On April 10, President Obama submitted his Fiscal Year (FY) 2014 budget request to Congress, providing the Administration’s appropriations requests for federal programs and activities beginning October 1, 2013.

The FY 2014 budget request arrives at a critical time for the workforce field. Despite continued high unemployment—and clear evidence that U.S businesses are struggling to find qualified workers to sustain economic growth—Congress has cut more than $1 billion from workforce development programs since 2010. With further budget reductions required as part of the 2011 Budget Control Act—enforced through strict caps on discretionary spending and automatic spending cuts known as “sequesters”—workforce programs likely face additional cuts in FY 2014 as Congress moves forward with the budget and appropriations process.

Against this backdrop, President Obama has increasingly focused on the importance of training and education. The “American Jobs Act,” a $447 job creation bill proposed by the White House in September 2011, included major new investments in training to help low-skilled and long-term unemployed workers reenter the labor market. Similarly, the President’s “Blueprint for an America Built to Last”—released in conjunction with last year’s State of the Union—identified a skilled workforce as one of four pillars of a strong economy, and called for a new national commitment to train 2 million skilled workers. The Administration’s FY 2014 budget builds on these initiatives, recommitting to proposals from the American Jobs Act and proposing new education and training initiatives that would provide new dollars for new training funding, while largely sustaining workforce existing funding streams.

While it is highly unlikely that Congress will take up all of the Administration’s recommendations, the FY 2014 budget still provides an important marker for spending levels 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, and Treasury.
Department of Labor

Overall, the Administration’s discretionary budget request for the Department of Labor (DOL) is $12.1 billion, a decrease of about $520 million compared to FY 2013 funding levels. Funding for the Employment and Training Administration (ETA), which administers the Workforce Investment Act (WIA) and other federal job training and employment programs, is set at $9.72 billion, compared to $9.65 billion in FY 2013. The increase largely reflects Administration proposal increase funding for WIA formula grant programs. The Administration would find savings in the ETA budget by shifting the Senior Community Service Employment Program to the Department of Health and Human Services (HHS), reducing funding for Job Corps, and eliminating funding for certain national activities.

While most DOL training programs are essentially level-funded, the Administration is requesting significant new mandatory investments in employment and training programs.

American Jobs Act

Similar to the Administration’s FY 2013 budget proposal, the FY 2014 budget proposal calls for $16.5 billion in new investments for a number of new funds under an expanded American Jobs Act (AJA) proposal, including a $12.5 billion “Pathways Back to Work Fund”; a $4 billion “Reemployment NOW” fund aimed at connecting the long-term unemployed with job opportunities; and $8 billion over three years for a new “Community College to Career Fund” that would support job training partnerships at community colleges. The AJA proposal would require legislative action by Congress.

- **Pathways Back to Work Fund.** Under the FY 2014 budget, the Pathways Back to Work Fund would support immediate employment and training activities for unemployed and low-income individuals. The budget calls for $8 billion in mandatory funding to support subsidized employment opportunities for low-income and long-term unemployed adults; $2 billion in mandatory funding for competitive grants to support “promising and innovative employment strategies” to help long-term unemployed youth and adults find employment; and another $2.5 billion in mandatory funding for summer and year-round youth employment programs. The original AJA called for a $5 billion Pathways fund.

- **Reemployment NOW Fund.** The budget also proposes a $4 billion “Reemployment NOW” fund, intended to give States the flexibility to better connect individuals experiencing long-term unemployment (i.e. Extended Unemployment Compensation (EUC) claimants) with job opportunities. In particular, States would be able to implement “Bridge to Work” programs that place long-term unemployed workers in short-term unpaid work experience with local employers (while maintaining their UI benefits) or provide self-employment assistance as a reemployment strategy. The September 2011 AJA proposal also included $4 billion for these activities.
• **Community College to Career Fund.** A new Community College to Career Fund would provide a total of $8 billion over three years to support job training partnerships between states, community colleges, and businesses. Funding would be available to support job training activities aimed at filling jobs in high-growth industries, including work-based strategies like registered apprenticeship and OJT, paid internships for low-income students, and entrepreneurial training. Funds would be split evenly between DOL and the Department of Education (DOEd), with each agency receiving $1.33 billion in FY 2015. The Community College to Career Fund was not included in the original AJA Proposal. The Administration intends the fund to be the successor to the Trade Adjustment Assistance Community College and Career Training (TAACCCT) program, for which funding expires in FY 2014.

Although it is unclear how the Administration plans to pay for these new initiatives, it seems likely that they intend to use many of the same offsets that were included in the original AJA proposal, such as limitations on tax deductions for high-income taxpayers and closing corporate tax loopholes. Importantly, the Administration is proposing mandatory, not discretionary, funding for all of these programs, which means these investments a) would not be included under new discretionary spending caps, and b) are not offset by cuts in existing discretionary-funded training programs (they must be offset by mandatory savings such as revenue increases).

**Universal Dislocated Worker Program**

The Administration’s budget also includes a proposal that appears to consolidate multiple funding streams for dislocated worker training into a single Universal Dislocated Worker Program starting in FY 2014. Services would be offered through the American Jobs Center (AJC) (formerly, One-Stop Career Center) website and network of physical locations. The new program would consolidate resources currently available under the WIA Dislocated Worker program and the Trade Adjustment Assistance (TAA) for Workers program. The program, administered by a designated State agency coordinating with AJC network partners, would offer services to displaced workers such as rapid response reemployment activities for workers who have recently lost or are about to lose their jobs; reemployment services structured similarly to WIA core and intensive services; training vouchers, income support, and wage insurance. Any such change would require legislative action by Congress.

**Workforce Investment Act**

The FY 2013 budget requests $791.6 million in funding to support the WIA Adult program, which is an increase of $20 million from FY 2013 enacted levels. DOL estimates that roughly 4.4 million individuals will receive services under the Adult program, and the agency indicates that they work to increase the effectiveness of WIA Adult investments by:
• Working with states and local areas to increase the percentage of exiters receiving industry-recognized credentials, and working with the DOEd to encourage states to better leverage adult education and postsecondary education resources;
• Using data to drive decision-making at the service delivery and systems level of the workforce system;
• Improving the delivery of training programs and services through the one-stop centers; and
• Providing priority of service for intensive and training services for low-income adults.

The budget provides slightly more than $1 billion for WIA Dislocated Worker formula grants, an increase of about $37 million compared to FY 2013 levels. The agency estimates that about 658,000 individuals will be served under the DW program. DOL indicates that they will work to encourage a range of training and reemployment strategies to target the needs of unemployed workers, including training that leads to credential attainment, OJT and other learning models, and using data to inform decision making.

WIA Youth grants would be funded at $846.6 million, $22 million more than FY 2013 enacted levels, with services provided to an estimated 245,000 low-income youth.

For all three funding streams, the governor’s set-aside for statewide activities would be raised from 5 percent (down from 15 percent) to 7.5 percent, slightly higher than the FY 2011, 2012 and 2013 appropriations bills. The budget also includes recommendations to allow local areas to transfer up to 30 percent of funds between the Adult and Dislocated Worker programs, and to allow local boards to award contracts to institutions of higher education and other eligible providers to facilitate the training of multiple individuals.

The Administration’s budget also puts forth some general principles on WIA reauthorization. The budget lays out five core principles for WIA reauthorization: streamlining and improving service delivery; one-stop shopping for high-quality services; engaging with employers on a regional and/or sector basis; improving accountability; and prompting innovation and identifying and replicating best practices.

Other ETA Programs

**Workforce Innovation Fund.** The WIF, which funds competitive grants to states, local workforce boards and other entities to support innovative employment and training approaches, would receive $150 million, an increase of $100 million over FY 2013 levels. Up to $10 million will be set aside to support projects that focus on disconnected youth, particularly youth under the age of 20, and up to $50 million will be set aside for veterans’ reemployment activities.
Dislocated Worker National Reserve. The budget provides $220.8 million for the dislocated workers national reserve, a cut of about $400,000 compared to last year’s levels.

Indian and Native American Programs. The Administration requested $47.5 million for Native American programs, a slight decrease from FY 2011 levels and roughly comparable with FY 2012 levels.

Migrant and Seasonal Farmworkers. The Administration requested $84.3 million for migrant and seasonal farmworker activities, slightly below FY 2013 levels and consistent with FY 2012 levels.

YouthBuild. The Administration requested $79.7 million for YouthBuild, consistent with FY 2013 funding levels.

Reintegration of Ex-Offenders. Ex-offender programs would be funded at $90.2 million, an increase of $10 million over last year’s levels. The budget includes a recommendation that up to $50 million be made available to test strategies to serve youth offenders, with $20 million devoted to competitive grants to national and regional intermediaries for activities targeting young ex-offenders and school dropouts. Another $10 million of the total funding would be used to fund a Pay for Success demonstration program to reduce recidivism and improve educational and employment outcomes.

Workforce Data Quality Initiative. The WDQI, which provides funding to states to support longitudinal data systems, would receive $6 million, a cut of about $503,000 compared to FY 2013 levels.

Pilots, Demonstrations and Research. The budget requested $25 million, an increase of nearly $19 million over FY 2013 levels, for pilots, demonstrations and research. The funds would be used to pilot and evaluate potential structural changes to the public workforce system to improve services to seniors.

The budget does not include funding for evaluation (funded at $9.6 million in FY 2013). No funding is provided for Women in Apprenticeship and Non-Traditional Occupations (WANTO) grants, which received just under $1 million last year. In addition, no funding is provided for the Green Jobs Innovation Fund, which last received funding in FY 2010.

Other DOL Programs

Job Corps. The budget recommends funding Job Corps at $1.691 billion, a cut of about $21.4 million compared to FY 2013 levels. DOL indicates that they are launching a reform effort, closing a small number of chronically low-performing Job Corps centers, adopting cost-saving reforms, and reorienting services to focus more heavily on participants between the ages of 20-
24. As required by the FY 2012 appropriations omnibus, the budget does not include advanced appropriations; full funding for Program Year (PY) 2014 is included in the budget.

**Senior Community Service Employment Program.** As in the FY 2012 budget request, the Administration proposes to move this program to the Department of Health and Human Services (HHS), with funding levels at $380 million, $68 million below the FY 2012 level.

**Wagner-Peyser Employment Service.** The Administration proposes to increase funding for state Employment Service Grants by $25 million over FY 2013 enacted levels, to $730.8 million. The agency indicates that the additional funding will largely be targeted toward providing more intensive reemployment services for UI claimants enrolled in ES.

**TAA Community College and Career Training Grants.** Funding for the TAACCCT grants is not subject to annual discretionary appropriations; instead, mandatory funding of $500 million for each of FY 2011-2014 was appropriated as part of the 2010 budget reconciliation process. The budget proposes legislative language that would authorize DOL to reserve up to 3 percent of FY 2014 funds for program evaluation and technical assistance.

**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 competition, was reauthorized in October 2011 as part of the Trade Adjustment Assistance Extensions Act (TAAEA). The program authorized mandatory funding of no more than $575 million per year in FY 2012-2013, and $143.75 million for the first quarter of FY 2014, to support job training, job search and relocation allowances, case management, and state administration of the program. The Administration’s budget request includes a legislative proposal to consolidate TAA funding into the Universal Dislocated Worker Program starting in FY 2014.

**Department of Education**

The FY 2013 budget calls for overall discretionary appropriations of $71.2 billion for DOEd, an increase of about $2.9 billion over FY 2013 enacted levels.

**American Jobs Act**

As previously noted above, the budget proposes an $8 billion Community College to Career Fund, administered jointly by the Departments of Education and Labor.

- **Community College to Career Fund.** The budget includes a request for $1.33 billion in mandatory funding for FY 2015 to support the Community College Career Fund. As with the Community College to Career Fund under DOL, this program would support grants to states and community colleges to form training partnerships with businesses,
with an ultimate goal of training and placing 2 million workers in jobs in high-growth industries.

**Pell Grants**

The Administration requests a total of $29.9 billion in FY 2013 funding for Pell Grants, including $22.8 billion in discretionary funding and $7 billion in mandatory funding. At these levels, the budget would support a maximum award level of $5,785, an increase of $140 over the current maximum award. The Administration estimates that more than 9.3 million low-income students will qualify for Pell Grants in the 2014-2015 academic year.

The Administration notes that while the requested appropriations levels are sufficient to meet anticipated costs for the 2014-2015 program year, Pell is likely to face a shortfall in the 2015-2016 program year. To prevent this, the Administration is recommending:

- Expanding and reforming the Perkins loan program; and
- Reducing excessive payments to guaranty agencies which rehabilitate defaulted student loans.

**Other DOEd Programs**

**Career and Technical Education.** The budget would level fund state CTE grants under the Carl D. Perkins Act at $1.123 billion. 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 outcomes. Therefore, the Administration is proposing to reform the program through the upcoming reauthorization process by 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 $595 million for adult education state grant, the same as FY 2013 levels. The department also includes recommendations for reauthorization of the Adult Education and Family Literacy Act (Title II of WIA) as part of a broader WIA reauthorization, specifically recommending (among other things) the development and implementation of career pathways programs, that content standards and aligned assessments for adult education program reflect accepted college and career readiness standards, and that DOL and DOEd work to implement a shared accountability system for job training and adult education programs.

**First in the World Fund.** The budget requests proposes a new $260 million First in the World fund, designed to encourage institutions of higher education to improve college completion and higher education productivity, using: a competitive program modeled after the i(3) program, targeting low-income individuals, minorities, and first generation college students; a
competitive program to develop new validation systems to identify certain competencies and assessments; and a pay-for-success program to reward providers that use the validation systems to prepare students for free-two year degree programs.

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 current levels. The budget includes a recommendation to permanently and fully fund supplemental grants to certain states that experienced population growth or had low levels of welfare spending in the 1990s; these grants were funded at $211 million in FY 2011, but were not funded in FY 2012 or FY 2013. The Administration proposes that the funding increase for supplemental grants be paid for from funds currently available under the TANF Contingency Fund, which provides additional support to states to cover TANF activities during times of economic distress.

TANF is currently set to expire on September 30, 2013. Congress is not expected to take up a long-term reauthorization of the program in the near future. 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. It is estimated that more than 13 million students and their families will take advantage of the credit in 2013.