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## Federal Funding

### Budget and Appropriations

#### Congress adopts budget resolution; allocations for discretionary spending released

On May 17th, the House and Senate adopted the budget resolution for Fiscal Year 2008, rejecting significant cuts to education and training proposed by the Administration. Congress provides \$9.5 billion more than requested by the President for education, training, employment, and social services programs. A significant portion of that increase is attributable to anticipated plans in both the House and Senate to increase Pell Grant funding. The budget resolution also includes budgetary mechanisms (including reconciliation instructions) to leverage those additional higher education dollars.

Based on the levels laid out in the budget, the House and Senate Appropriations Committees developed the following 302(b) allocations for discretionary spending. Appropriations subcommittees will use these targets as guides as they develop their FY08 appropriations:

<b>FY08 Allocations for Discretionary Spending</b>				
	<b>House 302(b) Allocation</b>	<b>Senate 302(b) Allocation</b>	<b>Administration Request</b>	<b>FY07 Level</b>
<i>Numbers in Billions</i>				
Agriculture	\$18.8	\$18.7	\$17.8	\$17.7
Commerce-Justice-Science	\$53.6	\$54.4	\$51.2	\$50.3
Defense	\$459.3	\$459.3	\$462.9	\$419.6
Energy and Water	\$31.6	\$32.3	\$30.5	\$30.3
Financial Services & General Govt.	\$21	\$21	\$21.7	\$19.5
Homeland Security	\$36.3	\$36.4	\$34.2	\$31.9
Interior-Environment	\$27.6	\$27.2	\$25.7	\$26.4
<b>Labor-HHS-Education</b>	<b>\$151.1</b>	<b>\$149.2</b>	<b>\$140.9</b>	<b>\$144.5</b>
Legislative Branch	\$4	\$4	\$4.3	\$3.8
Military Construction-VA	\$64.7	\$64.7	\$60.7	\$49.8
State-Foreign Operations	\$34.2	\$34.2	\$34.9	\$31.3
Transportation-HUD	\$50.7	\$51	\$47.96	\$47.5

## **Despite workforce field’s appeal, committee appropriations bills do not expand workforce funding; Senate level funds, House cuts WIA**

Following the adoption of these overall Labor-HHS-Education spending targets, House and Senate appropriators began the work of allocating funding to specific programs. Unfortunately, while most of the 70 programs funded under the bill received increases, workforce and vocational education programs were among the very few that did not receive any additional funding—thereby raising deep concerns in the workforce development community.

In April, anticipating the need for workforce programs to fight for their share of expanded Labor-HHS-Education funding, **The Workforce Alliance** and the workforce development community submitted a **national sign-on letter to [House](#) and [Senate](#) Appropriators** – signed by over 200 businesses, union affiliates, higher education and job training providers, and public agencies -- urging that WIA funding levels be restored, at a minimum, to FY05 levels as a critical first step toward reversing years of cuts. Specifically, the letter requested job training (WIA Title I) funding at \$4.16 billion, adult education (WIA Title II) at \$585 million, and vocational education (Perkins) at \$1.33 billion in FY08.

### ***Senate level funds WIA and Perkins, but limits USDOL efforts to alter programs***

Despite this broad-based call from the field, Senate and House Appropriators chose to move in the opposite direction. On June 21st, the Senate Appropriations Committee passed the Labor-HHS-Education appropriations bill (S. 1710), calling for level funding of WIA Adult, Dislocated Worker, and Youth funding streams, as well as for level funding of Perkins. These four programs were among only 13 that did not receive funding increases in the bill.

At the same time, the Senate bill did include some positive elements, largely to limit Administration proposals to further alter or defund these programs, including:

- Rejection of the Administration’s proposal to rescind \$335 million in carryover WIA funds.
- Continued prohibition of DOL promulgating regulations or taking administrative action on WIA, Wagner-Peyser and TAA until these programs are reauthorized by Congress.
- Language expressing the committee’s displeasure with DOL proposals to a) cut funding for job training, and b) cut and consolidate existing funding streams. While the Committee notes its support for expanding the portion of WIA dollars directed toward training, it rejects DOL’s proposed solution (block-granting and CAAs) as the means to achieve that end.
- Rejection of the Administration’s proposal to increase transfer between Adult and Dislocated Worker programs from current 30 percent to 40 percent, noting that many states report no funds have been transferred under current authority while other states have already received waivers allowing 100 percent transfer.

- Rejection of the Administration’s proposal to allow the Secretary of Labor to reallocate a state’s funds if total amount of unexpended balances exceeds 30 percent in PY06.

Senate appropriators did make \$125 million available for Community-Based Job Training grants (the Administration’s Community College Initiative) but included language that requires awarding grants on a competitive basis and better evaluation of these grants. They also increased funding for pilots and demos under DOL, from \$14.7 million in FY07 to \$30.65 million in FY08, but requested better performance measures to ensure the ensuing grants are improving the effectiveness of larger DOL programs.

Finally, while the Senate bill explicitly approves of the continued use of H-1B visa fees to fund current grant programs out of the Department of Labor, the Committee strongly questions DOL’s several “demand driven” grant programs, including its High Growth Job Training Initiative (HGJTI) and its Workforce Innovation in Regional Economic Development (WIRED) grants. Echoing questions raised in a recent Congressional Research Service report (see below), the Committee presses the Department to award such grants on a competitive basis, and asks the Department to provide information in its Fiscal Year 2009 Budget demonstrating that such grants are integrated with the public workforce development system, rather than being used as an alternative to it. The Committee also seeks from the Department an evaluation plan, and new performance outcomes and measures, if said grants are to be again funded in FY09.

*To view the Senate Labor-HHS-Education Appropriations bill, click [here](#).*

*To view the report on the Senate Labor-HHS-Education Appropriations bill, click [here](#).*

*To view a summary of the Senate Labor-HHS-Education FY08 funding levels, click [here](#).*

### ***House approves rescission of WIA funds to support other programs***

The House Appropriations Committee passed its version of the Labor-HHS-Education appropriations bill on July 11th. The bill reported out by the Labor-HHS-Education Subcommittee originally level funded WIA Adult, Dislocated Worker and Youth programs at FY07 levels. However, during the full committee mark-up Congressman Jim Walsh (R-NY) offered an amendment to use the Administration’s proposed \$335 million rescission of “unexpended” WIA carry-over funds to pay for an increase in Individuals with Disabilities Education Act (IDEA) funding. In a surprise move, the amendment was accepted on a voice vote without objection—including from any Democrats—which means that the House bill now includes a \$335 million cut in WIA funding.

It now becomes critically important for the workforce development community to work with the House appropriators to find an alternative funding source to pay for the increase in IDEA funding, and with the Senate to ensure they hold their position and reject cuts to WIA. TWA will provide updates as new information becomes available.

*To view a summary of the House Labor-HHS-Education Subcommittee FY08 funding levels (without full Committee’s additional \$335 million WIA rescission), click [here](#).*



## Workforce Programs

### Workforce Investment Act (WIA)

#### **Prospects for WIA reauthorization still uncertain; Congress aiming to push measures through**

Six months into the 110<sup>th</sup> Congress, the prospects for WIA reauthorization remain uncertain as workforce issues continue to compete for attention with other higher profile pieces of legislation at both the committee level (e.g., No Child Left Behind) and on the floor (Iraq, Appropriations, Energy, the Farm Bill, S-CHIP reauthorization).

In the Senate, the Health, Education, Labor and Pensions (HELP) Committee has yet to release a discussion draft of its WIA bill, which was to have been completed after the collection of extensive comments from stakeholders in March. The committee had already indicated that to expedite the bill's passage through the chamber with limited debate, it would likely not entertain major changes from the bipartisan version passed by the Senate under the previous Congress.

By comparison, the House Education and Labor Committee has indicated more interest in opening up the WIA discussion, given that Committee Democrats had little input into the WIA bill that previously passed the House. To that end, on June 28<sup>th</sup>, the Subcommittee on Higher Education, Lifelong Learning, and Competitiveness held its first hearing on WIA. Witnesses included: **Dr. Rachel Gragg, The Workforce Alliance (TWA)**; Evelyn Ganzglass, Center for Law and Social Policy (CLASP); Dr. Sandra Baxter, National Institute for Literacy; Dr. Sigurd Nilsen, Government Accountability Office (GAO); Bruce Ferguson, Worksource in Jacksonville, Florida; and Wes Jurey, Arlington Texas Chamber of Commerce.

Opening the hearing, Subcommittee Chairman Ruben Hinojosa (D-TX) expressed hope that the bill's development would proceed in a bipartisan fashion and that Congress would reverse the funding cuts of the past several years. Ranking Member Ric Keller (R-FL) focused on the need for greater local flexibility in WIA programs.

TWA's testimony focused on the Alliance's reauthorization priorities -- increasing access to training, maintaining and improving the public workforce infrastructure, and creating designated capacity for sector or industry partnerships—as well as recommendations on performance measures, eligible training providers, and meeting the needs of hard-to-service clients in a universal workforce system.

The House is expected to have at least one more WIA hearing, with the goal of producing a draft bill by early fall. If legislative calendar pressures continue, however, House Committee leaders have not ruled out simply using the Senate bill as a starting point instead.

*To view the hearing, including TWA's testimony, click [here](#). For TWA's written testimony, [here](#). To view TWA's Priorities for WIA reauthorization, click [here](#). To view TWA's Hi-SPEED Sector Partnership proposal for WIA reauthorization, click [here](#).*

## **Department of Labor issues WIA reauthorization proposal**

In early June, the Department of Labor sent its WIA reauthorization blueprint to Congress, largely reprising past proposals previously rejected by Congress. These include the consolidation of the WIA Adult, Dislocated Worker, and Youth programs and Wagner-Peyser Employment Services into a single block grant to states that would mainly fund Career Advancement Accounts (CAAs). CAAs are federally capped vouchers distributed to individuals to purchase training or related employment services. TWA does not foresee Congress adopting any of the major recommendations in the proposal.

## **House Subcommittee Chair Hinojosa (D-TX) introduces WIA Title II reauthorization**

On May 8th, Ruben Hinojosa (D-TX), chairman of the House Education and Labor Committee's Subcommittee on Lifelong Learning, Higher Education and Competitiveness, introduced the Adults Achieving the American Dream Act of 2007 (H.R. 2214), his WIA Title II reauthorization proposal. In a change from current law, which allows appropriators to determine annually adult education funding levels, Hinojosa's bill would explicitly authorize \$1.2 billion per year for Title II, more than doubling the program's current \$580 million appropriation. Additionally, the measure would adapt adult education to growing Hispanic populations through grants to support English literacy programs as well as tax incentives for employers offering English as a Second Language (ESL) programs to their employees. The bill was introduced in the House Education and Labor Committee, but has yet to be marked up with no further action currently scheduled.

*To view the bill, click [here](#).*

## **Other Workforce News**

### **New Green Jobs training programs included in House and Senate energy bills; Pathways out of Poverty program included**

On June 25th, Representative Hilda Solis (D-CA), with co-sponsors Tierney (D-MA) and McNerney (D-CA), introduced the Green Jobs Act of 2007 (H.R. 2847). The bill would amend WIA, funneling an additional \$125 million through the Department of Labor to train workers for skilled jobs in emerging green industries, such as energy efficient construction, renewable electric power, energy efficient vehicle production, and biofuels development. The bill would also help identify and track the new jobs and skills needed to grow the renewable energy and energy efficiency industries, and would support research and development for new job standards and training curricula for these industries.

The majority of the bill's training dollars (up to \$100 million) are designated specifically for union-affiliated labor-management partnerships. An additional \$25 million would be reserved

for a new Pathways out of Poverty program, to be implemented by community-based organizations, targeting services specifically to individuals with incomes below 200 percent of the federal poverty line or a local area self-sufficiency standard. Funding for these programs could be used to pay for occupational training, as well as support services, such as child care or transportation assistance, for workers while they are in the training.

The bill was passed by the House Education and Labor Committee by a vote of 26-18 on June 27th. We expect the language will be incorporated in the larger energy bill that will likely be debated on the House floor this month. Similar language, offered by Senators Sanders (I-VT) and Clinton (D-NY), was included in the Senate energy bill passed last month.

To view the bill, click [here](#).

### **New Congressional Research Service (CRS) report raises questions about Department of Labor’s “demand-driven” grants**

Responding to lawmakers concerns about a lack of oversight and evaluation, the Congressional Research Service (CRS) released a report examining the Department of Labor’s “demand-driven” grant programs, which include the High Growth Job Training Initiative (HGJTI), Community Based Job Training Grants (CBJTG), and the Workforce Innovation in Regional Economic Development (WIRED) grants. CRS focused on the more than \$700 million in grants that have been awarded since 2002.

The report offers numerous criticisms of the programs, including: unclear authority for USDOL to make such grants; lack of appropriate oversight and evaluation of the programs overall, as well as of individual grants; wide variation in the ability of selected sectors to produce new jobs, particularly good jobs; and the awarding of a significant portion of the grants on a non-competitive basis (including 90 percent of HGJTI grants).

At a March 28th hearing of the Senate Appropriations Committee’s Subcommittee on Labor-HHS-Education, Chairman Tom Harkin (D-IA) announced that he had asked USDOL Inspector General Gordon Heddell to particularly examine the non-competitive awarding of grants, to assess if relevant statutes and regulations were followed, if the grants were meeting specific performance objectives, and if they were contributing to the Department’s overall mission.

To view the full CRS report, click [here](#).

### **Department of Labor continues to promote WIRED with third generation of grants**

In June, Secretary of Labor Elaine Chao announced another 13 regions to receive a third generation of Workforce Innovation in Regional Economic Development (WIRED) grants, following a second generation of awards in January.

Awardees include: central New Jersey; southeastern Virginia; central Kentucky; southeastern Mississippi; south-central and southwest Wisconsin; south-central and western Minnesota;

southeast Missouri; south-central Kansas; central New Mexico; southern Arizona; south-central Idaho; greater Portland and Salem, Oregon; and Washington's Pacific Mountain region.

In February 2006, \$195 million in first generation of WIRED grants were awarded to 13 project grantees. The second and third round grants have been smaller, providing \$65 million in funding in each round to 13 grantees. DOL added a stipulation to the third generation of grants that requires participation by a local workforce investment agency or multiple agencies covering the region as a project lead or co-lead. This was not part of the prior rounds and fueled concerns that WIRED grants were being used as alternatives to the congressionally authorized WIA system.

*To view the Solicitation for Grant Applications (SGA), click [here](#).*

### **Department of Labor issues guidance letter outlining use of National Emergency Grant (NEG) funding for regional planning**

In its April 27th Training and Employment Guidance Letter ([TEGL 16-03/Change 5](#)), USDOL announced a significant change to the National Emergency Grant (NEG) program that would redirect some of its resources away from direct assistance to laid-off workers. The change would open NEG funding to support new Regional Innovation Grants (RIGs). Under these grants, areas with mass layoffs could receive regional planning funds modeled on USDOL's Workforce Innovation in Regional Economic Development (WIRED) framework. The Department has been working aggressively to promote its WIRED efforts as a model for how it would like to structure broader USDOL funding. USDOL says it will award up to \$250,000 for any one RIG, with a grant period of 18 months.

While there is value to helping impacted regions assess how to adjust to economic restructuring, TWA and others have raised questions about whether using NEG worker assistance dollars for such planning efforts is outside the statutory language authorizing the NEG program. NEG's authorizing statute clearly states that the program is to provide employment and training assistance and disaster relief employment to workers affected by major economic dislocations. However, the list of allowable activities for RIGs focuses on planning and administrative activities, such as preparing inventories of regional assets, conducting outreach to potential stakeholders, developing working agreements with key regional stakeholders, and developing effective external and internal communications among regional planning partners. The list **does not** include employment and training assistance.

*To view the Training and Employment Guidance Letter, click [here](#).*



## Higher Education Programs

### Higher Education Act (HEA)

#### **House and Senate Committee advance HEA reauthorization proposals; full House approves bill, Senate bills awaiting action**

On June 13<sup>th</sup>, the House Education and Labor Committee approved its HEA reauthorization measure—the College Cost Reduction Act of 2007 (H.R. 2669)—which was later approved in July by the full House by a bi-partisan vote of 273 to 149. Also in June, the Senate Health, Education, Labor and Pensions (HELP) Committee passed two bills on HEA reauthorization and funding, including its Higher Education Act of 2007 (S 1642). HELP leaders are trying to move both bills together for consideration by the full Senate in July as well.

There are many common elements between the House and Senate proposals. Both use budget reconciliation measures (i.e., changes in mandatory entitlement spending) to reduce subsidies to private lenders participating in federal student loan programs. The projected \$19 billion in savings would pay for an over \$18 billion increase in HEA funding (as well as nearly \$1 billion in deficit reduction). House Democrats have called such an increase the “the single largest increase in college aid since the GI bill,” achieved at “no new cost to taxpayers.”

Much of that new funding would go to increases in Pell Grant funding, with the Senate calling for an increase in the maximum Pell Grant from the current \$4,300 to \$5,400 by 2011. The Senate would also establish a new Promise Grants program, which would supplement awards for particularly needy students already receiving regular Pell grants. In comparison, the House calls for a slightly smaller increase in the Pell maximum, to \$5,200 by 2011, without any additional Pell subsidies. However, the House bill would use its remaining funding to cut federal student loan interest rates in half—from 6.8% to 3.4% (per one of the “Six for ‘06” legislative priorities passed by House Democrats in the first 100 hours of the 110<sup>th</sup> Congress).

For poor working adults going to school part-time, a long-standing concern has been the “work penalty,” whereby below-poverty earnings of even a few thousand dollars are counted against their Pell awards. Thanks to pressure by advocates, both the House and Senate bills slightly raise the “income protection allowance” that exempts a certain portion of poor workers’ earnings from their financial aid calculations. Both bills also propose “tuition sensitivity” fixes, so that students attending lower-cost institutions (like community colleges) can receive more Pell funding. Finally, working adults would be aided by new allowances in the Senate bill for “year-round Pell”, so that working students can receive Pell support for part-time study throughout the year, versus only during two academic semesters. Also key to workforce development practitioners is the Senate bill’s proposed partnership grants program, which would fund colleges to partner with workforce investment boards to develop new training programs targeted specifically at high-growth industries and sectors.

*To view the House bill, click [here](#). To view the Senate bill, click [here](#).*

## **Higher education tax credit bills introduced; one is clear choice for working adults**

As reported in a recent Update, Members of Congress have repeatedly heard about the need to simplify and reform the current Hope Tax Credit and Lifetime Learning Tax Credits. Two competing Congressional proposals have since emerged to replace these two credits.

### ***Senator Schumer (D-NY): Higher Education Opportunity Act of 2007 (S. 851)***

Senator Schumer (D-NY) introduced The Higher Education Opportunity Act of 2007 (S. 851) on March 13th. Senator Schumer has presented the tax credit as a new “middle class” tax cut, to make it easier for middle class families to send their children to college.

The bill would consolidate the Hope and Lifetime Learning tax credits into a single new credit under which taxpayers could claim qualified out-of-pocket tuition and related expenses, as well as a small allowance for books. The maximum value of the credit would be \$2,500 per year, as compared the \$2,000 caps for Hope and Lifetime. Consistent with its middle class emphasis, the bill would significantly raise the income ceiling at which households could claim the credit, from an adjusted gross income (joint filers) of \$105,000 under Hope and Lifetime to \$140,000. Households could claim the new credit for up to three students for up to four years each.

As such, the Schumer bill is clearly structured more toward the needs of families sending children to school in pursuit of four-year degrees, while doing little for working adult students. This is reinforced by its requirement that qualifying students must attend school at least half-time—whereas one of the credits it replaces (Lifetime Learning) allowed individuals to attend less than half-time. Working adults likewise often take longer to complete their programs, and thereby would be penalized by the four-year limitation.

Finally, the Schumer credit, like its predecessors, is not refundable—that is, it cannot be received by taxpayers who have limited or no tax liability. This has severely limited the use of current credits by low-income working students, as well as low-income parents with children in school. Advocates, including the Center on Budget and Policy Priorities, have been working to see if refundability could be included in the Schumer proposal.

To view TWA’s analysis of the bill, click [here](#).

To view S. 851, click [here](#).

### ***Rep. Emanuel (D-IL) and Senator Bayh (D-IN): Universal Higher Education and Lifetime Learning Act of 2007 (H.R. 2458/ S. 1501)***

On May 23rd, Representative Emanuel (D-IL) introduced the Universal Higher Education and Lifetime Learning Act of 2007 (H.R. 2458). Senator Bayh (D-IN) introduced the Senate companion bill (S. 1501) the following day.

Like the Schumer proposal, the Emanuel / Bayh bill would consolidate the Hope and Lifetime Credits into one credit, and in addition would add funding saved through the elimination of the

tuition tax deduction. The new credit would provide a maximum \$3,000 credit per student, compared to the Schumer \$2,500 credit. The credit would cover the costs of not only tuition, books, and supplies, but also room, board and transportation expenses not covered by the Schumer proposal.

For working adults, the Emanuel /Bayh credit would be available to part-time as well as full-time students in a manner comparable to the current Lifetime credit. Additionally, it would be available for up to four years of college (public or private), two years of community college, or two years of graduate school, and would also be available to individuals who are updating their skills in a training or certificate program, thereby opening its use by a wider variety of students.

Finally, the credit would be refundable up to 50 percent, meaning that lower-income filers without tax liability could still receive up to \$1,500 in assistance to offset their education costs.

To view H.R. 2458, click [here](#).

To view TWA's side-by-side analysis of the Schumer and Emanuel bills, click [here](#).



**Washington Update Contributors:  
Rachel Gragg, Tim Giattina and Andy Van Kleunen**

**For more information, please contact:**

Rachel Gragg  
Federal Policy Director  
The Workforce Alliance  
1701 K. Street, NW, Suite 750  
Washington, DC 20006  
[rachelg@workforcealliance.org](mailto:rachelg@workforcealliance.org)  
202.223.8991 ex. 102