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Debt Ceiling Deal Includes Major Spending Cuts

Following months of partisan rancor and concerns that the United States would default on its debt, the White House and congressional negotiators struck a last minute deal that allows the President to raise the nation's debt ceiling by as much as \$2.4 trillion over the next two years. However, in exchange Congress must enact spending cuts and other deficit reduction strategies of an equivalent amount. The [Budget Control Act](#) (P.L. 112-25), which was signed into law on August 2, will have deep and lasting implications for workforce funding over the next decade, though the full impact of the law will not be known until later this year.

The Budget Control Act (BCA) includes two basic mechanisms for deficit reduction. First, the BCA establishes caps on discretionary spending for each of Fiscal Years (FY) 2012-2021, limiting by law how much Congress can appropriate each year; these caps will reduce federal spending by an estimated \$840 billion over the next decade. In FY 2012-2103, the law establishes separate caps for "security" spending—which includes funding for defense, homeland security, veterans, and other related categories—and non-security spending, which covers all other discretionary appropriations, including education and workforce programs (in the other years, the law simply establishes an overall cap on spending).

The caps are "back-loaded" so that the deepest cuts occur in later years, but there is still some immediate impact: the FY 2012 cap is approximately \$7 billion below FY 2011 enacted levels, with about \$3 billion of those cuts coming from non-security spending. This means that appropriators must find additional savings on top of the \$38 billion in total cuts (including more than \$1 billion in cuts to workforce) under the final FY 2011 continuing resolution (CR).

The other mechanism for deficit reduction under the BCA is the establishment of a new Joint Select Committee for Deficit Reduction, popularly referred to as the "Super Committee." The Super Committee is comprised of three Republicans and three Democrats from each chamber, and is tasked with developing recommendations for an additional \$1.5 trillion in deficit savings (on top of the savings from the spending



caps) between FY 2012–2021. Under the law, the Committee is given broad discretion to consider a range of deficit reduction strategies, including additional cuts to discretionary spending, reductions in mandatory spending (which includes programs such as Medicare, Medicaid, Social Security, TANF, and others), elimination of tax expenditures, and revenue increases.

The Committee must produce, and vote on, a report containing these recommendations by November 23. If the Committee passes the report—a simple majority of seven members is required—the recommendations are then sent to Congress under an expedited process that does not allow for amendments or filibusters. The House and Senate must both hold up-or-down votes on the bill by December 23, and if passed by both chambers the recommendations become law.

If the Committee fails to pass the report, or if Congress fails to approve the bill, the BCA triggers a set of automatic “sequesters,” or across-the-board cuts, starting in FY 2013. The sequesters would be applied over nine years, with annual cuts of \$109.3 billion split evenly between defense and non-defense programs. The Center for Budget Policy and Priorities [estimates](#) that, if the full sequesters are applied, non-defense discretionary programs would lose about \$38.6 billion in funding in FY 2013.

If Congress passes a Committee bill that produces savings of less than \$1.2 trillion, then partial sequesters will take effect starting in FY 2013 to make up the difference.

The law exempts a number of federal programs from sequestration, including “low-income” programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), and mandatory spending for the Pell Grant program. While these exemptions provide important safety net protections for disadvantaged individuals and families, they also increase the financial pressure on non-exempt programs, including job training funds under the Workforce Investment Act (WIA) and funding for adult education and career and technical assistance under the Department of Education.

Given the Super Committee’s broad authority to recommend spending cuts and structural changes—and the difficulty the committee will have finding \$1.5 trillion in savings—job training and education programs must be considered at risk. It is critically important for workforce advocates to weigh in with their lawmakers over the next few months to underscore that the Super Committee must not reduce federal investments in the skills of the U.S. workforce as part of any deficit reduction effort.

FY 2012 Appropriations: House Rejects CR, While Senate Labor-HHS-Education Bill Advances

Even with the spending cuts enacted under the Budget Control Act, fiscal conservatives in Congress are continuing to press the issue, leading to a surprising rejection of a stopgap funding bill in the House and the possibility of a government shutdown when FY 2011 ends on September 30.

On September 21, the House failed in its first attempt to pass a CR to fund the federal government through November 18, with nearly fifty Republicans voting against the bill to protest funding levels they considered too high. The House CR provides \$1.043 trillion in prorated funding for all federal discretionary programs—a 1.4 percent across-the-board cut compared to FY 2011—which reflects the spending cap agreed to under the BCA but exceeds the cap under the House-passed budget resolution by about \$24 billion. The CR also includes emergency funding for disaster relief, which is partially offset by cuts to an auto industry loan program that is popular with many Democrats. The Senate has passed separate disaster relief legislation that does not include the offsets, arguing that emergency spending to help communities impacted by natural disasters should not force cuts to other essential government services. The Federal Emergency Management Administration (FEMA) is expected to run out of disaster relief funds by September 26, adding to the urgency to pass a bill quickly.

The House was able to pass a slightly modified version of the CR just after midnight on September 23, maintaining the 1.4 percent cut and attracting conservative support by tacking on a rescission to another federal loan program that provided assistance to the energy company Solyndra. However, the Senate rejected the House CR over the disaster relief offsets, and with Congress scheduled to recess the last week of September, this sets up a likely weekend showdown as Congress races to pass a bill before the FEMA deadline. National Skills Coalition will provide updates on this situation as new information becomes available, including analysis of potential impacts on workforce programs.

The CR is designed to buy time for House and Senate appropriators to complete work on their individual spending bills, while preparing for a likely omnibus measure later this year or early next year. Congress has yet to pass any of the twelve FY 2012 regular appropriations bills, as negotiations on the spending caps under the BCA made it difficult for the committees to know how much funding was available for each bill.

The House has approved nine spending bills using the much lower spending caps authorized under the House budget resolution, but these levels are now subject to revision heading into negotiations on the final FY 2012 package. The House Appropriations Committee has not marked up a Labor-Health and Human Services-Education (Labor-HHS) bill yet. A markup was scheduled for late July, which would have cut \$18 billion from Labor-HHS programs compared to FY 2011 levels, but was postponed pending the outcome of the BCA negotiations. A subsequent markup of a revised Labor-HHS bill which would have reflected BCA spending levels, was also postponed, this time due to [objections](#) from fiscal conservatives on the subcommittee seeking further cuts to the measure. Given these complications, it is unlikely that the House will try to move a standalone Labor-HHS bill at this point, and will instead simply focus on drafting an FY 2012 omnibus appropriations bill.

By contrast, the Senate never really started its FY 2012 appropriations process, as Budget Committee chair Kent Conrad (D-ND) held off on introducing a budget resolution or announcing funding levels until passage of the BCA. The Senate has since moved rapidly, with the Appropriations Committee approving in September eleven of their twelve bills in an effort to signal their funding priorities before heading into negotiations with the House.

The Senate Appropriations Committee marked up the Labor-HHS bill on September 21, cutting overall spending by roughly \$300 million compared to FY 2011 levels, but largely maintaining current funding levels for workforce programs. The bill:

- Level funds state formula grants under Title I of the Workforce Investment Act. The bill would extend language included in the final FY 2011 continuing resolution (CR) that reduces the allowable state set-aside under these grants from fifteen percent to five percent, and maintains language from previous appropriations bills allowing local workforce boards to contract with institutions of higher education and other eligible training providers to facilitate training of multiple participants.
- Provides \$100 million for the Workforce Innovation Fund (WIF), which provides grants to support innovative workforce development strategies on the state and local level. The WIF was originally created under the final FY 2011 CR, and received \$125 million in funding last year.
- Reduces funding for training programs targeting ex-offenders, from \$85.6 million to \$75.4 million.

Other DOL training programs are kept at FY 2011 levels.

The bill includes funding to keep the maximum Pell Grant award at the current level of \$5,550 per year. Because of increased demands on the program—the number of students receiving Pell Grants rose from about 6.2 million in FY 2008 to an estimated 9.4 million in the 2012-2013 academic year—the program was projected to face a \$11.3 billion shortfall in FY 2012, but Congress provided \$10 billion in mandatory funding under the BCA, and the Senate Labor-HHS bill would fix the remaining gap by eliminating certain interest subsidies on student loans.

Other key workforce programs under the Department of Education are also maintained at current year levels, including state grants for career and technical education under the Perkins Act, and adult education state grants under Title II of WIA.

Federal workforce programs were cut by more than \$1 billion in FY 2011, and National Skills Coalition strongly opposes any further reductions in these investments in FY 2012. We look forward to working with lawmakers to ensure that the final FY 2012 appropriations measure includes adequate support for education and training.

President Obama Proposes American Jobs Act, Includes Training Investments

With more than 14 million Americans currently out of work, including more than six million who have been unemployed for six months or longer, the White House and congressional Democrats are seeking to shift the policy debate away from deficit reduction and back to job creation. In a September 8 [speech](#) before a joint session of Congress, President Obama announced the “American Jobs Act,” a \$447 billion proposal to stimulate job growth and restart the nation’s economic recovery efforts.

The bill includes a number of proposals to invest in the skills of unemployed workers and other disadvantaged job seekers:

- A \$5 billion “Pathways Back to Work Fund” under the Department of Labor, which would support subsidized employment programs for unemployed adults, summer and year-round jobs programs for youth, and grants to local consortia to support proven training models such as on-the-job training, sector partnerships, and strategies to increase attainment of industry-recognized credentials;

- A \$4 billion “Reemployment NOW” fund to support training and reemployment strategies geared toward long-term unemployed workers, including “Bridge to Work” programs that allow unemployed individuals to participate in voluntary training with local employers while continuing to receive unemployment insurance (UI) benefits and other compensation;
- Temporary federal support for state “work-sharing” programs, which reduces workers’ hours rather than lay them off, and allows workers receive UI benefits to replace lost wages; and
- A one-year extension of expanded federal UI benefits to support individuals who have exhausted eligibility for state UI benefits.

National Skills Coalition has prepared a detailed [summary of key workforce provisions](#) in the president’s proposal.

The path forward for the bill is not clear. The President has proposed to offset investments under the bill through changes to the federal tax code, including limiting income tax deductions for households earning more than \$250,000 and eliminating certain subsidies for oil companies. Congressional Republicans—and some Democrats, particularly in energy-rich states—have dismissed these proposals as non-starters, making it difficult to see how new investments would be funded without cutting funding for existing programs.

National Skills Coalition applauds the President for recognizing the need for job training and education as part of a broader job creation strategy. We look forward to working with Congress and the Administration to strengthen our nation’s workforce development systems while ensuring that funding for new education and training initiatives does not come at the expense of existing investments.

Senate Advances TAA Reauthorization

On September 22, the Senate approved a bill expanding and reauthorizing the federal Trade Adjustment Assistance (TAA) program through 2013. The bill now heads to the House, where opposition to the bill means next steps are unclear.

TAA, which provides job training and other benefits for workers who have lost their jobs as a result of foreign competition, is currently authorized through February 2012. Congress significantly expanded the program under the Recovery Act in 2009—including extending eligibility to service sector workers and nearly tripling the

amount of funding available for training services—but these expanded provisions were allowed to lapse earlier this year, and the program is now operating according to the more limited provisions of the pre-Recovery Act program.

The White House and some congressional Democrats have been seeking to renew TAA as part of a broader package to advance free trade agreements with Colombia, South Korea, and Panama. In June, Senate Finance Committee chair Max Baucus (D-MT) and House Ways and Means chairman Dave Camp (R-MI) announced that they had reached agreement on a scaled-back version of TAA, but House and Senate leadership were unable to reach an agreement on how to advance the bill. The Senate was finally able to proceed after twelve Republican senators [agreed](#) to support cloture on the Baucus/Camp measure if President Obama agreed to submit the three trade agreements for congressional approval.

The “Trade Adjustment Assistance Extension Act” largely extends the 2009 amendments through December 2013, and makes the changes retroactive to cover certain workers who would have been covered had the program not lapsed in February. In addition, it makes a number of changes designed to address concerns regarding program costs, including:

- Capping funding for job training, case management, and other activities at \$575 million for Fiscal Years (FY) 2012 and 2013, plus \$143.75 million for the first quarter of FY 2014 (under the 2009 reauthorization, this cap applied only to training expenses);
- Reducing the maximum number of weeks eligible workers could receive income support from a maximum of 156 weeks to 130, and eliminating a provision that allowed additional support for workers engaging in prerequisite or remedial training;
- Restoring the expanded eligibility under the 2009 amendments for service sector workers, but not for public sector workers; and
- Eliminating two grant programs created under the 2009 reauthorization—the TAA for Communities program under the Department of Commerce and the Industry or Sector Partnership grant program under the Department of Labor. The TAA Community College and Career Training (TAACCCT) grant program would not be affected by this change.

See National Skills Coalition’s [summary of key workforce provisions](#) under the TAAEA.

The Senate rejected an amendment offered by Sen. John McCain (R-AZ) that would have reduced funding for the program, and amendments from Sen. Orrin Hatch (R-UT) that would have modified eligibility requirements for the program and delayed implementation of the program until the free trade agreements took effect.

The bill's prospects in the House are far from clear. House Speaker John Boehner (R-OH) [announced](#) in early August that he would be willing to take up TAA along with the free trade agreements, but so far has not explained how he would bring the bill to the floor. Some Republicans have been highly critical of the program, suggesting that it is costly and ineffective, and so Democrats and the White House have been seeking a deal to assure the passage of TAA before the White House submits any trade agreements to Congress.

National Skills Coalition strongly supports the reauthorization of an expanded TAA program, and will provide updates as the bill moves forward.

Regional Innovation Grants Announced

On September 22, the Obama Administration [announced](#) awards under the Jobs and Innovation Accelerator Challenge, a \$37 million multiagency initiative to support job training and other activities related to regional industry clusters. A total of twenty public-private partnerships focused on advanced manufacturing, aerospace, and other high-growth industries will receive funding and technical assistance under the program. It is estimated that grantees will create more than 4,800 jobs and 300 new businesses, while retaining another 2,400 jobs and providing training for as many as 4,000 workers.

Funding for the grants is provided by three federal agencies. The Department of Labor's Employment and Training Administration (ETA) will provide \$19.5 million under the H-1B Technical Skills Training Grant Program to support a range of education, training, and employment activities for workers. The Economic Development Administration (EDA) at the Department of Commerce will provide \$14.5 million, while the Small Business Administration is investing \$3 million. Thirteen other federal agencies, including the Departments of Education and Health and Human Services, will provide technical assistance to grantees.

Descriptions of funded projects may be found at the [EDA website](#).