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WASHINGTON UPDATE

In this Issue

Fiscal Year 2016 Budget Analysis:
President's Budget Invests in
Skills...1

ETA releases updated WIOA
implementation information...11

Fiscal Year 2016 Budget Analysis: President's Budget Invests in Skills

On February 2, President Obama submitted his [Fiscal Year \(FY\) 2016 budget request](#) to Congress, providing the Administration's appropriations requests for federal programs and activities beginning October 1, 2015.

The FY 2016 budget includes ambitious proposals to make significant, new investments in training and skills. The budget builds on recent congressional and administrative efforts to modernize investments in skills including passage of the Workforce Innovation and Opportunity Act (WIOA), the administration's job-driven training action plan, and proposals President Obama announced leading up to and during the State of the Union address on January 20 – including America's College Promise and the American Technical Training Fund.

The administration's skills proposals fit into a broader agenda President Obama outlined in his State of the Union, which he identified as "middle class economics." As part of that agenda, the president is focused on expanding opportunities for all workers to improve their skills through initiatives designed to deliver access to middle-skill credentials for millions of students and working people.

President Obama's budget proposes to eliminate sequestration altogether, beginning in FY 2016. The necessary savings would come from changes in the tax code and changes to certain discretionary and mandatory spending programs. As a result, the budget was able to include increased funding for certain discretionary programs – including several key education and training programs.

Given that Republicans now control the House and the Senate, it is very unlikely that the President's budget will be considered in full by Congress. Still, the budget provides an important marker for future federal investments and signals the Administration's priorities for the coming year. At a



minimum, it should serve as a reminder to policymakers that federal workforce programs are critical to ensuring that U.S. workers and businesses have the skills they need to compete in today's global economy.

This analysis provides an overview of key workforce and education funding requests under the Departments of Labor, Education, Health and Human Services, Treasury, and Commerce.

Department of Labor

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Overall, the Administration's discretionary budget request for the Department of Labor (DOL) is \$13.2 billion, 11 percent above the FY 2015 level. Funding for the Employment and Training Administration (ETA), which administers the Workforce Innovation and Opportunity Act (WIOA) and other federal job training and employment programs, is set at \$10.6 billion, compared to \$9.67 billion in FY 2015.

The Department of Labor budget proposes significant new investments in strategies long recognized as best practices by the field, including sector partnerships, career pathways, and job-driven investment. The proposed funding would complement recent efforts by Congress and the Administration to strengthen investments in education and training through the Workforce Innovation and Opportunity Act and the administration's Job-Driven Training Action Plan.

Job Driven Training Proposals

The FY 2016 budget requests \$21 billion in new mandatory investments for initiatives that align job training with the needs of local and regional employers.

High Growth Sector Training and Credentialing Grants. The budget requests \$16 billion over 10 years to substantially increase the resources available for training through the workforce system.

- \$500 million over four years would go toward Industry Credentialing and Career Pathways Grants, which would be awarded to employers in partnership with the workforce system and postsecondary institutions, for the planning, development, or adoption of credentialing and assessment frameworks, articulation of career

pathways, and resource alignment across multiple firms with locally or regionally in-demand jobs. Of the \$500 million, \$300 million would be targeted specifically at information technology jobs to spur the development and adoption of industry-validated credentials.

- \$5.5 billion over ten years would be dedicated to High-Growth Sector Training Grants, which would expand funding for training and link the new funding to industry partnerships. Funds would be allocated to states using the WIOA dislocated worker formula, though states would have to apply to receive the supplemental funds. The White House estimates that this initiative provide access to training for approximately 200,000 individuals annually, roughly doubling the numbers trained through the public workforce system.
- \$10 billion over ten years would go toward providing career counseling, training, and subsidized employment opportunities specifically targeting the long-term unemployed. Funds would be allocated according the proportion of long-term unemployed in an area.

Apprenticeship Training Fund. The budget requests \$2 billion over four years to meet President Obama’s goal of doubling the number of U.S. apprenticeships over the next five years.

- \$1.5 billion would support flexible grants to states and regions to promote employer participation in apprenticeship through grants, tax incentives, or other strategies. \$500 million would support a base fund for state formula grants, and \$1 billion would support a Challenge Fund to reward the best state proposals.
- The remaining \$500 million would be used to establish an “Innovation Competition” to build capacity in states and regions to assist employers in expanding apprenticeship and create alignment between apprenticeship and other educational pathways, including by integrating community college and apprenticeship programs and promoting articulation agreements.

“The budget requests \$3 billion over four years to improve educational and employment opportunities for disconnected youth.”

Connecting for Opportunity. The budget requests \$3 billion over four years to improve educational and employment opportunities for disconnected youth. This proposal builds off of the new requirement in WIOA that 75 percent of youth formula funds must be used to serve disconnected youth.

- \$1.5 billion would support formula grants to provide summer and

year-round employment opportunities for disconnected youth. Funding would be allocated to states according to the WIOA Youth formula.

- \$1.5 billion would support competitive grants to local governments or consortia of local governments to reengage disconnected youth and set them along a career pathway leading to high school completion, a postsecondary credential, or employment.

Workforce Innovation and Opportunity Act

By the start of FY 2016, WIOA implementation will be in its second year. In addition to proposing specific funding levels for programs authorized under WIOA, the budget describes DOL priorities for implementation, including the development and implementation of sector strategies across the formula funding streams and through administration of the national programs.

Across all three formula funding streams, the budget proposes maintaining the governor's set-aside for statewide activities at 10 percent, level with FY 2015 and slightly higher than FY 2011 – FY 2014 levels – but still below the 15 percent authorized by WIOA.

"The FY 2016 budget requests \$815.6 million in funding to support the WIOA Adult program, which is \$38.9 million above FY 2015 enacted levels."

WIOA Adult Program. The FY 2016 budget requests \$815.6 million in funding to support the WIOA Adult program, which is \$38.9 million above FY 2015 enacted levels. The increased funding would be used to support local area service delivery. DOL priorities for implementation of the WIOA adult program in FY 2016 include increasing credential attainment, using data and research to inform best practices, and prioritizing low-income and basic-skills deficient individuals.

WIOA Dislocated Worker Program. The budget requests \$1.02 billion for WIOA Dislocated Worker formula grants, \$5 million above the FY 2015 level. The slight increase will allow local areas to recoup the funding lost in FY 2015 as a result of the increase to the governor's reserve. DOL plans to emphasize key strategies to increase employment opportunities for dislocated workers in FY 2016, including: increasing skills and facilitating rapid reattachment to the labor force; using data and research to inform best practices; coordinating training programs and services with one-stops; and encouraging the development of sector strategies.

WIOA Youth Program. The administration proposes \$873.4 million for WIOA Youth grants, \$41.6 million above FY 2015. The additional funds

would be used to support local area service delivery and respond to the high need among youth for job placement, career counseling, and skills training services. Priorities for implementation of WIOA youth include increasing credential attainment through promotion of sector strategies, creating sectoral career pathways for youth, and expanding collaborative partnerships to leverage resources for youth participants.

DOL also proposes focusing on connecting WIOA youth – disconnected youth in particular – to sector-based career pathways. DOL, in collaboration with the Departments of Education (ED) and Health and Human Services (HHS) will promote career pathways as a strategy to prepare youth for skilled jobs. This effort builds upon recent efforts by DOL, ED, and HHS to work together to break down silos at the federal level to better facilitate the development of career pathways and career pathways strategies at the local and state levels.

WIOA Technical Assistance. The administration requests \$3.2 million for DOL for the provision of technical assistance related to WIOA implementation. Building on the dislocated worker national reserve technical assistance funds allocated in FY 2015, technical assistance would focus on strategic planning, resource and program alignment, and accountability and transparency.

Other ETA Programs

Dislocated Worker National Reserve. The budget requests \$240.9 million for the Dislocated Worker National Reserve fund, \$20 million above last year's level. The administration proposes using the additional \$20 million to support reemployment and training assistance for energy industry workers impacted by the administration's POWER+ energy initiative.

Indian and Native American Programs. The Administration request \$50 million for Indian and Native American programs, \$4 million above FY 2015 levels.

Migrant and Seasonal Farmworkers. The Administration requests \$81.9 million for migrant and seasonal farmworker activities, consistent with FY 2015 levels.

YouthBuild. The Administration requests \$84.5 million for YouthBuild, \$4.8 million above FY 2015 funding levels. The additional funding will allow DOL

to award five additional grants in FY 2016.

Reintegration of Ex-Offenders. The administration proposes funding ex-offender programs at \$95.1 million in FY 2016, \$13 million above FY 2015 levels. The additional resources would support expanded programs serving adult and juvenile offenders and transitioning offenders, and would support community partnerships piloting a Law Enforcement Services Career Pathways Program for at-risk youth ages 16-18.

Workforce Data Quality Initiative. The administration requests \$37 million for the WDQI, which provides funding to states to support longitudinal data systems, an increase of \$33 million over the current level. The increased funding would support building integrated or bridged data systems at the state level to facilitate WIOA implementation. The grants would also support building state-based wage data matching infrastructure to streamline WIOA performance reporting. This investment aligns an administrative proposal to double the federal investment in statewide longitudinal data systems (SLDS), which track K-12 student data.

Apprenticeship Grants. The administration requests \$100 million to expand apprenticeships, building off of the recent American Apprenticeship Initiative, which was supported by H-1B visa fees. These grants will fund organizations to engage, recruit, and serve under-represented populations through apprenticeship, including the populations currently served by the Women in Apprenticeship and Non-Traditional Occupations (WANTO) grants. Consistent with recent budget proposals, the administration's budget does not include a FY 2016 request for WANTO, though Congress continues to fund the program.

Licensing reforms. The administration proposes \$15 million in new funding for grants to states to reduce barriers to labor market entry or mobility that may be created by occupational licensing requirements.

Other DOL Programs

Job Corps. The budget recommends funding Job Corps at \$1.598 billion, \$17 million above the FY 2015 level. DOL indicates that it is continuing its ongoing reform effort, including streamlining and modernizing the program, closing a small number of chronically low-performing centers, identifying and replicating the practices of high performance centers, and implementing cost-cutting reforms. Of the additional funding, \$12 million will support

modernizing curricula, upgrading equipment, refining training, and implementing WIOA, and \$5 million will be used to implement promising models to improve the outcomes for younger youth (ages 16-19) enrolled in Job Corps.

Senior Community Service Employment Program. The administration requests \$434.4 million for the SCSEP program in FY 2016, consistent with the FY 2015 level. The administration also proposes certain changes to the program, including increasing the amount available for training (from 10 to 25 percent), and decreasing the percentage used for wages and benefits for community service projects (from 75 to 60 percent).

Wagner-Peyser Employment Service. The Administration proposes funding state Employment Service grants at \$1.06 billion, \$400 million above the FY 2015 level. The additional funding would be set aside by DOL to fund supplemental budget requests by states to provide intensive reemployment services for dislocated workers. Supplemental funding available to each state would be capped using the ES formula. States would be required to apply for the supplemental funding. The budget also includes an additional \$100 million for combined Reemployment and Eligibility Assessments and Reemployment Services to recently separated veterans and the long-term unemployed, bringing the total supplemental request for reemployment services to \$500 million.

TAA for Workers. The TAA program, which provides training assistance and other benefits to individuals who have lost their jobs as a result of foreign trade, was reauthorized in October 2011 as part of the Trade Adjustment Assistance Extension Act (TAAEA). TAAEA expired in 2013, triggering a reversion to the Trade Adjustment Assistance Reform Act of 2002, as amended by the TAAEA sunset provisions (Reversion 2014), which was most recently extended through FY 2015. The administration's budget includes a legislative proposal to reauthorize TAA under similar legislation to TAAEA, with some provisions of the 2009 TAA program. The legislative proposal would allocate a total of \$986 million for TAA, with \$575 million going toward training services and employment services. If the full legislative proposal is not enacted in FY 2016, the administration instead requests \$664.2 million (including \$283.2 for training and employment services) to continue the program under Reversion 2014.

Department of Education

The FY 2015 budget calls for discretionary appropriations of \$70.7 billion for ED, an increase of about \$3.6 billion over the FY 2015 enacted level. The ED budget includes unprecedented new investments in education and skills, and illustrates that policymakers recognize the fundamental need for education beyond high school. That recognition is most clearly embodied by the America's College Promise proposal, which would allow students to attend community college for up to two years, tuition free. National Skills Coalition, through the Skills2Compete campaign first launched in 2007, has long advocated for a two-year skills guarantee.

America's College Promise. The budget includes new details on the America's College Promise program, which designates \$60 billion in mandatory funding over ten years to make up to two years of community college free for all interested individuals who meet certain eligibility requirements. The administration estimates that this investment could impact up to 9 million students nationwide. The federal government would cover approximately 75 percent of the program cost (as determined by formula), while states that decide to opt-in to the program would provide the remaining 25 percent. The program would be open to "responsible" individuals who are enrolled in qualifying programs on at least a half-time basis, maintain at least a 2.5 GPA, and make steady progress toward program completion. Funds could be used to support enrollment in either academic programs that fully transfer to public four-year colleges and universities, or for occupational training programs with high graduation rates that lead to certificates or degrees in demand by employers. Participating states would also commit to maintaining support for current investments in higher education, improve coordination between secondary and postsecondary systems to reduce the need for remediation, and allocate at least some funding on the basis of performance, rather than enrollment.

While America's College Promise would create significant new opportunities for millions of students, the proposal in its current form would not benefit working adults who are only able to attend school less-than half time.

Pell Grants. The Administration requests a total of \$28.9 billion in FY 2016 funding for Pell Grants, including \$22.5 billion in discretionary funding and \$6.5 billion in mandatory funding. At these levels, the budget would support a maximum award level of \$5,915 for the 2016-2017 school year. The administration also proposes making a number changes to the Pell grant

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program, including strengthening academic progress requirements; allowing students enrolled in an eligible career pathways program who are eligible for the Ability-to-Benefit (AtB) provision to receive the maximum Pell award (currently AtB students are only eligible for a partial award); and preventing Pell disbursements for recipients who repeatedly enroll and obtain aid but do not obtain academic credit.

Other ED Programs

Career and Technical Education. The budget would fund state CTE grants under the Carl D. Perkins Act at \$1.3 billion, \$200 million above the FY 2015 level. The additional \$200 million would fund a new “CTE Innovation Fund,” which would be used to finance the new American Technical Training Fund.

“This new \$200 million fund would support up to 100 innovative training programs at community colleges and other institutions designed to help low-wage workers gain the skills necessary for advancement in middle-skill occupations and industries.”

American Technical Training Fund. This new \$200 million fund would support up to 100 innovative training programs at community colleges and other institutions designed to help low-wage workers gain the skills necessary for advancement in middle-skill occupations and industries. Building on lessons learned through the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grants, the proposed fund would support the implementation and expansion of programs that have strong employer partnerships, are structured to accommodate part-time work, and provide work-based learning and accelerated training opportunities. The initiative would be funded through the career and technical education (CTE) Innovation Fund, under the Carl D. Perkins Act.

The Administration suggests that under current law it has been difficult to assess the effectiveness of Perkins-funded CTE programs and hold states accountable for their outcomes. In 2012, the administration issued a Blueprint for Reform for CTE, the principles of which are reiterated in the FY 2016 budget request. Potential reforms outlined by the Blueprint include: strengthening the alignment among secondary and postsecondary CTE programs and business and industry; creating a better accountability system; and providing funding to promote innovation and reform.

Adult Education. The Administration requests \$569 million for adult education state grants, which is level with the FY 2015 appropriation, but still nearly \$30 million below the FY 2013 enacted level.

Department of Health and Human Services

Temporary Assistance for Needy Families. The Administration calls for extending funding for the Temporary Assistance for Needy Families (TANF) state block grant at the FY 2015 level. The budget also proposes repurposing the \$608 million for the TANF Contingency Fund, including \$573 million for a new Pathways to Jobs initiative, which would support states' efforts to provide work opportunities to low-income individuals (including low-income parents, guardians, and youth) through subsidized employment. The Administration also proposes statutory changes that would allow the Administration for Children and Families (ACF) to collect data to evaluate and oversee the program.

The 2015 Omnibus appropriations law funds TANF through September 30, 2015. It is unclear whether Congress will take up a long-term reauthorization of the program in 2015. If Congress does not take up reauthorization before the end of the fiscal year, it will likely pass another short-term extension of the TANF block grant.

Department of the Treasury

As in previous budgets, the Administration proposes to permanently extend the American Opportunity Tax Credit (AOTC), which provides a partially refundable \$2,500 tax credit for qualifying educational expenses during the first four years of a student's postsecondary career. The AOTC is currently authorized through the 2017 tax year. The administration is also proposing expanding the credit by indexing the maximum credit amount to inflation, making the credit available for a fifth year of higher education, providing a partial credit to part-time students, and increasing the amount of the credit available to low-income students without income tax liability.

Department of Commerce

Partnership Planning Program. The administration requests \$39.5 million for the Partnership Planning Program, administered by the Economic Development Administration. The program supports public/private partnerships engaged in local and regional economic planning. These partnerships are tasked with developing long-term economic roadmaps, conducting outreach to the local economic development community, and developing Comprehensive Economic Development Strategies (CEDs).

ETA releases updated WIOA implementation information

On February 19, the Employment and Training Administration issued [Training and Employment Guidance Letter \(TEGL\) No. 19-14](#), outlining the agency's vision for WIOA and identifying steps states and local areas can take now to move forward with implementation. The TEGL follows [ETA's announcement last month](#) that the release of the Notices of Proposed Rulemaking (NPRMs) guiding WIOA implementation will be delayed until spring 2015.

"... identifies goals for WIOA implementation, as well as specific actions states and local areas can take now to implement the law.."

The TEGL identifies goals for WIOA implementation, as well as specific actions states and local areas can take now to implement the law. ETA specifically calls on state and local workforce boards to support sector strategies and career pathways that advance opportunities for all workers and jobseekers, and instructs states and local areas to develop partnerships across programs and agencies and with business facilitate the development of sector strategies and career pathways approaches within WIOA.

The TEGL also elaborates on the timeline for the release of the draft regulations and other resources that will support implementation. DOL and the Department of Education (ED), both jointly and separately, will release 5 NRPMs covering jointly administered activities, ETA-administered WIOA provisions, Adult Education and Family Literacy, and the Rehabilitation Act. Once the regulations are released, there will be an opportunity for public comment, and final rules will be published in early 2016. ETA plans to also issue operating instructions and operating and programmatic guidance, and will provide technical assistance beginning early 2015 and throughout implementation.

For more information on WIOA implementation, visit DOL's [WIOA information](#) and [technical assistance](#) pages, or read [NSC's Playbook for Creating Effective State Plans](#).