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WASHINGTON UPDATE

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Super Committee Fails to Reach Deficit Reduction Deal

On November 21, the members of the Joint Select Committee on Deficit Reduction—better known as the "Super Committee"—announced that they were unable to reach agreement on a deal to lower the federal debt by more than $1 trillion over the next decade. The Committee's inaction potentially sets the stage for another congressional showdown over spending priorities next year as some lawmakers may seek to renegotiate automatic spending cuts triggered by the Super Committee's failure to act.

The Super Committee was established as part of this summer's Budget Control Act (BCA), and was charged with developing legislative recommendations for at least $1.2 trillion in savings between Fiscal Years (FY) 2012-2021. From the beginning, there were indications that the Committee would have difficulty meeting its goal: Republican members of the Committee made clear heading into negotiations that they were opposed to any tax increases, while Democrats were under pressure to protect Social Security, Medicare, and other key entitlement programs from significant cuts. While the two sides made a series of public offers and counteroffers in the days leading up to the November 21 announcement, they were ultimately unable to reach a compromise.

The Super Committee's collapse has broad-reaching implications. Under the BCA, the Super Committee's failure automatically triggers across-the-board funding cuts ("sequesters") to numerous discretionary spending programs starting in January 2013. The sequesters are designed to fall evenly across defense and non-defense programs—a split intended to increase pressure on both sides to make a deal—though they will not touch many major entitlement programs such as Social Security, Medicaid, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutritional Assistance Program (SNAP, formerly Food Stamps). Under the current law, non-defense discretionary programs (including most workforce programs) would be cut by an estimated $38.6 billion in January 2013—about 9 percent of current funding levels for all impacted programs—and would receive further automatic cuts each year through 2021.

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While the sequesters would be devastating to workforce programs just at their current levels, House Armed Services Committee Chair Buck McKeon (R-CA) and other key Republicans have indicated they will introduce legislation to reduce the impact of the sequesters on defense programs, likely by making deeper cuts to non-defense programs. President Obama has promised to veto any legislation that changes the sequesters, but it is possible that the White House and congressional Democrats may be willing to renegotiate the cuts in exchange for concessions on tax rates or other legislative priorities.

The Super Committee's failure also complicates efforts to complete year-end legislative work for 2011. There had been some expectations that the Super Committee deal would serve as the legislative vehicle for extensions of expanded unemployment insurance benefits and an employee payroll tax cut, both of which are set to expire at the end of December. Congress must now try to move these extensions separately, but fiscal conservatives are expected to strongly oppose any extensions without additional spending cuts.

Fiscal Year 2012 Appropriations Update

The Super Committee's failure to reach a deal may also impact negotiations to finalize the remaining FY 2012 appropriations bills. Before the Thanksgiving break, Congress approved a "minibus" appropriations bill that provides FY 2012 funding for five federal departments—Transportation, Housing and Urban Development, Commerce, Agriculture, and Justice—and includes a stopgap continuing resolution (CR) to fund all other agencies at current levels through December 16. Congress will likely roll up the remaining nine appropriations bills—including the Labor-HHS-Education (Labor-H) bill—into an omnibus spending package, but without resolution from the Super Committee on spending levels it is possible that fiscal conservatives will seek to include additional spending cuts in any final deal. The current CR already includes a 1.5 percent across-the-board cut that applies both to funds appropriated under the CR itself, and to advance FY 2012 funding from previous fiscal years (including advance appropriations for the Workforce Investment Act and Perkins Career and Technical Education programs).

Negotiations over the Labor-H bill are expected to be particularly thorny, as the House and Senate have produced bills with starkly different visions for investing in America's workforce.

Department of Labor

The Senate appropriations committee marked up its version of the FY 2012 Labor-H bill in September. The Senate bill includes approximately $300 million in spending cuts compared to FY 2011 enacted levels, consistent with discretionary spending caps included in the BCA, but largely maintains current funding levels for key workforce and education programs.

Under the Department of Labor, the Senate bill:

- Level funds state formula grants under Title I of the Workforce Investment Act (WIA). The bill would extend language included in the final FY 2011 CR that reduces the state set-aside from 15 to 5 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 at 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.

The Senate would maintain funding for all other DOL training programs at FY 2011 enacted levels.

In contrast to the Senate's bill, the draft House Labor-H bill would make devastating cuts to federal workforce and education programs—including more than $2 billion in cuts to DOL training programs. According to a press release issued by the committee, the bulk of the savings under DOL would be achieved by aligning funding for job training programs with the federal fiscal year—most programs are currently funded according to a program year—and eliminating $2.4 billion in "advance appropriations," funds that Congress includes in the spending bill for one fiscal year but which are not made available until the subsequent fiscal year. Specifically, the House bill would:

- Reduce overall funding for the WIA Adult, Dislocated Worker, and Youth programs by approximately $1.9 billion compared to FY 2011 enacted levels. Rather than providing appropriations for the Adult and Dislocated Worker programs in two allotments—a "base" allotment available from July 1-June 30, and an advance allotment available October 1-June 30—all funding for these two programs would be made available for the period running from July 1, 2012-December, 2012. Funding under the Youth program would be available from April 1, 2012-December 31, 2012.

- Eliminate funding for the Workforce Innovation Fund in FY 2012, and rescind $125 million in FY 2011 appropriations for this program.
- Significantly reduce funding for national programs under ETA, including YouthBuild, Native American and migrant and seasonal farmworker programs, and state Employment Service grants under the Wagner-Peyser Act.

National Skills Coalition has released a state-by-state analysis of House-proposed cuts to programs under Title I of WIA in FY 2012, finding that as many as 6.5 million U.S. jobseekers would lose access to critical employment and training services under these programs if the House funding levels were enacted.

Department of Education

House and Senate appropriators also face a deep divide over the fate of the Pell Grant program. Because of increased participation in 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 Pell program was facing a projected $11.3 billion shortfall in 2012. Congress provided $10 billion in mandatory funding under the BCA to help address the shortfall in 2012, and the Senate proposed filling the remaining gap by eliminating the interest subsidy on certain student loans during the six month grace period after individuals leave school. The Senate's proposal, which otherwise maintained Pell at current eligibility and award levels, was projected to save about $2.3 billion over two years, sufficient to address the 2012 shortfall with an additional $1 billion in funding available to cover program costs in 2013.

Rather than adopting the Senate's approach, the House bill includes a number of permanent structural changes to the program that would dramatically reduce eligibility for non-traditional students and working adults, including: eliminating eligibility for less-than-half-time (LTHT) students and students without high school diplomas; reducing lifetime eligibility from 18 semesters to 12 semesters; lowering the income level at which the expected family contribution (EFC) is automatically assumed to be zero; redefining "income" to include certain public benefits; and sharply reducing income protection allowances that limit the amount of household income considered when determining financial need. The proposed changes would eliminate access for as many as 550,000 low-income students in the next year alone, while significantly reducing award levels for many other Pell Grant recipients.

Further complicating matters, the House Budget Committee in November directed the Congressional Budget Office to “score” the Senate’s interest subsidy proposal in a way that permits only $400 million of the savings in 2012 to apply toward Pell funding for the upcoming award year, leaving a $900 million gap to fill in order to comply with budget rules. Addressing this unanticipated gap will likely require the chambers to agree to at least some of the proposed eligibility changes under the House bill unless alternatives solutions can be found.

Both the House and Senate bills maintain existing funding levels for career and technical education grants under the Perkins Act, and state adult education grants under Title II of WIA.

While the House draft has never been marked up by the Committee, it will serve as the starting point for House appropriators as they negotiate with the Senate on final Labor-H spending levels. Given the disproportionate impact on job training and education programs under the House proposal—more than half of the $4 billion in overall spending cuts under the bill would come out of workforce programs—it is vitally important to weigh in with Members of Congress, and urge them to support the funding levels included in the Senate bill while retaining the existing eligibility structure and maximum award under the Pell Grant program.

Miller, Blumenthal Introduce Job Training Bills

On November 15, Rep. George Miller (D-CA)—ranking member of the House Committee on Education and the Workforce—and Sen. Richard Blumenthal (D-CT) introduced legislation that would provide significant new investments in employment and job training activities for unemployed and low-income adults and youth.

The “Pathways Back to Work Act” (S 1861, HR 3425) builds on recommendations included in President Obama’s American Jobs Act, and would authorize a total of $5 billion in new federal funding for three initiatives:

- $2 billion would be available to states to support subsidized employment programs for low-income, unemployed adults;

- $1.5 billion would be available to support summer and year-round employment for low-income youth; and
- $1.5 billion would be available for competitive grants to local partnerships to carry out work-based and other effective training strategies for low-income, unemployed adults and low-income youth. Supported strategies could include sector-based training programs, programs that lead to increased acquisition of industry-recognized credentials, and adult basic education and integrated education and training for low-skilled adults to prepare individuals for in-demand jobs in the local area.

The House bill was co-sponsored by Rep. Dale Kildee (D-MI), Lynn Woolsey (D-CA), Ruben Hinojosa (D-TX), Donald Payne (D-NJ), Tim Bishop (D-NY), and Dave Loebsack (D-IA).

National Skills Coalition supports the Pathways Back to Work Act, and we applaud Representative Miller and Senator Blumenthal for their vision and leadership in introducing this legislation. With nearly 14 million Americans still out of work, it is critically important that we continue to make new investments in innovative workforce development strategies to ensure U.S. workers and businesses have the skills they need to compete in today's economy. We look forward to working with Congress to pass this bill, while continuing our fight to maintain adequate funding levels for existing workforce and education programs.

NSC Fact Sheet Highlights SNAP E&T Program

In October, National Skills Coalition released a brief fact sheet on the important role of the Supplemental Nutrition Assistance Program Employment & Training (SNAP E&T) program as part of our nation's job training strategies, including highlights of innovative state programs.

Originally authorized in 1985, SNAP E&T provides funds to states to offer job search, work experience, and training opportunities to help SNAP participants achieve self-sufficiency. State SNAP E&T programs served nearly 2.6 million individuals in FY 2010, including nearly 1.5 million who used the program to pursue a secondary diploma or GED, and thousands more who used the program to pursue postsecondary degrees or credentials. The program has proven to be an invaluable resource for addressing the skill needs of low-income adults who might otherwise not be served through other federal employment and training programs. In recent years a number of states have implemented promising and innovative workforce strategies that can help better connect SNAP recipients to industry-recognized degrees and credentials with value in the labor market.

Despite the growing success of state SNAP E&T programs, the program faces challenges from conservative lawmakers seeking to reduce federal spending on job training. In October, Sen. Richard Lugar (R-IN) and Rep. Marlin Stutzman (R-IN) introduced legislation that would eliminate SNAP E&T as part of a broader overhaul of the federal Farm Bill due to be reauthorized next year. In a press release announcing the introduction of the measure, Lugar suggested that eliminating SNAP E&T would reduce duplication with other federal job training programs, citing an inaccurate interpretation of a January Government Accountability Office (GAO) report that has become increasingly popular with conservatives (see National Skills Coalition's response to mischaracterizations of the GAO report).

House and Senate Agriculture Committee leaders had been seeking to attach a five-year reauthorization of the Farm Bill to the deficit reduction measure developed by the Super Committee, but with the collapse of those negotiations the Agriculture Committee will need to take up the legislation sometime next year. While the deal worked out by Committee leaders reportedly did not include the Lugar/Stutzman proposal to eliminate SNAP E&T, it is possible that this proposal will resurface in election-year debates over federal agriculture expenditures.

NSC strongly opposes efforts to reduce or eliminate SNAP E&T funding or to significantly restructure the program, and we look forward to working with Congress to maintain and strengthen the program to ensure SNAP recipients can get the skills they need to get and keep family-supporting jobs.

Congress Passes Trade Adjustment Assistance Extension

Following months of contentious debate and false starts, Congress in October approved an extension of the federal Trade Adjustment Assistance (TAA) program, which provides job training and other benefits for workers who have lost their jobs as a result of foreign competition. The "Trade Adjustment Assistance Extension Act" (TAAEA)—which was passed as part of a larger deal to advance free trade agreements with South Korea, Colombia, and Panama—partially restores expanded eligibility and funding provisions originally authorized under the American Recovery and Reinvestment Act, and authorizes the TAA program through the end of 2013.

While TAA has traditionally been aimed at helping dislocated manufacturing workers, Congress expanded the program in 2009, extending eligibility to service and public sector workers and nearly tripling the amount of funding available for training services. However, Congress allowed the Recovery Act amendments to expire in February, and the program had been operating under the more restrictive pre-Recovery Act eligibility criteria and funding levels

The White House and some congressional Democrats sought to restore the 2009 amendments in exchange for moving the long-stalled free trade agreements, but Republicans resisted a final deal, arguing that TAA was costly and ineffective. The final version of TAAEA, which was negotiated by Senate Finance Committee Chair Max Baucus (D-MT) and House Ways and Means Chairman Dave Camp (R-MI), addressed some of these cost concerns in part by scaling back certain provisions and including offsets to help cover expenses, reducing the estimated cost of the bill from about $2.1 billion to $900 million over three years.

Overall, TAAEA extends a number of 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, the bill:

- Restores the annual cap on funding for job training, case management, and other activities to $575 million for FYs 2012 and 2013, plus $143.75 million for the first quarter of FY 2014.
- Authorizes up to 117 weeks of training for certified workers, plus an additional thirteen weeks in certain circumstances to allow workers to complete training leading to an industry-recognized degree or credential; and
- Restores the expanded eligibility under the 2009 amendments for service sector workers.

The Department of Labor has issued operating instructions for implementation of the new law, including special provisions for workers who filed petitions for TAA certification between February 13, 2011 (the last day under which petitions could be filed under the 2009 amendments) and October 21, 2011 (the date TAAEA was enacted).

In addition to the changes to the main TAA for Workers program, TAAEA eliminates two competitive 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 Commerce program received about $37 million in funding in FY 2010 but was not funded in FY 2011; the DOL sector grant program was never funded by congress. The TAA Community College and Career Training (TAACCCT) grant program is not impacted by the current legislation, as funding for that program was provided in last year's budget reconciliation bill.

National Skills Coalition has prepared a short summary comparing key workforce provisions under the Trade Adjustment Assistance Extension Act to provisions under the 2009 extension. NSC applauds Congress and the administration for working together to renew TAA, ensuring that thousands of dislocated manufacturing and service sector workers will be able to obtain the skills necessary to transition to new jobs and new industries.

H-1B Skill Grants, TAACCCT Grants Announced

On October 4, the Department of Labor (DOL) announced nearly $160 million in awards under the H-1B Technical Skills Training grant program, which supports job training and related activities in industries where employers are using H-1B visas to hire skilled foreign workers. A total of 36 partnerships, representing twenty states and the District of Columbia, received funding, with $85 million dedicated for training aimed at long-term unemployed workers, and $70 million being used to support on-the-job training (OJT) activities.

The October grants represented the first of two rounds of funding that will be made available under the Solicitation for Grant Applications (SGA); applications for the second round were due by November 17.

On September 26, DOL announced nearly $500 million in capacity-building grants to community colleges and consortia of community colleges to support job training and education aimed at dislocated workers. Thirty-two grantees, representing 35 states and the District of Columbia, will use grant funds to develop and implement innovative workforce strategies in cooperation with local and regional employers, including through career pathways models, sector-based strategies, and initiatives to increase attainment of degrees, certificates, and other industry-recognized credentials.

The Trade Adjustment Assistance Community College and Career Training (TAACCCT) program was created as part of the broader TAA reauthorization under the Recovery Act, and is jointly administered by the

Departments of Labor and Education. Congress provided $500 million in funding for the program in each of FYs 2011-2014—for a total of $2 billion—under last year's budget reconciliation bill. By law, each state will ultimately receive at least $2.5 million per year in funding under TAACCCT. View descriptions of grantees and funded projects here.

Administration Announces Health Care Innovation Grants

On November 14, the Department of Health and Human Services announced the availability of $1 billion in new "Health Care Innovation Challenge" grants for projects designed to improve health care outcomes and lower costs for participants in Medicare, Medicaid, and the Children's Health Insurance Program. The grant announcement specifies that applicants must develop and implement workforce development strategies that focus on updating the skills of existing health professionals or identify and train new types of workers to enhance health care delivery.

Three-year grants of between $1 million and $30 million will be made available to eligible applicants, including health care providers, local governments, and public-private partnerships.
Applicants must propose projects that emphasize rapid implementation, with infrastructure and capacity-building activities completed within six months of the grant award.

Prospective grantees must submit letters of intent to HHS to apply for the grants by December 19, 2011. Applications are due by January 27, 2012. PHI, a national non-profit focused on the skills of long-term care workers, has created a valuable resource center with additional information on the proposed grants.