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Fiscal Year 2012 Omnibus Approved; Includes Cuts to Workforce, Pell

On December 17, the Senate approved an omnibus appropriations bill to fund the federal government through the end of Fiscal Year (FY) 2012, including [the bill](#) funding the Departments of Labor, Health and Human Services, and Education (commonly referred to as the “Labor-H” bill). Although the bill continues the long-term trend toward disinvestment in a skilled U.S. workforce—making roughly \$155 million in cuts to Department of Labor (DOL) job training programs and a number of programmatic changes to the Pell Grant program that will limit access to critical financial aid for working adults and other nontraditional students—the overall cuts are less damaging than they could have been.

As House and Senate appropriators headed to conference earlier this month to hammer out final funding levels under the omnibus, there was considerable uncertainty about the fate of workforce funding. The Senate appropriations committee approved a Labor-H bill in September that cut overall spending levels across those agencies by \$300 million—consistent with discretionary caps agreed to in this summer’s debt ceiling compromise—but largely maintained FY 2011 spending levels for workforce programs. By contrast, the House proposed \$4 billion in overall cuts under their draft Labor-H bill, and particularly targeted training and postsecondary education programs. The House draft bill, released in October, called for more than \$2 billion in cuts to DOL workforce programs, potentially [eliminating access to employment and training for more than 6.5 million workers](#). In addition, the House proposed numerous Pell eligibility changes that would have reduced grants for more than half a million students in the first year alone while reducing funding for the program by an estimated \$44 billion over the next decade.

Department of Labor

The final cuts to DOL programs under the omnibus were relatively modest, with the bulk of the cuts coming from the recently created Workforce Innovation Fund—which went from \$125 million in FY 2011 to \$50 million in FY 2012—and the



Workforce Investment Act (WIA) Dislocated Worker program, which lost about \$55 million compared to last year's levels. In addition, the bill would provide:

- \$47.7 million for the Native Americans program (down from \$52.7 million in FY 2011);
- \$6.6 million for Pilots and Demos (down from \$10 million in FY 2011);
- \$80.4 million for programs for ex-offenders (down from \$85.6 million in FY 2011); and
- \$6.5 million for the Workforce Data Quality Initiative, which supports grants to states to modernize longitudinal data systems (down from \$12.5 million in FY 2011).

All other programs were effectively level-funded at last year's levels, though all programs were subject to an across-the-board rescission of 0.189 percent, which was applied to FY 2012 funding provided under the omnibus and advanced funding under last year's appropriations. (NOTE: Congress is also likely to include an additional 2 percent across-the-board appropriations cut as an offset in a pending disaster relief bill.)

The final Labor-H bill did not adopt House proposals to move funding for most DOL programs from a program year to a fiscal year and eliminate advance appropriations for the WIA Adult and Dislocated Worker programs. However, the bill did eliminate advance funding for Job Corps, though overall funding levels are maintained.

The bill maintains language reducing the allowable WIA state set-aside from 15 to 5 percent. The bill also retains language originally introduced as part of the 2009 American Recovery and Reinvestment Act that allows local boards to contract with community colleges and other training providers to provide training for multiple individuals in high-demand occupations.

The bill includes new language requiring the Government Accountability Office (GAO) to evaluate the ability of the Adult and Dislocated Worker programs to adequately prepare workers for currently available jobs, including assessing how local areas identify such jobs and the skills necessary to succeed in those occupations.

Department of Education

While DOL workforce programs were not as heavily impacted as initially feared, Pell Grants did not fare as well.

With the sharp rise in college enrollment since 2008, funding for Pell has not kept up with demand; as a result, appropriators were faced with an \$11.3 billion shortfall for the 2012-2013 academic year. Congress provided mandatory appropriations of \$10 billion for 2012 as part of the Budget Control Act in August 2011, and appropriators spent several months debating how to address the remaining \$1.3 billion shortfall.

The Senate proposed to fix the funding gap by eliminating the six-month interest subsidy grace period for student loans, which was expected to generate about \$2.3 billion in savings over the next two years. The House, by contrast, originally proposed a set of sweeping permanent changes to Pell including eliminating eligibility for less-than-half-time students and students without high school diplomas (known as “ability to benefit” students), retroactively reducing lifetime eligibility from eighteen semesters to twelve semesters, lowering the income level at which the expected family contribution (EFC) is automatically assumed to be zero, and sharply reducing income protection allowances that limit the amount of household income considered when determining financial need.

The omnibus ultimately adopted both the Senate proposal and some, but not all, of the House proposed changes, including:

- Eliminating eligibility for “ability to benefit” students, a move that could impact as many as 100,000 students, including working adults participating in career pathways programs;
- Reducing the Automatic Zero Expected Family Contribution from the \$30,000 limit per year to \$23,000, which will make it harder for working students to protect income needed for living expenses; and
- Retroactively changing the lifetime eligibility for Pell from eighteen semesters to twelve semesters.

The maximum Pell Grant award is maintained at \$5,550; the 0.189 percent rescission does not impact Pell funding appropriated through the omnibus.

Funding for Adult Basic Education and Career and Technical Education state grants would be level-funded, although both programs are subject to the 0.189 percent rescission.

National Skills Coalition has prepared a [detailed chart](#) showing final FY 2012 appropriations for key education and training programs compared to FY 2010 and 2011 levels.

While we are disappointed that workforce investments continue to be targeted for cuts—particularly in light of persistently high unemployment rates and continued concerns from employers about the inability to find skilled workers—we also want to acknowledge the critical impact of advocacy and education efforts from NSC member organizations and our national partners. Over the last two appropriations cycles, the workforce system has been under attack to an unprecedented degree—and it is still standing. As we gear up for the coming year, and the debate over funding priorities for FY 2013, we will continue to work with the workforce field to make sure your voices are heard in Washington..

UI, Payroll Tax Holiday “Extenders” Bill in Limbo

On December 20, the House voted not to adopt a Senate-passed “extenders” bill that would have temporarily renewed authorization through the middle of February for a range of federal programs, including expanded unemployment insurance (UI) benefits, a payroll tax holiday for employees, and the Temporary Assistance for Needy Families (TANF) block grant. The defeat of the Senate stopgap measure sets up a showdown between the two chambers, as House Republicans are insisting that the Senate take up a House version of the extenders package that would have significant negative ramifications for UI recipients.

Under the "Middle Class Tax Relief and Job Creation Act of 2011" (HR 3630), passed by the House on December 13, the maximum duration for receiving UI benefits would be reduced from the current 99 weeks to 59 weeks, and states would be permitted to deduct \$5 from weekly benefits for all UI recipients to pay for mandatory reemployment services. In addition, any individual seeking UI benefits would be required to have at least a high school diploma or recognized equivalent, or be enrolled and making satisfactory progress in classes leading to such a credential. It is [estimated](#) that nearly 300,000 unemployed workers would be impacted by such educational requirements in just the first three months after enactment, with affected applicants required to either enroll in adult education and training, or forego the benefits they need to support their families.

It is unlikely that states and localities have the capacity to address this sharp increase in training enrollments: a [recent survey](#) found that all but one state had waiting lists for entry into adult education, with more than 160,000 applicants already unable to access services. Given the steep declines in federal funding for adult education and job training services—adult education state grants have been cut by more than 20 percent in inflation-adjusted terms over the last decade, while the FY 2011 and 2012

appropriations bills have cut more than \$1.3 billion in funding from key Department of Labor and Education programs—the proposed changes would effectively eliminate access to UI benefits for hundreds of thousands of jobseekers while also placing additional strains on an already overburdened workforce system.

With the current authorization for expanded UI benefits and other programs set to expire on December 31, next steps are unclear. The Senate has adjourned for the year, and Senate Majority Leader Harry Reid (D-NV) has given no indication that he will call the chamber back into session in response to the House ultimatum. The White House has formally threatened to veto the House bill if it passes the Senate, though it seems likely that the administration would sign any final compromise between the two chambers.

National Skills Coalition strongly opposes efforts to impose arbitrary educational requirements on UI recipients. We will provide updates on these issues as new information becomes available.

House Republicans Introduce Job Training Consolidation Bills

On December 8, the House Committee on Education and the Workforce released two bills that would significantly amend funding and governance structures under WIA while eliminating more than thirty federal employment and training programs. According to a [press release](#) issued by the committee, the two bills—in conjunction with a third bill introduced earlier this year by Rep. Buck McKeon (R-CA)—will serve as the framework for the committee’s WIA reauthorization conversation, with a committee markup on a consolidated bill or set of bills possible as early as February.

The “[Streamlining Workforce Development Programs Act](#)” (HR 3610), introduced by Higher Education and Workforce Training Subcommittee chairwomen Virginia Foxx (R-NC), calls for the consolidation of 33 of the 47 employment and training programs identified in a [January 2011 Government Accountability Office \(GAO\) report](#). Funding for most of these programs would be rolled into four new “Workforce Investment Funds”:

- A Workforce Investment Fund, which would provide formula funding to states and local areas for job training services to adults, unemployed workers, and youth seeking employment. The bill authorizes \$4.3 billion annually for FYs 2013-2018;

- A State Youth Workforce Investment Fund, which would provide funds to states for competitive grants to serve the nation's disadvantaged youth, with a focus on school completion. The bill authorizes \$1.9 billion annually for FYs 2013-2018;
- A Veterans Workforce Investment Fund, which would provide formula funds to states and local areas for employment and training services to U.S. veterans. The bill authorizes \$218 million annually for FYs 2013-2018; and
- A Targeted Populations Workforce Investment Fund, which would provide formula funds to states and local areas for assistance to special populations, including Native Americans and migrant and seasonal farmworkers. The bill authorizes \$581 million annually for FYs 2013-2018.

The bill would repeal authorization for a range of existing training and employment programs, including Job Corps, the Supplemental Nutrition Assistance Program Employment & Training (SNAP E&T) program, the Senior Community Service Employment Program (CSEP), and virtually all activities currently authorized under the Wagner-Peyser Act. Committee staff has indicated that their intent was to maintain current funding levels associated with all consolidated programs while creating greater state flexibility in the use of funds. National Skills Coalition has prepared a [chart](#) showing the programs that would be eliminated under the Foxx bill, compared to funding levels under the four new workforce funds, [and a section-by-section summary of the bill](#).

The bill would also require state and local leaders to set common performance measures for all employment and training programs under the revised Title I, Title II adult education programs, and vocational rehabilitation programs under Title IV of WIA. The bill would also give governors greater power over the designation of local workforce areas; would mandate that two-thirds of all state workforce investment board members be employers; and would permit states to submit unified state plans for a number of job training and related programs, allowing states to consolidate funds under TANF, Perkins CTE, Community Service Block Grant, and other federal programs into the Workforce Investment Fund.

The second bill, the [Local Job Opportunities and Business Success](#) (Local JOBS) Act (HR 3611), introduced by Rep. Joe Heck (R-NV), would mandate that two-thirds of all local workforce investment board members be employers, and would eliminate representation requirements for WIA partner programs, local educational entities, and labor organizations. The bill would mandate that local boards reserve a

minimum percentage of funds for training activities, according to criteria determined by the boards.

National Skills Coalition looks forward to working with the committee to evaluate the potential impacts of these bills on state and local workforce systems and other stakeholders, and will work to ensure that any WIA reauthorization bill includes recognized best practices and adequate federal investments for meeting the skill needs of U.S. workers and businesses to promote economic growth.