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WASHINGTON UPDATE

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Congress Finalizes Fiscal Year 2011 Appropriations; Workforce Cuts Less Steep than Feared

On April 15, President Obama signed HR 1473, the long-term continuing resolution (CR) that will fund the federal government through September 30, 2011, the end of Fiscal Year (FY) 2011. Agreement on the bill, which cuts $38.5 billion in federal funding compared to FY 2010 levels, was reached after weeks of publicly contentious negotiations between congressional leaders and the White House, as Republicans pushed for significant spending reductions at or near the $61 billion included in a bill (HR 1) passed by the House in February.

Federal workforce programs received significant reductions under the CR, as Department of Labor (DOL) training programs lost about $1 billion in funding compared to FY 2010 levels. However, the damage was far less extensive than the $3.8 billion in cuts proposed under HR 1, including the elimination of all funding for Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth programs in Program Year (PY) 2011. The bill represents an important victory for workforce advocates across the country who educated lawmakers on the importance of federal job training and employment programs in supporting our nation's economic recovery and competitiveness. In particular, thousands of advocates in more than 30 states participated in the first-ever Workforce Day of Action on March 24, which featured meetings with Members of Congress, press conferences, site visits and rallies to voice united opposition to the proposed funding cuts.

Key workforce provisions under the CR include:

Workforce Investment Act. Overall, WIA funding is reduced by $182 million compared to current funding levels. State formula grants under WIA are reduced by $307 million, including:

- $90.5 million in cuts under the WIA Adult program;
- $120 million in cuts under the Dislocated Workers program; and
- $96.5 million in cuts under the WIA Youth program.

To reduce the impact of these cuts on local areas, the CR reduces the governor's set-aside for statewide activities under all three funding streams from 15 percent to 5 percent, with the remaining 10 percent allocated to local areas.[1]

The bill establishes a new $125 million DOL-administered "Workforce Innovation Fund" to support competitive grants to states or other partnerships (including regional partnerships) for projects that "demonstrate innovative strategies or replicate effective evidence-based strategies" to strengthen and align the workforce system to improve participant outcomes. The Obama Administration proposed the establishment of similar Workforce Innovation Funds in both the FY 2011 and FY 2012 budget requests.

Career Pathways Innovation Fund (CPIF). HR 1473 both eliminates funding for the CPIF in FY 2011 and rescinds the $125 million made available for the program in FY 2010. DOL released a solicitation for FY 2010 CPIF grant proposals earlier this year, but with the rescission these funds will no longer be available. The Obama Administration had previously proposed eliminating funding for this program, arguing that it was duplicative of the Trade Adjustment Assistance Community College and Career Training (TAACCCT) program funded under last year's health care and education reconciliation law.

Green Job Innovation Fund. The CR eliminates FY 2011 funding for this program. It does not rescind the funds that were appropriated for the program in FY 2010. Therefore the February 2011 Green Jobs Innovation Fund Solicitation for Grant Applications (SGA) is still valid and those grants will eventually be awarded.

Transitional Jobs Grants. The FY 2010 appropriations for DOL included language setting aside funds for transitional jobs within two budget line items: $15 million under the reintegration of ex-offenders program and $30 million under pilots and demos. The CR prohibits money under either of these budget lines from being spent on transitional jobs in FY 2011. It does not rescind the FY 2010 funding. Therefore, the March 2 Enhanced Transitional Jobs Demonstration Project SGA is still valid.

View a detailed summary and table of workforce provisions under the CR.

[1] Appropriations staff have confirmed that their intent was to apply this reduction to all of PY 2011 (i.e. all funding allocated between July 1, 2011 and June 30, 2012). However, there may have been a drafting error and this reduction may only apply to funds allocated in the first quarter of PY 2011 (i.e. July 1, 2011 - September 30, 2011) and then the statewide set aside would revert back to 15 percent for the remainder of PY 2011 (October 1, 2011 - June 30, 2012). At this point, it is unclear what will happen with this issue; Congress and DOL will need to provide additional guidance.

Fiscal Year 2012 Budget Process Begins; Workforce Programs Again Threatened

With the FY 2011 appropriations process now complete, Congress immediately turns its attentions to the FY 2012 budget process, which promises to be far more contentious politically—and potentially far more dangerous for workforce development programs.

The House voted on April 15 to approve its FY 2012 budget resolution, which establishes overall funding limits for each of the twelve House appropriations subcommittees as they begin developing their FY 2012 spending bills. The resolution represents a dramatic attack on the federal social safety net, proposing an estimated $4.3 trillion in cuts to federal spending over the next decade, including $2.9 trillion in cuts to programs that assist low- and moderate-income individuals.[2]

While the budget resolution lacks the force of law and cannot directly make changes to existing laws, it can significantly impact the policy debate in Washington by providing the blueprint for annual funding decisions and providing recommendations or instructions for authorizing committees as they consider new legislation. The budget resolution contains particularly damaging recommendations relating to training and education programs. Among other things, the resolution calls for:

- Consolidating "a complex maze of dozens of job-training programs" into "career scholarships," though it provides few details on which programs would be targeted or how career scholarships would function. Tables included in the budget resolution indicate that it would achieve $6.2 billion in savings in FY 2012, and $61.5 billion in savings over the next decade, in part through consolidation of training programs and the repeal of unobligated discretionary funding under the American Recovery and Reinvestment Act (ARRA), which suggests dramatic funding cuts in workforce programs compared to current levels;
- Reducing the maximum Pell Grant award by as much as 60 percent compared to current levels, eliminating eligibility for less-than-half-time students and students qualifying for the minimum award, and reducing lifetime eligibility from eighteen semesters to twelve semesters; and

[2] According 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.

- Effectively rescinding $1.5 billion in FY 2012-2014 appropriations for the Trade Adjustment Assistance Community College and Career Training Grant program, which supports partnerships between community colleges, employers, and other stakeholders to provide skills training in trade-impacted communities.

View a more detailed summary of the budget resolution here.

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 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.

House Committees Hold Hearings on GAO Job Training Report

Three key House committees held hearings in April to address the findings of a recent Government Accountability Office (GAO) report on federal job training programs. The timing of the hearings—starting the same day the House FY 2012 budget resolution was introduced, and just days after the introduction of a controversial "welfare reform" bill—strongly suggests a choreographed effort that foreshadows efforts to make sweeping structural changes and funding cuts to workforce and other human services programs a key component of the House legislative agenda in this Congress.

The report at the center of the hearings, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue," was released by GAO last month and examined 81 areas of potential duplication and other opportunities to reduce program costs. With respect to employment and training programs, the report summarized findings from a January 2011 GAO study, identifying 47 federally-funded programs offered through nine different agencies, and suggesting that 44 of those programs overlapped with at least one other program by providing at least one similar service to the same population. GAO particularly focused on potential overlap between the Temporary Assistance for Needy Families (TANF) program and DOL's Employment Service (ES) and Workforce Investment Act (WIA) Adult programs, finding little evidence of participants receiving duplicative services but recommending that the Departments of Labor and Health and Human Services (HHS) work together to encourage states to co-locate services and consolidate administrative structures between these programs to maximize efficiency.

In all three hearings—conducted by the House Ways and Means Subcommittee on Human Resources, the full Education and the Workforce Committee, and the Labor-HHS Appropriations subcommittee—Republican members stressed that they interpreted the GAO report to support the elimination or consolidation of federal workforce and welfare programs. In his opening remarks, Education and the Workforce committee chair John Kline (R-MN) asserted that "billions of dollars are being squandered on redundant programs," adding "we must make a concerted effort to reduce federal spending. A necessary step in this process is to eliminate and streamline federal programs."

Workforce experts were permitted to testify during two of the three hearings. The Ways and Means hearing featured testimony from LaDonna Pavetti from the Center on Budget and Policy Priorities, who raised serious concerns about the Welfare Reform Act of 2011 recently introduced by Rep. Jim Jordan (R-OH), chair of the influential Republican Study Committee, which among other things would cap combined funding for 77 programs—including Medicaid, Pell Grants, the Supplemental Nutritional Assistance Program (SNAP, formerly Food Stamps), WIA, and TANF—at pre-recession FY 2007 levels.

Ray Uhalde of Jobs for the Future testified at the appropriations hearing about the devastating impact of the $3.8 billion in cuts to Department of Labor job training programs proposed under the House-passed FY 2011 continuing resolution (HR 1), pointing out that such reductions would reduce or eliminate services to as many as 8 million job seekers. Uhalde provided a brief overview of research demonstrating the effectiveness of WIA-funded programs, and urged Congress to "use the GAO findings as a guide to achieve system alignment and administrative savings, but not as a rationale for further cuts in program services."

The coordination of the hearings with recent legislative initiatives makes it clear that the workforce development field faces a long, hard fight in the months ahead. Workforce advocates must continue to educate lawmakers on the importance of job training and other programs as part of our economic recovery efforts, and join together with allies on the national, state, and local levels to ensure that vital human services programs are not devastated by this Congress.

SECTORS Act of 2011 Introduced

On March 29, Senators Sherrod Brown (D-OH) and Olympia Snowe (R-ME) introduced legislation—the Strengthening Employment Clusters to Organize Regional Success (SECTORS) Act of 2011 (S 665)—that will help grow American industries and provide employment opportunities for America's workers. Congressmen Dave Loebsack (D-IA) and Todd Platts (R-PA) introduced companion legislation in the House (HR 1240).

The SECTORS Act would amend the Workforce Investment Act of 1998 and establishes a new Industry or Sector Partnership Grant program administered by DOL. Grants are intended to allow recipients to establish or expand industry or sector partnerships that lead collaborative planning, resource alignment, and training efforts across multiple firms for current and potential workers within the targeted industry cluster.

Eligible entities would be state agencies or strategic partnerships comprised of multiple employers, labor organizations (where applicable), local workforce boards, education and training providers, and state agencies providing employment services, plus other stakeholders as needed. Applicants would be able apply for three year implementation grants of up to $2.5 million. Eligible entities receiving an implementation grant may also apply for a $1.5 million renewal grant for an additional three years if certain conditions are met.

Priority in awarding grants would be given to entities that work with employers within a targeted industry cluster to retain and expand employment in high-wage, high-growth areas; focus on helping workers move toward economic self-sufficiency and ensuring the workers have access to adequate supportive services; address the needs of firms with limited human resources or in-house training capacity, including small- and medium-sized firms; and coordinate with entities carrying out State and local workforce investment, economic development, and education activities.

The SECTORS Act was designed in partnership with National Skills Coalition and other experts in the workforce field. Senators Brown and Snowe originally introduced the SECTORS Act in 2008. Congressmen Loebsack and Platts first introduced their version of the bill in 2009; it was passed by unanimous consent in the House in July 2010, but the Senate failed to take up the bill.

National Skills Coalition applauds Senators Brown and Snowe and Congressmen Loebsack and Platts for their vision and leadership on this important issue, and we look forward to working with them to ensure federal policy fully supports the development and implementation of innovative sector strategies.