20 percent of the average published tuition rate of \$2713.¹²

- *Adopt a sustainable maximum award level. The Department of Education attributes 25 percent of recent program growth to the \$619 increase in the maximum award done in the stimulus bill that took effect in the 2009-10 academic year.*

While the committee report does not propose a maximum discretionary Pell Grant level, a summary of the budget resolution released on April 5 suggests that award levels would be returned to “pre-stimulus” levels.¹³ According to an analysis from the Senate budget committee, “if discretionary Pell grants are just frozen at the 2011 House-passed-CR level,¹⁴ it would result in reducing Pell grant awards by approximately 60 percent in

¹¹ \$22,162. Downloaded at <http://www.census.gov/hhes/www/poverty/data/threshld/index.html>.

¹² http://trends.collegeboard.org/downloads/College_Pricing_2010.pdf.

¹³ <http://budget.house.gov/UploadedFiles/PathToProsperityFY2012.pdf>.

¹⁴ HR 1 would have reduced the maximum award (including discretionary and mandatory funds) to \$4,705, a 15 percent cut from the current maximum award. The maximum award in the 2008-09 Award Year was \$4,731.



2012 (reducing the maximum award amount from \$5,550 to about \$2,100).¹⁵ Clearly, any efforts to reduce funding for the Pell Grant program to pre-ARRA levels would have significant effects on the ability of millions of low-income students to pay for college.

Student Aid and Fiscal Responsibility Act (SAFRA) of 2010

Congress passed SAFRA as part of the Health Care and Education Reconciliation Act (P.L. 111-52), requiring all federal student loans to be processed through the Direct Loan program starting in 2010, and using the estimated savings to increase funding for Pell Grants, reduce the deficit, and invest in several programs designed to enhance college access and expand postsecondary capacity.

The budget resolution recommends “repealing new funding” under SAFRA in a number of ways, including suspending modifications to the Income-Based Repayment (IBR) program for certain low-income earners starting in 2014, and elimination of mandatory funding for the College Access Challenge Grant program, which supports state efforts to increase the number of college completers and close gaps in achievement among vulnerable student populations.

Most notably for workforce advocates, the budget resolution proposes making funding for the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program discretionary, rather than mandatory. Congress appropriated \$2 billion (\$500 million in each of FYs 2011-2014) under SAFRA to support this program, which provides capacity-building grants to community colleges and other eligible institutions to help them prepare trade-impacted workers for jobs in high-wage, high-skill occupations. The Department of Labor has already released a Solicitation for Grant Applications (SGA) for FY 2011 funds;¹⁶ the House budget proposal would presumably rescind the remaining \$1.5 billion available for FYs 2012-2014, and require Congress to re-appropriate the money through the annual discretionary appropriations process.

¹⁵ http://budget.senate.gov/democratic/index.cfm/documents---analyses?ContentRecord_id=a0c90fc7-24d3-429c-ae5f-2d89f7afea3d&ContentType_id=94b7f973-e764-43ef-9365-d24d20a41170&Group_id=21c20bfa-d4fd-4bac-b73c-4808d6c5efe9.

¹⁶ <http://www.nationalskillscoalition.org/homepage-archive/taaccct-sga.html>.