



WDC Board Meeting

Legislative Update

April 22-23, 2010
Baltimore, MD

Introduction

On Friday, April 2, the Department of Labor's Bureau of Labor Statistics reported that the unemployment rate remained at 9.7 percent as expected, unchanged from the last two months, with 162,000 new jobs created. While this was the biggest one-month increase in jobs over the last three years, economists were expecting an additional 40,000 new jobs last month. Currently, more than 6.5 million Americans have been unemployed for at least six months, which is a record high. Economists are expecting the unemployment rate to remain near 10 percent for the rest of the year, and the White House does not expect a return to a healthy-economy level of 5 percent until 2017. After each previous recession, the unemployment rate has stayed high for months, if not quarters.

In his State of the Union Address, the President stated he would make jobs creation his "number one focus in 2010," and called for fast action on jobs creation legislation. Although Congress had made job creation a priority for 2010, legislators are finding it difficult to prioritize jobs creation without adding to the budget deficit and national debt. After the House passed its comprehensive \$150 billion jobs bill on December 16, 2009, the Senate chose to introduce a series of smaller jobs creation bills rather than one large package. Congress has passed two jobs bills to date and there are currently three House passed measures awaiting Senate action. Senate Majority Leader Harry Reid has indicated that he may use tougher procedural tactics to push the remaining jobs bills through the Senate.

Appropriations/ Budget FY 2011

President Obama's FY 2011 Budget

The President's budget for the Department of Labor (DOL) calls for \$3.93 billion in funding for Workforce Investment Act (WIA) programs – with a \$209 million increase in WIA formula funding streams over FY 2010 funding levels. WIA Adult formula grants would be funded at \$907 million and Dislocated Worker job training grants would be funded at \$1.25 billion, with modest increases of \$45 million and \$62 million respectively. The budget funds the Dislocated Worker national reserve at \$229 million.

Youth training would see a \$100 million increase to \$1.025 billion for WIA Youth formula grants, with a requirement that 30 percent of the funding be allocated to Summer Youth activities. Also, the YouthBuild program would be funded at \$120 million, a \$17 million increase over the current fiscal year.

The President's budget provides \$98 million for Reintegration of Ex-Offenders, which includes Youth Offender Reentry programs. This represents a decrease of \$ 11 million in funding over the FY 2010 level. The Job Corps program remains at the FY2010 level of \$1.7 billion. Included in this amount is funding for operations, construction, rehabilitation and acquisition of Job Corp centers, and other necessary expenses of the Office of Job Corps.

The Administration's budget also calls for the creation of a new \$261 million program for a Workforce Innovation Partnership fund, to be administered jointly by the Departments of Labor

(DOL) and Education – \$154 million of the Youth formula funding stream would go to the Youth Innovation Fund to pilot innovative models for delivering Summer and year-round work experiences and comprehensive services to disconnected youth. Five percent of the Adult and Dislocated Worker formula funding streams would go to support and test “Learn and Earn” strategies like apprenticeships and on-the-job training; promote regional and sectoral collaborations; and support other innovations. DOL would work closely with the Department of Education to administer the innovation grants and use them as a mechanism for encouraging cities and states to work across programs to improve service delivery and participant outcomes.

The budget provides \$85 million for green jobs training, a \$45 million increase over FY 2010, as well as \$40 million for transitional jobs as part of funding for Pilots, Development and Research. Finally, the President’s budget establishes a transparent accountability system to support efforts to overhaul performance measures and incentives to discourage “creaming.” This Workforce Data Quality Initiative is funded at \$13.75 million, a \$1.2 million increase over FY 2010 levels and establishes competitive grants to support the development of longitudinal data systems to integrate education and workforce data.

Congressional FY2011 Budget Resolution

Democrats missed the non-binding deadline of April 15 to release a FY2011 budget resolution, however they have indicated that they plan to draft budget legislation, despite possible complications for the upcoming November elections. Democratic leaders are also considering approving a "deeming resolution" which sets discretionary spending for FY11, allowing Congress to forgo a five-year budget resolution. If Congress does not create a resolution, Democrats believe they still have the tools to pass the 12 annual appropriations measures.

Although Congress has failed to adopt a budget resolution in several election years in the past, the House has always passed its own version. House Budget Chairman John Spratt (D-SC) stated last month that he hoped to finish drafting the House version of the resolution after the spring recess. The House will decide this week whether or not it will release a budget resolution.

The Senate Budget Committee is expected to begin mark up of a budget resolution on Wednesday, April 21. Democrats are considering including reconciliation instructions to help address their priority of producing a budget with smaller deficits than President Obama’s. Senate Budget Committee Chairman Kent Conrad (ND) is hoping to create a budget that will reduce the deficit to 3 percent of GDP, one of the goals of President Obama’s National Commission on Fiscal Responsibility and Reform which will hold its first meeting on April 27. This would allow the Commission to focus on its other primary goal of addressing the long-term growth of debt.

Republicans are predicting that this year’s appropriations season will be more difficult than the last. Democrats may decide to postpone controversial votes until after the November elections, resulting in a post-election omnibus. Democrats have said it’s too early to give a timeline, however they are planning to work on the spending bills during the summer. Last year the House passed all 12 of the annual appropriations bills before the August recess, but the Senate passed only four. Congress passed several continuing resolutions and ended up combining half of the appropriations measures into a single omnibus bill (PL 111-117) in December.

Appropriations Hearings

On Wednesday, March 17, the House Appropriations Subcommittee on Labor-HHS held a hearing on FY 2011 Appropriations. In his remarks at the hearing, House Appropriations Committee Chairman and Subcommittee Chair David Obey (WI) stated his intention to set spending levels in keeping with President Obama's priority to freeze the budget, and indicated that certain programs would require cuts in order to increase levels for the President's education priorities.

On Thursday, March 25, the House Appropriations Labor-HHS Subcommittee held a hearing on the Jobs, Training and Education FY2011 Budget Overview. Assistant Secretary for the Department of Labor Employment and Training Administration Jane Oates testified before the Committee, in addition to Undersecretary of the Department of Education Martha Kantor. During her testimony, Assistant Secretary Oates explained that the Administration's FY2011 budget requests were limited because they had expected to obtain resources from the community college initiative that was significantly reduced in the health care reform bill.

The Administration did not request the usual \$125 million for Career Pathways Innovation Fund for community colleges because of the community college funding expected in the student aid reconciliation legislation; however the Administration plans to use H-1B visa fee revenues to help fund community college training, especially in the health field. Both Assistant Secretary Oates and Undersecretary Kantor indicated that they plan to work with legislators to find resources for workforce and education items in the American Graduation Initiative that were left out of the health care/student loan reform legislation.

Jobs Creation Bills

Local Jobs for America Act

The Local Jobs for America Act (HR 4812) now has 145 sponsors. The \$100 billion legislation, introduced by House Education and Labor Chairman George Miller (CA) on March 10, would be administered by the Department of Labor and provide \$75 billion over two years (\$37.5 billion in year one, and \$37.5 billion in year two) to help struggling communities hire or retain workers. The bill includes \$500 million for approximately 50,000 additional on-the-job training positions to help private business expand employment.

The funding distribution mechanism is based on the Community Development Block Grant (CDBG) formula -- with every city of 50,000 or more in population receiving direct funding. Cities below 50,000 would be eligible to receive funding through the states. The formula is calculated based on the number of unemployed (50 percent), poverty (25 percent), and population (25 percent). Each city could use up to 50 percent of the funding to retain employees that might otherwise have to be let go because of budget shortfalls.

A city could give up to 25 percent of the funding to local community-based organizations that provide needed services to hire people. Up to 25 percent can be for hiring new city employees, or

rehiring those recently let go if desired. A city is not required to utilize this part of the program if it does not wish to hire or rehire employees.

There is no local match requirement and no requirement to keep employees once the funding ends. Funding is for two years, and it would then be up to the city whether or not to keep the new employees based on need and local budgets. Employees would have to be hired full-time with benefits, under existing contracts or agreements. The federal funding can be used to cover all costs, including salaries and benefits. There is no cap on per-employee costs, however no more than 20 percent of the funds can be used for management employees.

The legislation also includes \$23 billion to governors to support education, firefighting and law enforcement jobs. The bill is similar to part of the \$154 billion jobs creation legislation passed in the House in December, which was largely ignored by the Senate.

Unemployment Extension

On Thursday, April 15, President Obama signed The Continuing Extension Act of 2010 (H.R.4851) which extends unemployment insurance until June 2. The legislation also extends several expired federal programs until the end of May including COBRA subsidies and the use of 2009 poverty guidelines for federal programs. The bill retroactively covers unemployed workers who lost their eligibility when the programs expired at the end of March. The legislation first passed in the Senate on April 15 on a 59-38 vote, after several Republican attempts to offset the legislation were rejected. The House passed the bill later that day on a 289-112 vote.

The short-term extensions were designed to give Congress enough time to reach an agreement on the American Workers, State and Business Relief Act (H.R. 4213), which will extend the expiring benefits until the end of the year. The Senate passed the legislation on March 10 and the House passed its version on December 9, 2009.

Small Business and Infrastructure Jobs Tax Act of 2010

On March 24, the House passed the Small Business and Infrastructure Jobs Tax Act of 2010 (HR 4849), a \$16.8 billion package of tax incentives for state and local governments and small businesses. The bill provides an estimated \$13.2 billion for state and local government infrastructure development bond programs, and includes an extension of the Build America Bonds program through 2013. The legislation also includes \$3.6 billion in tax credits to small businesses.

The bill would also appropriate \$2.5 billion for the Temporary Assistance for Needy Families (TANF) emergency contingency fund, created by the 2009 stimulus law (PL111-5), and would extend the fund for a year.

Keep Our Educators Working Act

On Wednesday, April 14, Senate HELP and Appropriations Committees Chair Tom Harkin (IA) introduced the Keep Our Educators Working Act (S 3206). The \$23 billion legislation creates an

Education Jobs Fund to prevent lay-offs of teachers, principals, librarians and other school personnel as states face major budget shortfalls. The bill is modeled after the State Fiscal Stabilization Fund (SFSF) in the Recovery Act.

While the SFSF is currently supporting over 300,000 education jobs, the job outlook for schools is looking worse for the next school year. Uses for the bill's funds include compensation, benefits and other expenses necessary to keep existing employees and hire new employees; provide early childhood, elementary, secondary, or postsecondary educational and related services; and support On-the-Job training activities for education-related careers.

HIRE Act

On Thursday, March 18, President Barak Obama signed the Hiring Incentives to Restore Employment (HIRE) Act, (HR 2847). The \$17.6 billion legislation includes a payroll tax for businesses that hire unemployed workers and keep them employed for at least a year, as well as extensions of Surface Transportation Act programs and the Build America Bonds programs. The legislation was initially passed in the Senate, but was modified in the House to include offsets and then sent back to the Senate.

Summer Jobs

On Wednesday, March 24, the House passed a \$5.7 billion supplemental appropriations bill, the Disaster Relief and Summer Jobs Act of 2010 (HR 4899) on a 239-175 vote. The bill provides \$5.1 billion for disaster relief, \$600 million for Summer Jobs, and \$60 million for Small Business Administration (SBA) programs.

The bill rescinds \$620 million in unused funding from several programs to offset spending for the Department of Labor and SBA, including those to provide converter boxes for the transition from analog to digital television and the "Cash for Clunkers" auto-trade in program. The White House has issued a Statement of Administration Policy in support of HR 4899.

While the HR 4899 funding level is half the \$1.2 billion provided under ARRA, it would be sufficient to support a 2010 Summer Jobs program, build upon the successes of the 2009 program, and set the stage for longer term investments in the future.

Youth Employment/Summer Jobs

On Wednesday, March 24, Representative Bobby Rush (IL) introduced the Employing Youth for the American Dream Act (EYADA – HR 4920). The bill authorizes over \$8 billion to reduce youth unemployment. The bill includes funding for Summer Jobs, youth apprenticeship programs, employer grants for on-the-job-training and tax incentives.

Reauthorization

Workforce Investment Act (WIA) Reauthorization

On Wednesday, February 24, the Senate Health, Education, Labor and Pensions Committee held a hearing on A Stronger Workforce Investment System for a Stronger Economy. The hearing focused on WIA reauthorization and featured the testimony of WDC member President and CEO of The Workplace, Inc. Joseph Carbone.

Elementary and Secondary Education Act (ESEA)

Senate HELP Committee Chairman Tom Harkin (IA) is planning to mark up ESEA reauthorization legislation next month in hopes of having the bill reach the Senate floor by late June or July. The Obama Administration has called for reauthorization this year, however, both Democrats and Republicans predict this would be very difficult. House Education and Labor Chairman George Miller (CA) has indicated that the House and Senate have a joint goal of finishing reauthorization before the August recess.

Secretary of Education Arne Duncan created a blueprint for ESEA revisions that include increased local flexibility and control, higher standards to guarantee that graduates are college-ready and requirements that schools reward excellence. The blueprint is open for comment until April 28, and several interest groups including mayors, governors, teachers unions and education and civil rights organizations have provided their feedback. Although the current law has received criticism from both parties for setting unrealistic goals, there are currently no Republicans committed to support the reform proposed by Secretary Duncan. The last reauthorization of the legislation, known as No Child Left Behind (NCLB) was completed in 2002.

New Legislation & Emerging Ideas

Health Care Reform/Student Aid and Fiscal Responsibility Act (SAFRA)

On Tuesday, March 30, President Barak Obama signed the Health Care and Education Affordability Reconciliation Act of 2010, H.R. 4872, into law. The legislation eliminates new lending under the FFELP beginning July 1, 2010, invests in community colleges, increases Pell Grants, and expands the Income Based Repayment Program. Democrats eliminated the \$8.8 billion American Graduation Initiative, which includes job training grants to community colleges, and all funding for early education. The legislation does, however, include \$2 billion for community colleges to fund the Trade Adjustment Assistance program originally authorized in the American Recovery and Reinvestment Act (ARRA).

During the signing ceremony, President Obama announced that the White House will convene a summit of community colleges to bring community college leaders, students, education experts, business leaders, and others to share innovative ideas on one of the “undervalued assets in education.”