



**The U.S. Conference of Mayors
Workforce Development Council
Board and Annual Meeting**

Legislative Update

**June 17 – 18, 2011
Baltimore, MD**

Introduction

In the five months since the opening of the 112th Congress, legislators have worked to pass a budget funding the remaining months of FY11 and negotiate FY12 appropriations as well as come to an agreement regarding the debt ceiling crisis.

On April 14, narrowly avoiding a government shutdown, Congress passed the FY11 continuing resolution (CR) (HR 1473), which funds the federal government through September and cut approximately \$39.9 billion from spending levels. Congressional negotiators are meeting with Vice President Joseph Biden to work on a package of deficit reduction measures and trying to come to an agreement about raising the debt ceiling before Treasury Secretary Timothy Geithner's August 2nd deadline.

The Senate Committee on Health, Education, Labor and Pensions (HELP) released its Workforce Investment Act Reauthorization staff discussion drafts for Titles I through III, planning to release all Title drafts within the week. The HELP Committee mark-up for the bill is scheduled for June 29. With the increase in the unemployment rate to 9.1 percent for May, House Education and the Workforce Committee Chair John Kline (MN) has indicated his intentions to block any job-killing policies and regulations, as the pace of job creation in the country continues to fall short of the damage caused by the recession.

WIA Reauthorization

Over the past two weeks, the Senate Committee on Health, Education, Labor and Pensions (HELP) released its staff discussion drafts for Title I (Governance and Infrastructure), Title II (One-Stop Delivery System, Job Training Formulas, and National Programs), and Title III (Adult Education) of the proposed Workforce Investment Act (WIA) reauthorization bill. Mark-up of the bill by the HELP Committee is scheduled for June 29. Senators Murray (WA), Harkin (IA), Enzi (WY) and Isakson (GA) have been working for the past two years on a bi-partisan effort to renew the bill. A key goal of this reauthorization proposal is to improve, align, and coordinate employment, education, training, and vocational rehabilitation services.

Despite a dramatic increase in demand for these programs in recent years and a stagnant labor market, programs under the Workforce Investment Act serve over nine million individuals and hundreds of thousands of employers across the country. The Committee will release discussion drafts of the remaining Titles in the next week in the following order:

- Title I: To support a comprehensive and coordinated workforce development system, Title I of the Workforce Investment Act of 2011 streamlines governance provisions such as boards and plans and establishes common performance indicators across the four core WIA programs.
- Title II: One stop delivery system, job training formula programs, and national programs.
- Title III: Adult Education
- Title IV: Amendments to the Wagner-Peyser Act
- Title V: Amendments to the Rehabilitation Act
- Title VI: General Provisions

Job-Training Bill

Senator Patty Murray's (WA) Workforce Investment Act (WIA) reauthorization bill, which is expected to be introduced this month, has attracted rare bi-partisan support in the Senate, but is not likely to garner support from House Republicans. Republican Senators Michael Enzi (WY) and Johnny Isakson (GA), who helped Senator Murray craft the rewrite of the Workforce Investment Act (WIA) of 1998 (PL 105-220), both plan to support the measure. House Republicans, on the other hand, have already indicated they want the law's programs cut and streamlined, particularly in light of the recent GAO report that concluded that some federally-funded training programs overlap. Murray says her bill will realize the reduced costs and improved services that House Republicans seek by consolidating the current patchwork of state programs, and creating an innovation fund to form state partnerships with business and education groups to train workers for the jobs in greatest demand.

House Education and the Workforce Subcommittee on Higher Education Chair Virginia Foxx (NC) has indicated that WIA is one of her priorities this year. Her subcommittee has a crowded agenda, however, and renewing WIA is not at the top of its priority list. Democrats worry that any bill written in the House will eliminate the programs.

On-the-Job-Training Act

On Thursday, June 9, Senators Jeanne Shaheen (NH) and Thad Cochran (MS) introduced legislation that would help Americans find and keep employment through on-the-job training (OJT) programs. The On-the-Job Training Act of 2011 (S 1168) authorized the Department of Labor to award competitive grants to establish and support local OJT programs, which connect unemployed workers with jobs and provide employers with training subsidies. These programs help unemployed workers gain new skills in order to find and retain employment and provide important incentives to small businesses to encourage job growth.

Debt Reduction

Despite urgency from top congressional leaders, lawmakers remain deeply divided over how to resolve the debt ceiling dispute. Leaders in both parties are calling for swift resolution, but there is no indication a deal can be negotiated before the August 2nd deadline. Republicans are ruling out tax increases, and Democrats refuse to consider major changes to entitlement programs. Several Senate Republicans warned that ensuring fast-acting spending cuts is vital to securing support for a debt reduction deal.

Congressional negotiators met for a sixth time with Vice President Biden on Thursday, June 9, to work on a package of deficit reduction measures to accompany an increase in the \$14.3 trillion debt ceiling. The group plans to increase the pace of negotiations, with three sessions scheduled for next week, and hope to present the framework of an agreement to President Obama and Congressional leaders by the end of the month. Treasury Secretary Tim Geithner has warned congress that failing to raise the \$14.3 trillion debt ceiling by August 2 could result in the U.S. defaulting on some of its debt obligations and risk financial catastrophe.

Budget

On May 25, the Senate GOP endorsed the House FY12 budget plan (H Con Res 34) furthering Republican efforts to make major changes in entitlement programs and deeper spending cuts. Senate Majority Leader Harry Reid (NV) scheduled the vote to force Republicans to embrace or abandon the contentious House plan. After vote May 25 vote, 40 of the 47 Senate Republicans are now on record as being in favor of the House budget resolution. Vice President Biden continues to lead bi-cameral negotiations in an attempt to reach a broad debt reduction compromise to smooth the way for the debt limit vote.

The House plan includes a proposed overhaul of Medicare that would change the program from an open-ended fee-for-service system to one in which recipients would receive a federal subsidy to buy private health insurance. The plan also includes proposals to restructure the Pell grant program that would cap students' use of the grant to six years rather than nine years. It would also shrink the number of eligible students by changing the aid formula to target only the neediest students, instituting a maximum income cap and eliminating eligibility for students enrolled in school less than half time, and for students who receive the minimum award. Overall, the House plan calls for \$6 billion in cuts to Pell grants.

Appropriations

On April 14, Congress passed a continuing resolution (CR) (HR 1473) on a vote of 81 to 19, funding the federal government through September. The Senate vote came shortly after the House passed the CR in a 260-167 vote that same afternoon. The six-month legislation cuts approximately \$39.9 billion from the current spending levels. President Obama signed the bill on April 15, ending a months-long negotiations battle between Republicans and Democrats that nearly shut-down the government last week.

The Department of Labor funding level for the FY11 CR is \$12.7 billion, an \$800 million reduction, and approximately 6 percent cut, from the FY10 enacted funding level of \$13.5 billion. The legislation provides a total of \$2.8 billion for job training state grants for Adults, Youth and Dislocated Worker programs, which is \$182 million below the FY10 level (this funding was completely eliminated in H.R. 1). Under the legislation, Adult training is funded at \$771 million -- a 10.5 percent cut. Dislocated Workers is funded at \$1.06 billion, a roughly 10 percent cut. Finally, Youth training is funded at \$827 million, a cut of 10.4 percent from FY10 enacted levels. The bill also provides \$125 million for a new Workforce Innovation Fund to encourage states and regional partnerships to engage in systemic reform to improve program outcomes. The \$125 million provided for the Workforce Innovation Fund reduces the percentage cut in WIA State Grants from 10.34 percent (\$307 million) to a total net reduction of 6.13 percent (\$182 million) to the grants.

Under the legislation, the FY10 \$1.708 billion funding level for Job Corps programs is maintained, while \$75 million in Job Corps construction funds is rescinded. Youthbuild is funded at \$80 million, a \$22.5 million (22%) reduction below the FY10 level. \$125 million in FY 2010 funding for the Career Pathways Innovation Fund is rescinded (FY11 funding already was eliminated in an earlier funding bill from March), and funding reserved in FY 2010 for Transitional Jobs is eliminated.

Congress will face bigger budget battles later this summer regarding advancing legislation to increase the \$14.3 trillion debt limit and preserving the Treasury's ability to borrow, as well as the upcoming FY12 budget resolution proposals. The FY12 budget blueprint released by Budget Committee Chairman

Paul Ryan (WI) calls for spending about \$6 trillion less over a decade than President Obama proposed. Chairman Ryan's plan would trim the accumulated deficit by more than \$4 trillion over a decade without tax increases, and calls for the restructuring of entitlement programs such as Medicare and Medicaid to curb their growing cost.

Lifelong Learning Accounts Act

On May 12, a bi-partisan group of lawmakers reintroduced the Lifelong Learning Accounts Act (LiLA) to encourage continued education as a way to improve job skills and promote individuals' marketability. The bill was reintroduced by Congressmen John Larson (CT), Peter Roskam (IL), Erik Paulsen (MN), and Jared Polis (CO).

The legislation would create worker-owned, employer-matched savings accounts similar to 401Ks for ongoing learning. Employers and workers that participate in LiLAs will be eligible for a tax credit for a portion of their contributions. Workers and employers may contribute up to \$2,500 per year and the funds can be used to cover educational expenses including tuition, fees, books and other supplies. LiLAs, unlike traditional education savings programs, belong to the workers. If an individual leaves his or her job the LiLA goes with them.

Hiring Heroes Act

On May 12, Senator Patty Murray (WA) introduced bi-partisan legislation to help veterans struggling to find work and to address rising unemployment among the nation's military veterans. The bill requires broad job skills training for all service members returning home and comes at a time when more than one in four veterans aged 20-24 are unemployed. It would require that each separating service member attend a transition assistance program, will create new direct federal hiring authority so that more service members have jobs waiting for them the day they leave the military, and will improve veteran mentorship programs in the working world.

JOBS Act

On May 11, the House Ways and Means Committee approved the JOBS Act of 2011 (HR 1745) that would allow states to use federal unemployment compensation benefits to balance their budgets or pay back federal loans. In addition, states could spend the funds on job training programs. The bill would allow states to spend its funds better, prevent tax increases and help unemployed individuals find jobs.

Department of Labor Secretary Hilda Solis wrote to Ways and Means Chairman Dave Camp (MI) and Congressman Sander Levin (MI) expressing her opposition to the bill, pointing out that workers who now rely on federal unemployment benefits would lose their benefits in any state that chose to exercise this authority. The bill would terminate a provision in current law that modifies the state trigger for the extended benefit program, which provides up to 13 additional weeks of unemployment benefits when a state is experiencing high unemployment.

Unemployment Rises

On Friday, June 3, the Department of Labor revealed Bureau of Labor Statistics reported that the U.S. economy picked up just 54,000 jobs in May. The unemployment rate ticked up slightly to 9.1 percent, an increase from the April rate of 9.0 percent. Nonfarm payroll employment changed little in May, with an increase of 54,000, and the private sector added 83,000 jobs. The number was shockingly low; April saw the addition of 244,000 jobs, and the median estimate of economists surveyed by Bloomberg for May was 165,000. Analysts generally agreed that any number less than 100,000 would cause turmoil in the markets.