



Budget Issue

- Department of Labor...[2](#)
 - WIA...[2](#)
 - Other WIA Provisions...[4](#)
 - Other ETA Programs...[4](#)
 - Other DOL Programs...[5](#)
- Department of Education...[6](#)
- Other Proposals Relating to Education and Training ...[7](#)

Fiscal Year 2011 Budget Analysis

On February 1, President Obama submitted his \$3.8 trillion budget request to Congress, which provides the administration’s appropriations requests for all federal discretionary programs and activities for the fiscal year beginning October 1, 2010 (FY 2011). Predicting a \$1.75 trillion deficit in 2009, the Obama administration has proposed a three-year freeze in overall non-defense discretionary spending, although certain programs key to the President’s agenda would still receive significant funding increases. While Congress is not bound by these recommendations, the President’s budget usually establishes the framework for the annual appropriations process—especially when the congressional majority and the president are from the same party—and provides important signals of the administration’s priorities.

The administration and Congress made workforce development a priority under the American Recovery and Reinvestment Act (“Recovery Act”), providing substantial new funding for job training programs at the Department of Labor (DOL). These investments have been critical in helping states and local areas respond to the increased demand for services, particularly as the workforce development system has already suffered from years of federal disinvestment. National Skills Coalition has advocated for on-going federal investment that builds on the Recovery Act to ensure that our workforce system can continue to meet the immediate needs of job seekers and employers while also rebuilding the nation’s workforce development system. Significant new federal investments are necessary if the administration’s call under the Recovery Act to transform the system—increasing access to training, supporting sector partnerships and career pathways, better serving low-income and low-skill adults—is to be answered.

The administration’s budget proposal reflects the challenge of responding to both the continuing economic crisis—and the need to ensure people have access to vital services and supports during periods of unemployment and as they try to gain the skills employers are looking for—as well as the mounting federal deficit. Although the President’s FY 2011 budget proposal does not include the level of investment that National Skills Coalition feels is necessary to ensure every U.S. worker has the skills to succeed in the 21st-Century economy—the Workforce Investment Act (WIA) is essentially level-funded—the proposal does include important new investments in

The administration and Congress made workforce development at priority



innovation, including more than \$300 million in competitive grants under DOL and the Department of Education (DOEd) to support innovative service delivery strategies at the state and local level. The budget also recommends targeted investments in training for key sectors such as health care and green jobs, and calls for major increases in funding for Pell Grants and community colleges.

The following analysis is intended to provide an overview of some key programs and proposals in the FY 2011 budget. Nationals Skills Coalition will continue to monitor the FY 2011 appropriations process and provide updates as additional information becomes available.

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Department of Labor

Overall, the DOL discretionary budget request for FY 2011 is \$14 billion, which represents a modest decrease from the \$14.3 billion enacted by Congress in FY 2010 but an increase over the \$12.9 billion appropriated in FY 2009. Funding for the Employment and Training Administration (ETA), which administers WIA and other key programs, is set \$9.17 billion, about \$470 million below FY 2010 levels. The decrease largely reflects reductions to the Community Service Employment for Older Americans program (\$225 million below FY 2010 levels) and in federal contributions to the Unemployment Insurance (UI) program (roughly \$400 million below FY 2010 levels).

Workforce Investment Act

In the budget the administration states that the reauthorization of WIA is “needed and overdue,” saying:

“[t]he Administration regards WIA reauthorization as an opportunity to promote innovation in the public workforce system, build on its strengths, and address its weaknesses. The Administration also believes the 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.”

The administration argues that the FY 2011 budget proposal will allow DOL to continue transformative efforts begun under the Recovery Act, with the agency focusing on:

“a stronger, more comprehensive One-Stop delivery system; a dual focus on both workers and business as customers; progressive levels of education and job training that will provide those most in need with a pathway to the middle class; innovative approaches to service delivery, regional partnerships and collaboration; and sector strategies for high-demand industry sectors...”

The budget includes a proposal to establish a “Partnership for Workforce Innovation” between DOL and DOEd, providing a total of \$321 million to support jointly-administered competitive grants to states and localities to test and replicate innovative workforce practices. The bulk of the funding—about \$261 million—would be used to establish two new innovation funds at DOL.

The “*Workforce Innovation Fund*” would target projects for adults and dislocated workers, with emphasis given to projects that use “earn and learn” models such as apprenticeship and on-the-job training; support regional and sectoral collaborations; encourage cooperation across program silos (with cross-program waivers potentially available for applicants); or reach and serve underserved populations such as young Hispanics, veterans, displaced homemakers, and ex-offenders. The grants would be administered at the national level and would be funded by a five percent contribution from both the WIA Adult and Dislocated Workers formula funding streams, for a total of about \$108 million. Overall funding for the WIA Adult and Dislocated Worker formula grant programs would be increased to \$906.9 million and \$1.246 billion, respectively, roughly five percent above FY 2010 funding levels. The Dislocated Worker National Reserve would not be subject to the five percent contribution, and the administration has recommended level funding at \$229,160,000.

The “*Youth Innovation Fund*” would support two sets of activities. At least thirty percent would fund summer and year-round employment opportunities, while the remaining funds would go to support “Work Experience Plus” competitive grants to local workforce investment boards to provide education and employment services to youths aged 16-24, in partnership with governors state workforce boards, and youth service providers (which may include community-based organizations). The administration expects to award approximately twenty of the Work Experience Plus grants. The Youth Innovation Fund would be funded by a fifteen percent contribution from the WIA Youth formula grant program, which would be increased by about eleven percent over FY 2010 levels to \$1.025 billion. To maintain overall formula funding available to local areas for youth programs, the administration proposes to reduce the governor’s set-aside for statewide youth activities from fifteen percent to ten percent .

DOL—along with DOEd and the White House—has been working closely with the Senate Health, Education, Labor, and Pensions (HELP) Committee to develop a WIA reauthorization bill, and it is reasonable to expect that these Workforce Innovation Funds will surface as part of this legislation, at least in some form. National Skills Coalition applauds the administration’s commitment to innovation, and we hope to work with the administration and Congress to ensure that innovation funding will provide states and local areas with the capacity to develop and implement sector



partnerships, and will support efforts to align multiple programs and systems to support career pathways for workers at all skill levels.

Other WIA Provisions

- The administration proposes the continuation of a Recovery Act provision permitting local boards to contract for training services for multiple individuals so long as customer choice is not limited.
- In a fact sheet released with the budget, the administration expresses a goal of by June 2012 increasing by ten percent the number of WIA, Trade Adjustment Assistance (TAA), and Community-Based Job Training program completers who receive training and attain a degree or certificate.¹

The administration has set a goal to train over 120,000 Americans for green jobs by June 2012.

Other ETA Programs

- **Green Jobs Innovation Fund:** The administration has set a goal to train over 120,000 Americans for green jobs by June 2012.² To this end, the administration requests \$85 million for competitive grants to prepare workers for careers in the clean energy and energy efficiency sectors. This is \$35 million above the FY 2010 request, and \$45 million above FY 2010 enacted levels. These funds would build upon the \$500 million in green jobs grants provided under the Recovery Act.
- **Health Care Training Initiative:** The administration proposes a new initiative to train workers for careers in the health care sector. Possible grants under this initiative would include:
 - ✓ Grants to state workforce agencies for statewide sector strategies that train for jobs across career pathways in the health care sector;
 - ✓ Grants to community colleges to support health care training;
 - ✓ Grants to local government agencies and non-profit organizations to develop and implement local programs that prepare low-income adults, dislocated workers and low-wage incumbent workers for career pathways in the health care sector; and
 - ✓ Incentive grants to health care providers and education and training institutions to adapt existing programs to address the gaps in health care sector training and to increase teaching capacity.³

¹ http://www.whitehouse.gov/omb/factsheet_department_labor/

² http://www.whitehouse.gov/omb/factsheet_department_labor/

³ FY 2011 Congressional Budget Justification, Employment and Training Administration, pp. 7-8.

DOL is not requesting appropriations for this initiative, but instead proposes using a combination of fees generated through the H-1B visa program and funds appropriated to DOEd through legislation implementing the president's American Graduation Initiative (AGI). Because this legislation has not yet been enacted, the actual funding available for the initiative may vary, but DOL estimates that it could be as much as \$100 million.

- **Career Pathways Innovation Fund:** The administration is not requesting appropriations for the Career Pathways Innovation Fund, which replaced the Community-Based Job Training grant program in FY 2010 and received \$125 million. The budget assumes that these grants will be replaced by community college grant programs created through legislation implementing AGI.
- **Native American Program:** The administration is requesting \$55 million for Native American programs, an increase of about \$2.2 million over FY 2010.
- **Migrant and Seasonal Farmworker Program:** The administration has asked for \$87.4 million, an increase of about \$2.8 million from FY 2010 levels.
- **Reintegration of Ex-Offenders:** The administration proposes to reduce funding for this program to \$98 million, a decrease of roughly \$10.5 million from FY 2010 enacted levels. The 2010 appropriation designated \$15 million of ex-offender funds to be used for transitional jobs activities, but the administration has instead requested that all transitional jobs funding go through the Pilots, Demonstrations, and Research line item.
- **Pilots, Demonstrations and Research:** The administration is asking for \$46.6 billion for these activities, a decrease of \$46.9 billion from FY 2010. Of this total, up to \$40 million is reserved for transitional jobs activities.
- **Workforce Data Quality Initiative:** The administration requests \$13.75 million, an increase of \$1.25 million over FY 2010 levels, for this project begun last year in partnership with DOEd. The funds will support state workforce agencies in the development and implementation of longitudinal data systems that match workforce and educational data.
- **Youth Build:** The administration has requested \$120 million, an increase of \$17.5 million over FY 2010 enacted levels.

Other DOL Programs

- **Job Corps:** The administration is asking for \$1.707 billion for the Office of Job Corps, a decrease of slightly less than \$1 million from FY 2010.



- **Trade Adjustment Assistance:** TAA was reauthorized for two years under the Recovery Act, expanding eligibility to service and public sector workers and significantly increasing the annual cap on training funds. Because the current authorization expires in FY 2010, the budget includes two funding requests: \$2.37 billion in overall funding for TAA—including \$686.5 million for training and related services—if the program is reauthorized with the current training cap for FY 2011; and \$1.94 billion—including \$278.2 million for training and related services—if the current training cap is not reauthorized.
- **Community Service Employment for Older Americans:** The administration requests \$600 million for this program—this is level-funded with the base FY 2010 appropriations, but does not include a special funding increase of \$225 million that was included in FY 2010 budget to address increased demand due to the economic crisis.
- **Office of Apprenticeship:** The administration is requesting that the Office of Apprenticeship receive an increase of \$1.35 million over FY 2010 enacted levels, to just over \$29 million.

Visit the Department of Labor’s [budget webpage](#) for more detailed analysis and documentation.

Department of Education

\$60 million in workforce innovation funds as part of DOL-DOEd Partnership

The budget calls for \$49.7 billion in discretionary funding for DOE, an increase of \$3.5 billion over FY 2010 enacted levels. As expected, the budget request includes a range of proposals that the president introduced as part of the AGI, including \$10.6 billion for community college programs, and a major overhaul of the Pell Grant program. The budget also calls for \$60 million in workforce innovation funds as part of the DOL-DOEd Partnership for Workforce Innovation (\$30 million under the Office of Vocational and Adult Education and \$30 million under Special Education and Rehabilitation Services); maintains some of the modest gains in adult basic education funding from the past two years; and consolidates key career and technical education programs.

- **Pell Grants:** In both the FY 2010 budget request and the AGI, President Obama has proposed making Pell Grant funding mandatory, rather than the current mix of discretionary and mandatory funding, and that the program receive automatic increases indexed to inflation plus one percentage point. The budget request renews these proposals, and asks for approximately \$34.9 billion to support grants for nearly 9 million students in the 2011-12 program year, with a maximum award set at \$5710.



- **Adult Education/Workforce Innovation Funds:** The budget calls for \$654 million for Adult Basic and Literacy Education, including \$612 million for state ABE grants. This represents a small decrease for state grants below the FY 2010 enacted levels, but nearly a \$60 million increase above FY 2009 levels (the FY 2010 appropriation included a one-time payment to certain states for formula calculation errors in FY 2003-08.)
- **Career and Technical Education:** The administration proposes merging the current Career and Technical Education state grant program with the Tech-Prep program, while essentially level funding the consolidated programs at \$1.264 billion.

Visit the Department of Education's [budget webpage](#) for more detailed analysis and documentation.

Other Proposals Relating to Education and Training

- **American Opportunity Tax Credit:** Established under the Recovery Act and administered by the Treasury Department, the American Opportunity Tax Credit amended the Hope Scholarship credit for tax years FY 2009-10, providing a partially refundable \$2,500 per year credit for qualifying post-secondary expenses for up to two years. The administration proposes to expand the credit to four years of educational expenses, for a total of up to \$10,000, and make the credit permanent.
- **Temporary Assistance for Needy Families:** The administration requests an additional \$2.5 billion for the TANF Emergency Contingency Fund established under the Recovery Act, requests authority to provide 100 percent reimbursement for increased expenditures on subsidized employment activities under the fund, and proposes extending the fund for an additional year through September 2011.