On March 4 and March 10, President Obama submitted his fiscal year (FY) 2015 budget request to Congress, providing the Administration’s appropriations requests for federal programs and activities beginning October 1, 2014.

The FY 2015 budget proposal acknowledges that the spending levels for 2015 have already been established as a result of the Bipartisan Budget Act (BBA) crafted by Senate and House budget committee chairs Patty Murray (D-WA) and Paul Ryan (D-WI) in late 2013. The budget agreement established topline spending levels for FY 2014 and 2015 that lifted spending above post-sequestration levels for both years while ensuring that spending was still within the discretionary spending caps established by the 2011 Budget Control Act (BCA). The BBA provides $63 billion in sequestration relief over two years, divided evenly between defense and non-defense. The agreement is front-loaded with about $45 billion in sequester relief in 2014, undoing nearly two-thirds of the NDD sequester, but then nearly three-quarters of the planned NDD sequester cuts will go back into effect in 2015.

While President Obama’s budget stays within the established topline spending levels for 2015, it in addition proposes a new $56 billion Opportunity, Growth and Security Initiative (OGSI) – divided evenly between discretionary defense and non-defense programs – that would allow for additional investments for the president’s domestic and national security priorities. The non-defense side of the OGSI focuses on six key areas: education; research and innovation; infrastructure and jobs; opportunity and mobility; public health, safety and security; and more efficient and effective government. Importantly, the OGSI includes several proposals to improve quality and access to education and training programs.

While it is highly unlikely that Congress will take up the Administration’s budget, the FY 2015 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 $11.8 billion, a decrease of about $225 million compared to FY 2014 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 $9.49 billion, compared to $10.2 billion in FY 2014.

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

Opportunity, Growth and Security Initiative Proposals

- **Community College Job-Driven Training Fund.** A new Community College Job-Driven Training Fund would provide a total of $6 billion in grants over four years to partnerships comprised of community colleges, public and non-profit training entities, industry groups and employers to develop new training and apprenticeship programs to prepare workers for careers in in-demand occupations. Each year, $500 million in grants would be dedicated to supporting and expanding apprenticeship programs. The fund would also support work to create common credentials and skills assessments. The Administration intends the fund to serve as successor to the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grants, which expire after 2014.

- **$750 million to restore prior cuts to training and employment services grants.** This funding would fully restore the cuts made to workforce education and training programs in FY 2013 as a result of sequestration.

New Career Pathways Program

The Administration’s budget also includes a proposal that appears to consolidate multiple funding streams for dislocated worker training into a single New Career Pathways (NCP) program beginning January 1, 2015. The new program would consolidate resources currently available under the WIA Dislocated Worker program and the Trade Adjustment Assistance (TAA) for Workers program. NCP 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; and training vouchers, income support, and wage insurance. Any such change would require legislative action by Congress.

Job-Driven Training for Youth and the Long-Term Unemployed

- **Bridge to Work program.** A new $2 billion program to provide states with funding to implement a range of innovative reemployment initiatives and work-based reforms, targeted to UI claimants.
• **Back to Work Partnerships.** A new $4 billion program to provide competitive grants to partnerships of businesses, educational institutions, training providers, and workforce intermediaries to provide training and work-based experience for the long-term unemployed that lead to employment. The grants will be designed to expand and align with sector-based strategies.

• **Summer Jobs Plus.** A new $2.5 billion program to support subsidized summer and year round employment opportunities for low-income youth.

**Sector Strategies Grants**

The FY 2015 budget requests $15 million for new sector strategies grants. These grants would bring together a range of stakeholders – including business, the public workforce system, community colleges, community based organizations, and others – to develop partnerships and employment and training strategies to meet the skills needs of local workers and of employers in locally or regionally in-demand industries. The programs supported by these grants would be targeted at specific populations, including the long-term unemployed, veterans, and low-wage workers.

**WIA Incentive Grants**

The Administration’s proposal also includes a request for $80 million for WIA incentive grants, which would reward states that leverage resources available under other assistance programs beyond WIA to achieve high levels of performance in serving individuals with significant barriers to employment. WIA incentive grants are currently authorized under WIA, but have been funded inconsistently or at low levels in the past.

**Workforce Investment Act**

The FY 2015 budget requests $766.1 million in funding to support the WIA Adult program, which is consistent with FY 2014 enacted levels. DOL estimates that roughly 6.7 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 Department of Education (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 (DW) formula grants, consistent with FY 2014 levels. The agency estimates that about 1.02 million 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, on-the-job training (OJT) and other learning models, using data to inform decision making, providing dual-customer service through the one-stop centers, and encouraging the development and implementation of sector strategies.

WIA Youth grants would be funded at $820.4 million, consistent with FY 2014 enacted levels, with services provided to an estimated 217,000 low-income youth.

For all three funding streams, the governor’s set-aside for statewide activities would be 8.75 percent (down from 15 percent), slightly higher than the FY 2011, 2012 and 2013 appropriations bills and consistent with the FY 2014 appropriations bill. 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 (WIF).** The WIF, which funds competitive grants to states, local workforce boards and other entities to support innovative employment and training approaches, would receive $60 million, an increase of $12 million above FY 2014 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 $10 million will be set aside for Pay for Success grants.

**Dislocated Worker National Reserve.** The budget provides $220.9 million for the dislocated workers national reserve, consistent with last year’s levels.

**Indian and Native American Programs.** The Administration requests $46.1 million for Native American programs, consistent with FY 2014 levels.

**Migrant and Seasonal Farmworkers.** The Administration requests $81.9 million for migrant and seasonal farmworker activities, consistent with FY 2014 levels.

**YouthBuild.** The Administration requests $77.5 million for YouthBuild, consistent with FY 2014 funding levels.

**Reintegration of Ex-Offenders.** Ex-offender programs would be funded at $80.1 million, consistent with FY 2014 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.

**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, but consistent with FY 2014 levels.

**Pilots, Demonstrations and Research.** The budget zeroes out pilots, demonstrations and research. Pilots, Demonstrations, and Research was initially eliminated by the FY 2014 Consolidated Appropriations Act. The budget instead proposes to continue using the set-aside funding mechanism to finance research and evaluations for employment and training programs, which went into effect in FY 2014. The budget requests an increase in the set-aside from 0.5 to 1 percent of program funds.

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 $1.688 billion, consistent with FY 2014 levels. 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. 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. DOL will also take steps and include resources to strengthen the program’s financial and contract oversight.

**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, $54 million below the FY 2014 level.

**Wagner-Peyser Employment Service.** The Administration proposes to fund for state Employment Service Grants at $664.1 million, consistent with FY 2014 levels.

**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 does not propose reauthorizing the TAACCCT program; it instead proposes a new $6 billion, four-year, Community College Job-Driven Training Fund, which is a part of the Opportunity, Growth, and Security Initiative, and would succeed the TAACCCT grants.

**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 $306 million in FY 2014, to support job training, job search and relocation allowances, case management, and state administration of the program. TAAEA expired in 2013, triggering a reversion to the Trade Adjustment Assistance Reform Act of 2002, which continues through 2014. The Administration’s budget requests $287 million in mandatory funding for TAA Training in FY 2015. The Administration’s budget request also includes a legislative proposal to consolidate TAA funding into the New Career Pathways Program starting in FY 2015.

**Department of Education**

The FY 2015 budget calls for overall discretionary appropriations of $68.6 billion for DOEd, an increase of about $1.3 billion over FY 2014 enacted levels.

**Skills Challenge Grants**

The Administration requests $20 million in funding for Skills Challenge Grants, which would support partnerships – among states, adult education providers, institutions of higher education, and private organizations, including industry representatives with identified workforce needs – that build on evidence-based practices and demonstrate innovative models to transform the adult education system. The partnerships would develop and scale up models that combine skills education and training to ensure participants are getting the skills necessary to obtain employment or move on to postsecondary education or training.

**Pell Grants**

The Administration requests a total of $29.2 billion in FY 2014 funding for Pell Grants, including $22.8 billion in discretionary funding and $6.4 billion in mandatory funding. At these levels, the budget would support a maximum award level of $5,830, an increase of $100 over the current maximum award. The Administration estimates that more than 8.9 million low-income students will qualify for Pell Grants in the 2015-2016 academic year.

The Administration notes that while the requested appropriations levels are sufficient to meet anticipated costs for the 2015-2016 and 2016-2017 academic years, Pell is likely to face a shortfall in future years. To prevent this, the Administration is recommending expanding and reforming the Perkins loan program.

**Other DOEd Programs**

**Career and Technical Education.** The budget would level fund state CTE grants under the Carl D. Perkins Act at $1.118 billion. The CTE state grants would include up to $100 million for a competitive “CTE Innovation Fund,” including $10 million for “Pay-for-Success” projects. Potential projects could include developing projects to help disconnected youth access career pathways in high-skill, high-wage jobs, expanding the ability of rural communities to provide access to pathways leading to an industry recognized credential in an in-demand sector or occupation, or using technology to improve service delivery. 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. The Administration has proposed reforming 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 $564 million for adult education state grants, the same as FY 2014 levels, but nearly $30 million less than FY 2013 enacted 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) improving coordination and integration of DOL and DOEd WIA programs (including ensuring the engagement of workforce and adult education providers with employers within regions or workforce sectors) and working toward a shared accountability program covering adult education and occupational training programs; requiring rigorous content standards and aligned assessments for adult education programs that reflect accepted college-and-career readiness standards; and enhancing the development and implementation of career pathways 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 $1.9 million above the FY 2014 enacted level. The budget proposes repurposing the $612 million for the TANF Contingency Fund for a new $602 million Pathways to Jobs initiative, which will 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 Consolidated Appropriations Act of 2014 funds TANF through September 30, 2014. 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.