



## **Board Meeting**

**Legislative Update**

**April 26, 2007**





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## **Introduction**

The new 110th Congress convened on January 4, 2007, with the Democrats holding the majority for the first time in 12 years. On the first day, 290 bills were introduced in the House and 195 were introduced in the Senate. Since then, Congress has spent the majority of its time debating Fiscal Year 2007 appropriations and the supplemental war spending bill that was requested by the President.

By the end of the 109th session, Congress was unable to complete the remaining nine fiscal year 2007 appropriations bills, pushing them to the new Congress. It took four extra months and a new Congress, but on February 14, 2007 lawmakers finished the FY 2007 appropriations cycle when the Senate passed H.J.Res.20, a year long continuing resolution. The \$463.5 billion spending bill passed 81-15 and the President signed the bill the next day. To ensure continued government operations as the stopgap continuing resolution funding government operations expired at midnight February 15, Democratic leaders in the Senate chose to pass the same version the House approved on January 31, without consideration of amendments.

After close of the FY 2007 Appropriations process, Congress consideration of the largest supplemental spending bill ever requested to continue funding the wars in Iraq and Afghanistan, along with other items. The funding request was submitted to Congress by the president in early February, when the FY 2008 budget was released.

On March 23, the U.S. House of Representatives voted 218-212 to authorize an emergency supplemental war spending bill, which sets a deadline of August 31, 2008 for the end of the coalition effort in Iraq. On March 29, the U.S. Senate voted 51-47 to pass a separate bill, which calls for all combat troops to be removed from Iraq by March 31, 2008.

House and Senate negotiators approved a \$124 billion war spending bill on April 23 that includes a "goal" of withdrawing combat troops from Iraq by April 1, 2008, and troop readiness standards that could be waived by the President.

On April 20, 2007 House and Senate negotiators reached a deal on a package of business tax incentives accompanying the minimum wage increase to be included in the war supplemental legislation. Leading Democrats have decided the war funding measure remains the best chance for enacting a minimum wage increase and related tax breaks. Negotiators from the House and Senate tax-writing committees agreed on \$4.8 billion in tax cuts for small businesses over 10 years.

By a 216-210 margin, the House passed a budget resolution (H.J. Res. 99) for FY08 Budget, on March 29. The \$2.9 trillion nonbinding blueprint calls for nearly a \$24 billion increase for domestic programs, approximately \$5 billion more than requested by the Senate budget resolution (S Con Res 21) passed on March 23. House and Senate conferees will be appointed to work out the differences between H. Con. Res. 99 and the Senate resolution.

The increase in discretionary spending is a positive development for the workforce system because it provides a greater overall funding level to appropriators for Function 500 programs. While this additional discretionary spending provides a greater opportunity to restore some of the Administration's proposed (nearly \$1 billion) cuts to WIA funding, it is by no means assured that this additional money will be directed to restore that funding.

The momentum for moving forward with Workforce Investment Act (WIA) reauthorization has subsided in both the House and the Senate as focus has shifted to No Child Left Behind (NCLB) Reauthorization. NCLB and the Higher Education Act are both ahead of WIA on the Committee's agenda and many of the same staff handles both issues, which significantly slows down the process. Senior Committee staff now estimate the most likely timetable for WIA reauthorization consideration in the Senate Health, Education, Labor and Pensions Committee is May.

### **Fiscal Year 2007 Appropriations**

On Thursday, February 15, 2007, the President signed H.J.Res.20, the \$463.5 billion year-long Continuing Resolution (CR) that will fund most government agencies through FY 2007. This ensures continued government operations until September 30, 2007. The measure, which easily cleared the Senate 81-15, provides funding for the nine unfinished appropriation bills from the 109th Congress. The measure passed the House 286-140, on January 31, 2007, with 57 Republicans voting in support of the resolution.

The CR included the allocation of an additional \$2.3 billion in funds to the Labor-HHS-Education spending bill and obligates \$990 million for youth activities for the period April 1, 2007 through June 30, 2008 – allotting an additional \$49.5 million for the YouthBuild Program.

The CR also increases the maximum Pell Grant to \$4,310 a year from \$4,050— the first such hike since 2003. The \$260 increase in Pell Grant funding will be covered in part by the additional \$2.3 billion in funds added to the FY07 Labor-HHS-Education appropriations bill.

The passed resolution did not include any language of a rescission of carryover funding, and did include language prohibiting the U.S. Department of Labor from implementing any proposed rule changes until after Workforce Investment Act (WIA) reauthorization by Congress.

The CR reads as follows: "None of the funds made available in this division or any other Act shall be available to finalize or implement any proposed regulation under the Workforce Investment Act of 1998, Wagner-Peyser Act of 1933, or the Trade Adjustment Assistance Reform Act of 2002 until such time as legislation reauthorizing the Workforce Investment Act of 1998 and the Trade Adjustment Assistance Reform Act of 2002 is enacted." Thus the proposed regulations of WIA that were published in the December 20, 2006 Federal Register are prohibited.

Although the Administration signed the legislation on January 31 they released a response to H.J. Resolution 20, including this criticism of prohibition to WIA rule changes: "The Administration strongly opposes the inclusion of a legislative rider to prevent the Department of Labor from finalizing its rules to improve the Workforce Investment Act and Trade Adjustment Assistance programs. The proposed changes would reduce bureaucracy, give workers more flexible training options, and better integrate the TAA program with the One-Stop Career Center network - helping American workers remain competitive in the global economy. "

### **2007 War Supplemental Funding Bill**

Despite repeated veto threats from President Bush, both the House and Senate have approved a 2007 war supplemental spending bill that contains a schedule for eventual withdrawal of American soldiers from Iraq. At approximately \$124 billion, this compromise is the largest supplemental appropriations funding request ever submitted to Congress, not just for the Iraq war to date, but by any President, for any purpose.

On March 23, the House approved its version (H.R. 1591) of the supplemental bill in a 218-212 vote, with two Republicans joining all but 14 Democrats to pass the bill. The entire debate in the House hinged on the timetable for withdrawal of U.S. soldiers from Iraq, as House leaders worked for weeks to balance the demands of liberals who were seeking a fast withdrawal with those of conservative Democrats, who were hesitant to set any timetable for commanders in the field. In the end, they were able to find the right balance and likely eased the concerns of many members who supported the bill with an additional \$20 billion in funding outside the scope of the wars in Iraq and Afghanistan.

The Senate approved its version of the supplemental bill on March 29 by a vote of 51-47, making a few small changes to the committee mark that was approved the week before. Two Republicans, Senator Gordon Smith (OR) and Senator Chuck Hagel (NE), joined with Democrats to pass the bill, despite language specifying a "goal" of withdrawing troops from Iraq by March 31, 2008.

The bill approved \$123.2 billion, with the vast majority — \$96 billion — going to the Defense Department, mostly to continue military operations in Iraq and Afghanistan. It also included a \$1 billion increase for the National Guard and Reserve and \$1.1 billion for improvements to military housing. The bill also has \$5.75 billion for programs overseen by the State Department, with \$3.2 billion of that for Iraq.

On April 23, House and Senate negotiators approved a \$124 billion war spending bill compromise that includes a “goal” of withdrawing combat troops from Iraq by April 1, 2008, and troop readiness standards that could be waived by the President.

In addition, the compromise included a raise the federal minimum wage to \$7.25 an hour over two years but included different tax cut provisions that accompany the wage increases. Originally, the House provides \$1.3 billion in small business tax breaks, with a roughly equal amount of offsets, while the Senate has now increased the total cost of its tax provisions from \$8.3 billion to \$12.6 billion, with \$13.8 billion in offsets. On April 20<sup>th</sup>, negotiators from the House and Senate tax-writing committees agreed on \$4.8 billion in tax cuts for small businesses over 10 years

The president has promised to veto any legislation that sets a timeline for troop withdrawal.

The negotiated bill will be filed on Tuesday, April 24, for floor consideration in both chambers, with consideration by the House likely to occur on Wednesday, April 25 and consideration by the Senate on Thursday April 26.

### **President’s Fiscal Year 2008 Budget**

On February 5, 2007, the President sent his \$2.6 trillion Federal FY2008 budget to Congress. The President’s budget calls for substantial reductions in a range of domestic discretionary programs in key domestic priority areas such as healthcare, education and the environment.

In order to maintain the war in Iraq and Afghanistan and make permanent \$2 trillion in tax cuts enacted in 2001 and 2003, the President has chosen to balance the budget by 2012, by reducing domestic discretionary spending. While proposed cuts are only \$13 billion in FY2008, by FY2012 they swell to \$34 billion, or a 7.6% reduction over FY2007 funding levels adjusted for inflation or \$114 billion over 5 years.

### **Department of Labor**

The President’s Budget for the Department of Labor (DOL) calls for a new \$3.413 billion consolidated state block grant to deliver Career Advancement Accounts (CAA) by combining and cutting over \$434 million from the Workforce Investment Act (WIA) Adult, Dislocated Worker and Youth formula grant programs with the Employment Service (including Employment Service formula grants, labor market information grants, and grants for administration of Work Opportunity Tax Credit and Welfare-to-Work Tax Credit) into a single funding stream to states which provides greater flexibility for governors to redesign or eliminate the local workforce system and determine how funds are spent.

*Career Advancement Accounts* – States would use these funds primarily to provide Career Advancement Accounts which the Administration proposed last year but has yet to be enacted by Congress. The accounts would be available to both adults and out-of-school youth entering the workforce or transitioning between jobs. Incumbent workers in need of new skills could use CAAs to remain employed or to move up the career ladder.

CAAs would be self-managed accounts of up to \$3,000 that workers and people looking for work, can use to obtain training and other employment services. Accounts could be renewed for one additional year, for a two-year account of up to \$6,000 per worker. The accounts must be used to pay for expenses directly related to education and training, such as tuition, fees and textbooks, not supportive services.

States would be required to use the majority of their funds for Career Advancement Accounts to ensure that most of the funds are utilized for skills acquisition. The remainder of CAA funding would be used to provide basic employment services to job seekers, such as labor market information, job search assistance, and career and skill assessments to workers.

One-Stop Career Centers would continue to provide these employment services as well as access to the accounts. Consequently, while the proposal does not define a role for the local workforce system it leaves it up to the states to negotiate with local areas on their role.

Strict limits would be imposed on the use of grant funds for administrative and overhead costs. Caps of five and 10 percent at the state and local levels would be applied with a more rigorous definition of administration costs.

*Adult Training Grants* – DOL proposes to eliminate the WIA adult training formula grant program by combining and cutting it by \$149 million from FY 2007 levels into the consolidated block grant to administer Career Advancement Accounts.

*Dislocated Worker Job Training Grants* – DOL proposes to eliminate the WIA Dislocated Worker formula grant program by combining and cutting it by \$177 million from FY 2007 levels into the consolidated block grant to administer Career Advancement Accounts.

*Youth Training* – DOL proposes to eliminate WIA Youth training formula grant program by combining and cutting it by \$105 million from FY 2007 levels into the consolidated block grant to administer Career Advancement Accounts. In-school youth are not eligible for CAAs.

*Community Based Job Training Grants* – The budget would fund the community college initiative at \$150 million as part of the President's High-Growth Job Training Initiative, a \$99 million cut from the FY 2007 levels.

*Prisoner Re-Entry Program* – The President’s budget combines the funding and resources of the Prisoner Re-entry Initiative and the Responsible Reintegration of Youthful Offenders into a single program and funds it at \$39.6 million. This represents a cut of \$29 million in funding from the FY 2007 individual program funding levels of \$19.6 million and \$49.1 million respectively.

Under the President’s request, \$20 million would be used to build basic literacy and math skills for juvenile ex-offenders and for the completion of secondary education through alternative pathways, leading to credentialing, pre-apprenticeship, and apprenticeship programs.

For adult ex-offenders, \$19.6 million would be used to help ex-offenders find immediate employment through grants made to faith-based and community organizations.

*Job Corps* – The FY 2008 budget seeks \$1.518 billion in funding for the Job Corps program – an \$88 million cut from FY 2007 levels.

**In addition, the budget calls for a rescission of \$335 million in unexpended WIA Youth, Adult and Dislocated Worker formula program funding from program year 2006.**

<b>Department of Labor Appropriations (in millions)</b>	<b>FY 2007 Enacted</b>	<b>FY 2008 President's Request</b>
Consolidated State Block Grant/ Career Advancement Accounts (CAA)	N/A	\$3,413*
Adult Training	864.2	Consolidated Block Grant / CAA
Dislocated Worker Training	1,471	Consolidated Block Grant / CAA
Community-Based Job Training Grants (Community College)	125	150
Youth Training	940.5	Consolidated Block Grant / CAA
Job Corps	1,578	1,518
Reintegration of Youth Offenders	49.1	--
Prisoner Re-entry Program (Ex-offender)	19.6	40**
Migrant Seasonal Farm Workers	79.2	--
Wagner-Peyser (Employment Service)	749.3	Consolidated Block Grant / CAA
YouthBuild	49.5	50

\* This figure represents the Consolidated State Block Grant to administer Career Advancement Accounts and combines and cuts the following programs into a single funding stream:

- WIA Adult - \$712 million, cut by \$152.2 million from \$864.2 million in FY 07
- WIA Dislocated Worker - \$1,115 million, cut by \$356 million from \$ 1,471 million in FY 07
- WIA Youth - \$841 million, cut by \$99.5 million from \$940.5 million in FY 07
- Wagner-Peyser - \$746 million, cut by \$3.3 million from \$749.3 million in FY 07

**Total Decrease – \$611 million**

\*\* This figure combines Reintegration of Youth Offenders and Prisoner Re-entry Program funding – a cut of \$29 million.

## **Department of Education**

The President requests \$13.9 billion for Title I Grants to Local Educational Agencies (LEAs), an increase of \$1.1 billion or 8.7 percent over the FY 2007 level. This would both support a comprehensive Title I reauthorization proposal and more fairly distribute Title I resources to the high school level, strengthen assessment and accountability in high schools, provide more choices to students and parents, and encourage more effective restructuring of chronically low-performing schools.

The \$500 million for a reauthorized Title I School Improvement Grants program along with the existing 4-percent reservation of Title I Grants to LEAs funds for school improvement would significantly increase the investment in turning around low-performing schools while ensuring that States have the resources they need to play their essential role in LEA and school improvement. This represents a \$375 million increase, or 300 percent over the FY 2007 level.

*Pell Grants* - The FY 08 budget calls for a \$2.83 billion increase in Pell Grant funding to \$15,439 – an 11.9 percent decrease increase over FY 2007. The President requests the largest Pell Grant funding increase in three decades by providing for \$19.8 billion in new mandatory funding for the Pell Grant Program over the 2008-2017 period. Provisions would:

- Raise the maximum Pell Grant by \$550 to \$4,600 in 2008;
- Increase the maximum award by \$200 annually from 2009 – 2012, to \$5,400;

The increased funding would be a mandatory expenditure rather than a discretionary expenditure subject to annual appropriations (though the base grant amount of \$4,050 would continue to be funded through appropriations). The new mandatory expenditure would be funded through mandatory savings outlined below.

*Academic Competitiveness Grants*- The President's FY 2008 budget proposes to increase the Academic Competitiveness Grants awarded to Pell Grant recipients in the first two years of college who completed a rigorous high school curriculum by 50 percent, from \$750 to \$1,125 for first-year students and from \$1,300 to \$1,950 for second year students – an increase of \$330 million over FY 2007 funding levels. The cost will be \$260 million in mandatory funds for 2008 and \$1.0 billion from 2008-2012.

### **Program Elimination**

The budget plan proposes the elimination of the following "duplicative and poorly" allocated programs:

- Supplemental Educational Opportunity Grant (SEOG); and
- Phase-out of Perkins Loan Program through recall of the federal portions of revolving funds held by schools.

In addition, no funds were included for the Leveraging Educational Assistance Partnership (LEAP) program, as the Administration believes it would be most effective to consolidate federal grant efforts into the larger Pell Grant program.

### **Fiscal Year 2008 Budget**

In the final weeks of March, the House and Senate adopted budget resolutions for Fiscal Year 2008 by narrow margins and will now turn to the task of finding a compromise resolution in conference committee. The two \$2.9 trillion budget plans are broadly similar — both seek to reach a budget surplus by the year 2012, establish reserve funds to extend the State Children's Health Insurance Program (SCHIP) to all eligible children, and embrace pay-as-you-go (PAYGO) principles. However, their difference in spending provisions and definitions of PAYGO, and a Senate amendment to extend some of President George W. Bush's middle-income tax cuts will present some critical choices in conference.

On Friday, March 23, the Senate passed the \$2.9 trillion budget blueprint (S Con Res 21) that aims to balance the federal budget by 2012. The 52-to-47 vote was primarily along party lines, with Maine's two liberal-leaning Republicans Senator Olympia Snowe (ME) and Senator Susan Collins (ME) joining the 49 Democrats and Independents Bernie Sanders (VT) and Joseph Lieberman (CT) in support. The Senate's nonbinding budget blueprint provides \$19 billion more in domestic discretionary spending for next year than President Bush's proposed FY 2008 budget, including an approximate \$9 billion in additional funding for education and training projects. In addition, the Senate budget predicts a \$132 billion surplus by 2012, offers a two-year patch for the Alternative Minimum Tax (AMT), and establishes a strict PAYGO regime.

The House adopted its own budget resolution, H. Con. Res. 99, on March 29, by a 216-210 margin, with 12 Democrats and two Republicans crossing party lines. The House resolution calls for a \$153 billion surplus by 2012, a nearly \$24 billion increase for domestic programs from the President's budget, a one-year Alternative Minimum Tax patch, and a less rigorous PAYGO rule than the Senate's.

While the House version provides \$5 billion more than the Senate for annually appropriated discretionary domestic programs, the Senate proposal provides an additional \$1 billion over the House measure for Function 500 programs.

Much of the partisan debate surrounding the budget resolutions has focused on the Democrats' assumption that many of the 2001 and 2003 Bush tax cuts will not be extended — yielding nearly \$400 billion more revenue than the president's budget over the next five years. The GOP has claimed repeatedly that the Democratic budget resolutions require "the largest tax increase in American history." In fact, however, they assume no tax hikes, only the revenues assumed under the Bush tax cut laws if not extended.

Both chambers are now beginning negotiations on their respective versions of the FY 2008 budget in conference. With both chambers passing their budget resolutions by such narrow margins, Democrats will have to move the negotiations process forward very cautiously. A conference report reflecting the House plan, which backs tax cuts and new spending on children's health care only if costs are offset, could face difficulty if even one conservative Senate Democrat withholds support and the Maine Republicans Olympia J. Snowe and Susan Collins (who voted for the Senate budget resolution) change their votes. In addition, Democrats know that they are unlikely to have the votes necessary to override a Presidential veto of domestic spending bills. Senate Budget Chairman Kent Conrad (ND) said a joint budget resolution would have to be substantially similar to the Senate plan to win adoption.

House Budget Chairman John Spratt (SC) is aiming for completion of the budget and discretionary spending target by May 15. While the budget resolution is an important guide for congressional spending allocations, it only binds the appropriators to the discretionary spending total.

The increase in discretionary spending is a positive development for the workforce system because it provides a greater overall funding level to appropriators for Function 500 programs. While this additional discretionary spending provides a greater opportunity to restore some of the Administration's proposed (nearly \$1 billion) cuts to WIA funding, it is by no means assured that this additional money will be directed to restore that funding.

Senators Maria Cantwell (WA) and Susan Collins (ME) are circulating a Dear Colleague letter regarding FY08 appropriations for Workforce Investment Act (WIA) and Employment Service (ES) programs, seeking a restoration of funding to FY05 levels (Appendix I). While ideally funding levels should be restored to FY02 levels, given current budget constraints and recent proposed WIA funding cuts, restoring funding to FY05 levels is an important first step in the right direction.

### **Minimum Wage**

Democrats moved closer to raising the minimum wage on April 20, as House-Senate negotiators reached a deal on a package of business tax incentives accompanying the wage increase. After weeks of uncertainty about whether the tax provisions would be part of the supplemental conference report, leading Democrats decided the war funding measure remains the best chance for enacting a minimum wage increase and related tax breaks.

Differences over how to ease the impact of raising the wage on small business has postponed final action for weeks. The wage would increase from \$5.15 to \$7.25 an hour over the next two years under companion House and Senate bills, but the two chambers struggled over how much tax help to award businesses employing minimum wage workers. The House originally passed the *Fair Minimum Wage Act of 2007* (H.R. 2), without tax breaks for businesses, but the Senate insisted on tax breaks totaling more than

\$8 billion over eight years to ease passage through the closely divided chamber. The House then countered with the Small Business Tax Relief Act of 2007 (HR 976), a \$1.3 billion package of small business tax breaks that are intended to forge a congressional compromise with the Senate-passed version of the legislation.

Congress last increased the minimum wage in 1996 and the wage has fallen to the lowest level in five decades after accounting for inflation. The legislation would raise the minimum wage in three steps. It would go to \$5.85 an hour 60 days after the president signed it into law, then to \$6.55 an hour a year later and to \$7.25 an hour a year after that.

Negotiators from the House and Senate tax-writing committees agreed on \$4.8 billion in tax cuts for small businesses over 10 years, far less than provided under GOP-controlled Congress in 1996. The tax relief would mostly be offset by a series of new Internal Revenue Service enforcement steps and higher penalties for erroneous returns.

House and Senate appropriations committee members met on April 23 and approved a \$124 billion war spending that includes the \$4.8 billion tax breaks for small businesses and a raise in the minimum wage.

After an expected veto, the minimum wage bill with the \$4.8 billion tax package could be sent to the White House attached to other legislation or as a standalone bill now that key differences have been ironed out between the House and Senate.

### **Trade Adjustment Assistance**

The Trade Adjustment Assistance Reform Act of 2002, reauthorized the Trade Adjustment Assistance (TAA) program through fiscal year 2007. With the TAA program expiring June 30, 2007, legislative efforts to expand and reform the program are under discussion. Senator Max Baucus (MT) has called for new approaches to helping workers impacted by trade. The Senator suggested that the 1962 approach of the original legislation is no longer appropriate for today's global economy. Senator Baucus is the Chair of the Senate Finance Committee, which has jurisdiction over legislation on international trade matters.

New approaches for the TAA program under discussion include: expanding the program to include service workers and incumbent workers; strengthening the use of the health care tax credit and wage insurance; including the trade impact of China and India; removing "caps" on training dollars; certificating impact on an industry-wide basis rather than by individual firm; and, increasing flexibility and options for impacted workers. Senator Baucus indicated he would be offering legislation containing some of these new approaches soon.

## **WIA Reauthorization**

Efforts to move the reauthorization of the *Workforce Investment Act* (WIA) forward have been met with little success during the first session of the 110<sup>th</sup> Congress. The momentum for moving forward with WIA reauthorization has waned in both the House and the Senate as focus has shifted to No Child Left Behind (NCLB) and Higher Education Act Reauthorization. With NCLB and Higher Education Act reauthorization moving ahead of WIA as priorities for both House Education and Labor Committee Chairman George Miller and Senate HELP Committee Chair Ted Kennedy (MA), it is crucial that members become re-engaged about the importance of reauthorizing the bill this year.

The Local Coalition met with J.D. LaRock, Majority Senior Education Policy Advisor, Beth Buehlman, Minority Education Policy Director, Bill Kamela, Majority Staff Director, and Ilyse Schuman, Chief Counsel to Ranking Member Michael Enzi (WY), on March 2 to submit the Coalition's recommendations for WIA reauthorization (Appendix II). At that time the prognosis for moving forward on the bill was very good.

The Local Coalition's recommendations were very well received and Senate staff indicated their intention to have a bill introduced on the Senate floor by Memorial Day, *May 31*. Although there was early optimism, the Memorial Day goal is unlikely to be met.

## **GAO Reports**

### ***Youthbuild Program: Analysis of Outcome Data Needed to Determine Long-Term Benefits.*** GAO-07-82

#### **February 2007**

Since 1993, the Department of Housing and Urban Development (HUD) has provided funding for Youthbuild, a competitive grant program that trains and educates disadvantaged youth and helps build low-income housing. In 2006, Youthbuild was transferred to the Department of Labor (Labor) to better align the Youthbuild program with existing youth workforce and training programs. In response to concerns about the overall quality of Youthbuild, a Senate report directed GAO to assess the program. GAO's objectives included (1) evaluating how HUD assessed and oversaw the program, (2) determining what results the program achieved, and (3) assessing how successful grantees were in obtaining outside funding. GAO analyzed Youthbuild performance data, visited Youthbuild sites, and interviewed agency officials.

Full Report - <http://www.gao.gov/cgi-bin/getrpt?GAO-07-82>.

**Health Careers Opportunity Program: Process for Awarding Competitive Grants  
Included Independent Review. GAO-07-137**

**February 2007**

To support the education and training of health professionals, the Health Resources and Services Administration (HRSA), in the Department of Health and Human Services (HHS), administers health professions education programs authorized under title VII of the Public Health Service Act. One of these programs, the Health Careers Opportunity Program (HCOP), provides grants to health professions schools and other entities to help students from disadvantaged backgrounds prepare for health professions education and training. Funding preference is given to grant applications that demonstrate a comprehensive approach involving other educational or health-related partners.

Congressional committees have encouraged HRSA to give priority to applications from schools with a historic mission of educating minority students for health professions. In 2004, the appropriations conference committee asked GAO to review HRSA's process for awarding grants. This report addresses, for fiscal years 2002 through 2005, (1) HRSA's process for awarding HCOP grants and (2) the number and characteristics of HCOP applicants and grantees.

GAO reviewed data from HRSA, interviewed HRSA officials, and reviewed relevant federal laws and agency documents from HHS and the Department of Education.

Full Report - <http://www.gao.gov/cgi-bin/getrpt?GAO-07-137>

**Human Capital: Federal Workforce Challenges in the 21st Century GAO-07-556T**

**March 6, 2007**

The federal government is facing new and more complex challenges in the 21st century because of long-term fiscal constraints, changing demographics, evolving governance models, and other factors. Strategic human capital management, which remains on GAO's high-risk list, must be the centerpiece of any serious change management and transformation effort to meet these challenges. However, federal agencies do not consistently have the modern, effective, economical, and efficient human capital programs, policies, and procedures needed to succeed in their transformation efforts. In addition, the Office of Personnel Management (OPM) must have the capacity to successfully guide human capital transformations. This testimony, based on a large body of GAO work over many years, focuses on strategic human capital management challenges that many federal agencies continue to face.

Full Report - <http://www.gao.gov/cgi-bin/getrpt?GAO-07-556T>

**VA Student Financial Aid: Management Actions Needed to Reduce Overlap in Approving Education and Training Programs and to Assess State Approving Agencies.**  
**GAO-07-384**

**March 2007**

In fiscal year 2006, the Department of Veterans Affairs (VA) paid approximately \$2.1 billion in education assistance benefits to more than 470,000 beneficiaries and about \$19 million to state approving agencies (SAA) to assess whether schools and training programs offer education of sufficient quality for veterans to receive VA education assistance benefits when attending them. Qualified individuals--veterans, service persons, reservists, and certain spouses and dependents--receive benefits through a number of education assistance programs for the pursuit of various types of programs, such as a degree program, vocational program, apprenticeship, or on-the-job training. The Departments of Education (Education) and Labor (Labor) also assess education and training programs for various purposes, primarily for awarding student aid and providing apprenticeship assistance. In 2006, under Title IV of the Higher Education Act, Education provided nearly \$77 billion in student aid in the form of both grants and loans. The Department of Education assesses and certifies postsecondary institutions for participation in Title IV programs through various oversight functions to ensure that these schools meet federal administrative and financial requirements and that they are accredited and licensed. Similarly, under the National Apprenticeship Act of 1937, the Department of Labor is authorized to formulate and promote the furtherance of labor standards to safeguard the welfare of apprentices. Given each agency's role, the potential of duplicative efforts among federal agencies has been a congressional concern. In 1995, GAO reported on this matter and concluded that there was a substantial amount of overlap between the efforts of SAAs and the other federal agencies.

In light of continued congressional interest in this issue, GAO has now answered the following questions: (1) What changes have occurred in state approving agencies' duties and functions since 1995? (2) To what extent does the SAA approval process overlap with efforts by the Departments of Education and Labor? (3) What, if any, additional value do the SAA approval activities bring to VA education benefit programs?

Full Report - <http://www.gao.gov/cgi-bin/getrpt?GAO-07-384>

## **Grants Awarded**

### **U.S. Department of Labor Announces \$3.3 Million Grant to Foster Entrepreneurship Among Minorities**

**February 27, 2007**

The U.S. Department of Labor today announced a \$3.3 million grant to the Denver-based National Business Information Clearinghouse (NBIC) to assist minority entrepreneurs in overcoming barriers to starting and maintaining a small business.

Through this grant, NBIC will support the startup and growth of small businesses in regions across the country, including those participating in the Workforce Innovation in Regional Economic Development (WIRED) initiative. NBIC will combine innovative Web-based resources, on-the-ground technical assistance, and training to foster successful entrepreneurship in regional economies.

More information can be obtained at:

[http://www.doleta.gov/whatsnew/new\\_releases/2007-02-27.cfm](http://www.doleta.gov/whatsnew/new_releases/2007-02-27.cfm).

### **U.S. Department of Labor Announces \$3 Million Grant to Train Teachers in Rural Areas**

**February 15, 2007**

The U.S. Department of Labor today announced a \$3 million grant to the Western Governors University (WGU) in Salt Lake City to expand distance-learning to students in the teaching profession.

WGU will offer academic support and mentoring throughout the program as well as professional development opportunities for up to one year following a student's graduation from the program. The distance-learning aspect of the program allows individuals to continue residing in their communities while accessing their classes.

Additionally, the grant will assist WGU in providing scholarships of up to \$1,500 per student per term for up to five terms. Each scholarship will cover more than half of the tuition for a six-month term.

More information can be obtained at:

[http://www.doleta.gov/whatsnew/new\\_releases/2007-02-15-WGU.cfm](http://www.doleta.gov/whatsnew/new_releases/2007-02-15-WGU.cfm).

**U.S. Secretary of Labor Announces \$2 Million Grant to Aid Tornado Cleanup and Recovery in Florida**

**February 15, 2007**

U.S. Secretary of Labor Elaine L. Chao today announced a \$2 million grant, with an initial release of \$1 million, to create approximately 160 temporary jobs to assist in cleanup and recovery efforts to alleviate damage caused by recent tornadoes.

On Feb. 3, 2007, the Federal Emergency Management Agency (FEMA) declared the counties of Lake, Seminole, Sumter, and Volusia eligible for FEMA's Public Assistance program. Dislocated workers seeking assistance are encouraged to contact 1-866-FLA-2345.

For more information on National Emergency Grants and other Department of Labor employment and training programs, please visit [www.doleta.gov/NEG/](http://www.doleta.gov/NEG/).

**U.S. Secretary of Labor Announces Grant of more than \$1.3 Million to Train Workers in the Transportation Industry in Arkansas**

**February 13, 2007**

U.S. Secretary of Labor Elaine L. Chao today announced a grant of \$1,350,655 to train workers for careers in Arkansas' growing transportation and logistics industry. The grant is being awarded to the state of Arkansas through the President's High Growth Job Training Initiative, a strategic plan to prepare workers for jobs in vital industries.

The grant, awarded to the Arkansas Department of Workforce Services, will provide workers in the Arkansas Delta region with transportation industry career opportunities as professional drivers and open an entry point into a career pathway. Additionally, the project will increase the capacity of education in the region, especially at Mid-South Community College, and support development of a registered apprenticeship program for truck drivers.

For more information please visit  
[http://www.doleta.gov/whatsnew/new\\_releases/2007-02-13-Arkansas.cfm](http://www.doleta.gov/whatsnew/new_releases/2007-02-13-Arkansas.cfm).

**U.S. Secretary of Labor Announces \$1.2 Million Grant to Assist Dislocated Workers in Wisconsin**

**February 13, 2007**

U.S. Secretary of Labor Elaine L. Chao today announced a grant of more than \$1.2 million, with an initial release of \$537,282, to the state of Wisconsin to provide employment-related assistance to approximately 400 workers dislocated as a result of closures and layoffs in the state. Closure announcements were made by Chilton Products Inc. located in Chilton, Wis., and Tecumseh Power located in New Holstein, Wis. Additionally, Brillion Iron Works of Brillion, Wis., announced layoffs.

Approximately 300 Tecumseh Power employees were previously certified as eligible to apply for Trade Adjustment Assistance (TAA) on May 24, 2005.

The grant, awarded to the Wisconsin Department of Workforce Development, will provide a full array of services to impacted workers from Chilton Products and Brillion Iron Works. Services will include career and occupational skills training, employment readiness and job placement.

For more information please visit:

[http://www.doleta.gov/whatsnew/new\\_releases/2007-02-13-Wisconsin.cfm](http://www.doleta.gov/whatsnew/new_releases/2007-02-13-Wisconsin.cfm).

**U.S. Department of Labor Announces \$2 Million Grant to Assist in Louisiana Storm and Flood Recovery**

**January 24, 2007**

U.S. Secretary of Labor Elaine L. Chao today announced a \$2 million grant, with an initial release of \$750,000, to Louisiana to generate approximately 200 temporary jobs to assist with cleanup and recovery efforts to help mitigate damage caused by storms and flooding.

On Nov. 2, 2006, the Federal Emergency Management Agency declared 12 Louisiana parishes eligible for FEMA's Public Assistance program. The parishes are Beauregard, Caldwell, Catahoula, Franklin, Grant, La Salle, Madison, Morehouse, Richland, Sabine, Vernon and Winn.

The grant, awarded to the Louisiana Department of Labor, will target workers dislocated as a result of the storms and flooding, other dislocated workers and the long-term unemployed.

For more information please visit [http://www.doleta.gov/whatsnew/new\\_releases/2007-01-24.cfm](http://www.doleta.gov/whatsnew/new_releases/2007-01-24.cfm)

## **Appendix I**

Senators Maria Cantwell (WA) and Susan Collins (ME) Dear Colleague Letter

## **Appendix II**

### Local Coalition's WIA Reauthorization Recommendations

**Appendix I**

Senators Maria Cantwell (WA) and Susan Collins (ME) Dear Colleague Letter

# United States Senate

WASHINGTON, DC 20510

April 5, 2007

## SUPPORT AMERICA'S JOB TRAINING SYSTEM

Dear Colleague,

We invite you to join us in sending the attached letter to Chairman Harkin and Ranking Member Specter, expressing our strong support to restore funding Workforce Investment Act (WIA) and Employment Service (ES) programs through FY 2008 Labor, HHS, Education Appropriations at FY05 levels.

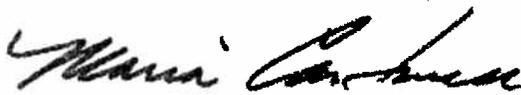
In today's fast-paced global economy, the American workforce continues to undergo profound changes that require workers to acquire advanced skills to maintain the nation's competitiveness. That is why the need to invest public resources in education and job training is so crucial.

WIA, the federal government's core job training program, is an employer led system that provides skills training for a demand driven economy, providing workers with the skills that employers need. This year, 15 million workers, or more than one in ten workers nationally, will seek assistance from our nation's employment and training programs. This need for skilled workers will only increase as competition in the global economy intensifies. Unless we invest in a system that can adequately meet employers' needs for skilled workers, we will not effectively compete in the global economy and our economic prosperity will suffer.

Despite this, the President's FY 2008 budget does not reflect America's economic reality. Under the President's proposal, WIA and ES funding would be cut to \$4.3 billion, \$1 billion less than what Congress enacted in FY 2005. If enacted, these cuts would force One Stop Career Centers around the nation to close their doors and our ability to train our most valuable economic resource, our workers, will be greatly diminished, threatening our nation's economic security.

We believe that investing in a skilled workforce is important to our nation's economic strength and hope that you will join us in supporting America's job training system. Please call Livia Lam in Senator Cantwell's office at 4-3441 or Amanda Woods at 4-4751 in Senator Collin's office's to sign on to the attached letter.

Sincerely,



Maria Cantwell



Susan Collins

# United States Senate

WASHINGTON, DC 20510

April 5, 2007

The Honorable Tom Harkin  
Chairman, Subcommittee on Labor  
Health and Human Services, and Education  
131 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Arlen Specter  
Ranking Member, Subcommittee on Labor  
Health and Human Services, and Education  
156 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Harkin and Ranking Member Specter:

We are writing to express our strong support for the Workforce Investment Act (WIA) programs and request that these programs be funded at no less than fiscal year 2005 levels in the fiscal year 2007 Labor, HHS, and Education Appropriations bill.

Earlier this month, Microsoft Chairman Bill Gates gave impassioned remarks before the HELP Committee about the importance of education and training to expand economic opportunity and compete in the global economy. Mr. Gates told the Senate HELP Committee:

"Federal, state, and local governments must help to prepare all of our workers for the jobs required in a knowledge economy. Workforce enhancement should be treated as a matter of national competitive survival. It is a down-payment on our future, an extremely vital step to secure American competitiveness for future generations and to honor the American ideal that every single one of us deserves the opportunity to participate in America's success".

Gates' remarks mirror Federal Reserve Chairman Ben Bernanke's remarks this month to the Omaha Chamber of Commerce:

"Policies that boost our national investment in education and training can help reduce inequality while expanding economic opportunity. A substantial body of research demonstrates that investments in education and training pay high rates of return both to individuals and to the society at large".

Our nation's business and economic leaders are committed to investing in training American workers. Now the government must also demonstrate a similar level of commitment. That is why we are troubled by the Administration's budget, which would slash \$1 billion from WIA and employment service programs -- a 19 percent cut. WIA formula programs would be cut by \$639 million, with another \$335 million rescission of current year formula funding.

This year, over 13 million workers, almost one in ten workers nationally, will seek assistance from our nation's employment and training programs. If approved, these cuts



## **Appendix II**

### Local Coalition's WIA Reauthorization Recommendations



FEBRUARY 28, 2007

RECOMMENDATIONS ON REAUTHORIZATION OF WIA  
FROM THE LOCAL WORKFORCE COALITION:

The National Association of Counties (NACo)  
The National Association of Workforce Boards (NAWB)  
The United States Conference of Mayors (USCM)  
The National Workforce Association (NWA)  
USA Works!

The Honorable Edward M. Kennedy  
Chairman  
HELP Committee  
U.S. Senate  
Washington, DC 20510

The Honorable Michael Enzi  
Ranking Republican  
HELP Committee  
U.S. Senate  
Washington, DC 20510

Dear Senators:

The Local Workforce Coalition, comprised of the National Association of Counties, the National Association of Workforce Boards, the U.S. Conference of Mayors, the National Workforce Association, and USA WORKS! -- the principal organizations representing local officials and business leaders responsible for the design and delivery of the U.S. workforce investment system, commend you for your leadership in development and passage of S. 1021, the Workforce Investment Act Amendments of 2005" last Congress. While S. 1021 was not enacted, we strongly urge you to build upon the principle reforms included in that legislation, and to move quickly this year with a Senate reauthorization of the Workforce Investment Act.

Enactment of WIA reauthorization legislation continues to be extremely important at this pivotal time in our nation's economy. U.S. competitiveness, long-term economic security, and ultimately our American way of life depend in large part on a highly skilled and flexible workforce. Future U.S. prosperity will depend upon educating all Americans to much higher and different standards. We must ensure that all low wage and structurally unemployed workers have the opportunity to acquire new high-value skills; receive the support they need while upgrading skills and changing careers; and have access to high quality assistance for finding good jobs that will enable them to support their families. To support future economic growth, we must find ways to bring businesses, workers, researchers, economic developers,

entrepreneurs, K-16 and other education and training institutions, and governments together, at the local/regional level, to identify and develop their strengths and capacity for innovation.

Members of the Local Coalition understand first hand what needs to be done. The best local boards around the country are already leading efforts in their communities, convening partners, brokering services, identifying and following through on necessary actions to develop their local/regional knowledge-based, innovation economies.

As you prepare for consideration of WIA reauthorization this year, we would like to provide you with the attached recommendations from the Local Coalition – which focus on the following issues of priority:

- Governance and Local Area Designation – a bill that ensures a continued strong, locally-based business-led workforce investment system; ensures the appointment of local boards by local elected officials; protects the designation of high-performing workforce areas; maintains but does not expand current WIA waiver authority (beyond the expedited waiver authority contained in S. 1021); and provides incentives/assistance to local areas to work regionally (around true labor market or economic development areas), to address the comprehensive education, workforce, economic and competitiveness needs of their regions.
- Local Boards – a bill that clarifies the essential, pivotal role that local boards are intended to play as conveners of key stakeholders for development and alignment of local/regional workforce and economic strategies; and as brokers of training and related services, resulting in a highly skilled workforce.
- Business Services, Alignment with Economic Development, Encouragement for Innovation – a bill that encourages innovation and development of knowledge-based economies through: alignment of workforce development, economic development, adult and postsecondary education; implementation of innovative services and strategies for meeting the needs of business; and encouragement for the leveraging and flexible use of private sector resources for meeting these goals.
- Expenditures and Administrative Cost Limits – a bill that fairly holds States and local areas accountable for system expenditures based upon accrued expenditures (in future program years); and provides a fair, function-based definition of administrative costs, similar to that used by business, allowing for efficient system management.
- One-Stop Infrastructure Funding– a bill that adequately funds the One-Stop infrastructure, allowing for comprehensive service delivery and increased resources for training.
- Training – a bill that continues to authorize training for low wage workers for jobs that provide self-sufficiency; simplifies training reporting requirements; provides for local input on certification of training providers; and strongly encourages expanded access to training, and gives credit for the leveraging of resources, other than WIA, for training.
- Youth – a bill that protects the \$1 billion currently provided for Youth formula funding for both in-school and out-of-school youth ages 14-21; provides separate authority and funding for national programs, including YouthBuild; and allows for continued, innovative services for in-school youth.

- Performance Standards - a bill that maintains the current measures of customer satisfaction and skills attainment for adults (important for meeting employers' skill needs), that emphasizes effectiveness or return on investment, and that uses a regression model to encourage services for the hardest to serve.

The Local Coalition strongly supports enactment of WIA reauthorization this year. Any fundamental changes to the WIA system, such as changes in local area designation; the definition of administrative costs; or system performance measures, should be made by Congress, as part of the WIA reauthorization process. Therefore we urge you to move legislation early this session. We thank you for your hard work and dedication to these issues and look forward to continuing to work with you on this vital legislation.

Sincerely,

National Association of Counties  
(Daria Daniel, 202-942-4212)

National Association of Workforce Boards  
(Mark Schultz, 703-778-7900)

U.S. Conference of Mayors  
(Kathy Amoroso, 202-293-7330)

National Workforce Association  
USA Works!  
(David Bradley, 202-842-4723)

## **RECOMMENDATIONS FROM THE LOCAL WORKFORCE COALITION REAUTHORIZATION OF THE WORKFORCE INVESTMENT ACT**

The following recommendations are made in the context of last year's Senate Bill, S. 1021, in the event that S. 1021 will be used as the starting point for this year's reauthorization efforts.

### **GOVERNANCE ISSUES**

#### **State Waiver Authority.**

- As provided in last year's Senate bill, maintain the current waiver authority in WIA without unnecessary expansion, with the exception of the expedited waiver authority included in S. 1021. The Coalition would strongly oppose any expansion of waiver authority beyond that provided in S. 1021.

#### **State Board Composition.**

- The local coalition supports a business majority requirement for membership on State Boards as included in S. 1021. However, the Coalition supports provisions retaining the requirements that Chief Elected Officials and Local WIB members be included on the State Board (retained from current law).

#### **State Board Authority.**

- S. 1021 expanded the authority of State boards, but focused such expansion of authority to issues around development of a comprehensive One Stop infrastructure, (i.e., providing guidance to all WIA partners in determining their appropriate roles and contributions to the One Stops; and developing criteria for use by local boards to assess the effectiveness and ensure continuous improvement of the One Stop delivery system).
- The Local Coalition supports the provisions in S. 1021 focusing the role of the State boards on providing guidance to partner programs on appropriate roles and contributions to the One Stop infrastructure (with such guidance used by the Governor for making potential resource contribution decisions). The Coalition supports the provisions authorizing State boards to establish criteria for use by local boards in assessing their effectiveness and ensuring continuous improvement of the One Stops, rather than providing State boards with direct certification authority over the One Stops.

### **Local Area Designation.**

- S. 1021 upheld the designation of existing high performing local workforce areas; and retained the right of local areas to appeal a Governor's decision on local area designation to the Secretary of Labor. The bill further granted a unit of local government of 500,000 or more in population, the right to designation as a local area if they so desired – and such local areas were given 2 years to meet performance requirements as defined in the Act. Finally, the Senate bill established an objective process (in the performance measurement provisions of the bill) for determining whether or not a local area has “performed successfully” for purposes of meeting their performance standards as well as for continued designation as a workforce area.
- The local coalition strongly supports the Senate bill provisions that: uphold the designation of high performing workforce investment areas; and retain the appeal process for local areas, with regard to local designation. The Coalition further encourages inclusion of language ensuring an expedited appeal process by requiring that the Secretary of Labor issue decisions on any such appeal within 60 days of its receipt. It is important that Congress resolve any issues regarding the designation of local areas, as issues affecting the fundamental character of the workforce investment system should be determined by the Congress through reauthorization of WIA, not through the administrative or regulatory process.
- The local coalition further supports the provisions in S. 1021 that: provide new workforce areas with a 2 year “grace period” for meeting performance; and establish an objective process (as part of its performance standards provisions) by which local performance is determined for the purpose of local area designation.

### **Regional Planning.**

- The Local Coalition supports the concept and recognizes the necessity of regional planning based on labor market and/or economic development regions and needs. Current law authorizes states to require local areas to engage in regional planning, establish arrangements for service delivery, and establish performance measures across regions. While an increasing number of states are encouraging regional planning, few require it.
- Because the building of regional economies is so important to US competitiveness, the Local Coalition supports a new required use of stateheld funds to provide incentives for and assist in the creation of regional strategies and the convening of key stakeholders (including workforce development, economic development, adult and postsecondary education) to develop initiatives that are geared toward the building of regional economies. The Coalition would however support such efforts on the condition that: the Senate language from S. 1021 also be adopted requiring that regional planning be conducted only after first consulting with local boards and local elected officials; such efforts incorporate the priorities of local areas within the region; and that such efforts would not affect the designation or diminish the authority of high performing local areas over local workforce efforts, without

the specific consent of the locally elected officials from such area. Language should be added to the bill that encourages local WIBs (or some combination of local WIBs) to perform the convening functions involved in such regional planning efforts.

- The Local Coalition is also currently working with other organizations to examine the option of refocusing incentive grants authorized in WIA for the purpose of encouraging innovation, including for encouragement for sector/cluster development, regional alignment, and the leveraging of resources and partnerships. We look forward to continued discussions with the Senate about this idea.

### **Local Boards.**

- S. 1021 would eliminate the requirement that mandatory partners be members of local boards. It would further relax the requirements for local board membership with regard to education representation; add faith-based organizations to the list of required members of local boards; and require that business representatives must represent leading industry sectors and geographic regions, and include large and small businesses.
- While the Local Coalition recognizes the importance of the WIA partners in successful implementation of a comprehensive workforce investment system, it supports elimination of the requirement that WIA partners be guaranteed seats on local WIBs. The Coalition further recommends that language be added to Section 117(d) of WIA, describing the functions of local boards, to clarify the important role that local boards are expected to play: in the convening of regional stakeholders for development of regional workforce and economic development strategies; and in the brokering of resources and services, especially training to meet the skill needs of jobseekers and employers in their regions. The Local Coalition will identify specific sections of WIA where such language could be added, and will provide such language to the Committee in the near future.

## **EXPENDITURES AND ADMINISTRATIVE COSTS:**

### **Expenditures.**

- S. 1021 required that when determining the reallocation and reallocation of unspent funding, such determinations would be based on 30% of unspent "accrued expenditures" vs. "expenditures," (as was originally proposed by the Administration), or "obligations" as required in current law. The Senate bill further specified that the new spending requirements would not be imposed retroactively, but would take effect the first Program Year after the date of enactment of the reauthorization legislation.
- The Local Coalition supports the Senate bill provisions.

## ADMINISTRATIVE COSTS.

- The Local Coalition strongly urges the Senate to maintain the current function-based definition (from current DOL regulations for WIA) and maintain the 10% cap on administrative costs. This is a very important issue, with broad implications for the workforce investment system. Using such a function-based accounting practice is consistent with accounting practices used by business (see attached model). The Coalition does support however, clarification that the 10% cap should apply to all One-Stop operators, even those that are wholly contracted out, a change from current practice. The Coalition believes that the definition of administrative costs must be included in statute, rather than defined through administrative or regulatory means. Consequently the Coalition supports the codification of the current regulatory definition, with the clarification mentioned above affecting wholly contracted-out One-Stops.

## ONE STOP INFRASTRUCTURE FUNDING:

- The Local Coalition recognizes the difficulty in determining appropriate funding contributions for the one-stop infrastructure, particularly in a time of budget constraints. However, securing an adequately funded One Stop infrastructure is of great importance to providing access to and maximizing the availability of training and other important services to American workers and employers as envisioned in WIA.
- The Local Coalition supports a combined approach for One-Stop Delivery System infrastructure funding. While neither required Partner contributions, nor a line item for infrastructure are free of concerns, the following recommendations warrant consideration:
  - Required contributions from Partner programs without federally imposed limits;
  - A separate line item for One-Stop Infrastructure funding, with language protecting the Adult and Dislocated Worker funding levels (possibly with a trigger similar to that included in the Youth program) ensuring that infrastructure is not funded at the expense of the formula funds. Language establishing a new funding line for system infrastructure should clarify that such funding is necessary for aligning all components of the workforce development system, and enabling the implementation of a necessary infrastructure through which all jobseekers and employers may connect with the education, skills development and jobs needed to compete in the global economy.
  - In the event that required partner contributions are not included in the bill, a required contribution or match (in addition to funds from WIA and Wagner Peyser) from states for the One-Stop Infrastructure grants, to be used for One-Stop infrastructure and for carrying out universal core services.

## TRAINING

### Sequence of Services.

- S. 1021 relaxed WIA's sequence of services language, guiding the provision of intensive and training services. The bill did however, retain the important provision allowing for training that leads to self-sufficiency as determined by local boards. Specifically S. 1021 clarified that individuals are eligible for intensive and training services if such services will lead to employment in jobs that will provide them with self-sufficiency as defined by the LWIB, or in the case of previously employed individuals, with employment in jobs that provide comparable or increased wages, to the extent practicable.
- The Local Coalition recommends that the Senate consider further relaxation of the sequence of services language in WIA, clarifying that intensive and training services may be provided as determined appropriate, without major interventions or delays. The Coalition continues to strongly support the provisions in S. 1021 that provide authority to local workforce areas to provide training to individuals who are low wage workers that leads to self-sufficiency (with self-sufficiency defined locally). This authority is essential to allow for continued intensive and training services for the working poor for jobs that provide skill and wage progression.
- The Coalition further urges clarification in the statute, that training obtained by individuals coming through the One Stops that leads to self-sufficiency, if such individuals are low wage workers, does not count against the 10% cap for incumbent worker training programs (which by and large will probably be conducted through contracts or partnerships with employers).

### Training Reporting Requirements.

- S. 1021 significantly relaxed the existing training provider reporting requirements from current law, and delegated the responsibility for identification, collection, and distribution of such information to States.
- The bill further provided local boards with authority to add performance criteria for training providers in their local areas in determining local training providers' eligibility. Further, the Senate bill maintained the current law exemptions for on-the-job training and customized training from these requirements.
- The Coalition supports both the Senate's provisions relaxing training reporting requirements and authorizing local boards to add performance criteria for training providers in their local areas in determining local training providers' eligibility. The Coalition also supports the Senate's retention of the exemptions for OJT and customized training providers from the State Training Provider List, as they do not lend themselves to such Statewide requirements (such arrangements are almost always worked out locally).

### ITAs.

- The Local Coalition urges the Senate to consider relaxing the provisions in WIA that require the use of individual training accounts (ITAs) for most training provided under the law. The Coalition strongly supports the requirement for informed customer choice in the selection of training options and providers, and supports the retention of ITAs as a valuable tool for accessing training. However, we are concerned that the presumed use of ITAs has resulted in unintended constraints on other effective and innovative training strategies including contract training for sector initiatives. Consequently, we would urge the Senate to consider ways to allow for more flexibility in the provision of training, while ensuring informed customer choice and high quality training that is responsive to labor market demands.

### Incumbent Worker Training.

- S. 1021 allowed local areas to spend up to 10% of their local Adult and Dislocated Worker program funds on incumbent worker training, with a matching requirement for employers determined by the local board, taking into account minimum contributions determined by the size of the employer.
- The local coalition supports this expansion of authority for local areas.

### Customized Training.

- S. 1021 eliminated the requirement for a 50% contribution by employers for customized training - allowing local boards to determine the appropriate contribution, taking into account such factors as the size of the employer.
- The local coalition supports this added flexibility for local areas in determining customized training employer contributions.

### Leveraging of Additional Training Resources and Treatment of Leveraged Resources.

- S. 1021 encouraged the leveraging of other resources in addition to WIA funding for training.
- The Local Coalition strongly supports the language included in S. 1021 that encourages the leveraging of resources for training, and urges the Senate to identify further incentives and rewards for state and local workforce investment systems that are successful in the leveraging of additional resources, beyond those provided through the WIA system, for training and other WIA services. The Coalition will also look for additional ways to provide incentives and provide such language to the Senate in the near future.

- The coalition supports new language that would amend section 195(7) of WIA, clarifying that “program income” as defined in WIA (which is limited to all of the rules and limits on usage under WIA) would not include resources raised from nonfederal sources, particularly from the private sector (i.e., philanthropy, businesses, etc.), except for funds directly derived as the result of federal funding. This would not only allow for innovative uses of nonfederal funds raised by local areas, but would encourage the leveraging of such resources. This would address a problem that has recently arisen with overly aggressive Inspectors General and overly concerned state auditors, taking extremely narrow positions on both what “program income” is, and what the uses of WIA funds are – which could severely limit innovation and alignment with the economic needs of regions.

### BUSINESS SERVICES

- In an effort to make WIA more relevant for business, S. 1021 included language that would encourage the delivery of relevant services to businesses and encourage the development of innovative service strategies to meet the needs, particularly the skill requirements, of employers. Such language is found in the Senate bill’s State and local planning requirements; the State uses of funds; the local uses of funds; and the performance measurement provisions of the bill.
- The local coalition supports the Senate provisions encouraging the provision of relevant services for business, and encouraging the development of innovative service strategies to meet the needs, particularly the skill requirements, of employers.

### YOUTH

- S. 1021 proposed a “such sums” authorization for the youth formula program, and authorized a new \$250 million National Youth Challenge Grant program to be administered by the Secretary of Labor. The bill however, specified that no funding for National Challenge Grants may be awarded until such time as the youth formula funding to States and localities reaches \$1 billion (which is the current law youth formula funding structure for Youth Opportunity grants). Once funding reaches \$1 billion, any additional funding, up to \$250 million would go into National Youth Challenge Grants.

Under S. 1021, the split between State and local funding was 15% State; 85% local.

The split between In-School and Out-of-School Youth was: 60% In-School; 40% Out-of-School. And, there was no requirement that in-school programs be conducted during non-school hours (as was provided in last year’s House bill).

Youth were defined as 14-21 for in-school youth; and 16-21 for out-of-school youth.

- The Local Coalition supports the development of national programs that are designed to provide both in-school and out-of-school youth, particularly youth in high poverty communities, with increased opportunities to achieve success in the workforce -- but not at the expense of programs funded through the youth formula program. The Local Coalition also strongly supports full funding of the YouthBuild program (recently transferred to DOL), but again, not at the expense of the formula program.
- The Coalition strongly supports the requirement in S. 1021 that no funds may be appropriated for National Youth Challenge Grants or any other national programs until funding for the formula program reaches \$1 billion level. The Coalition also strongly supports a separate authority and funding for YouthBuild in the reauthorization bill.
- To sustain local youth formula funding (especially with the addition of YouthBuild now competing for limited funds), the Local Coalition urges the Committee to consider:
  - Requiring that 100% of youth formula funding to states & localities, flow directly to the local areas for the direct delivery of services for youth;
  - Converting the National Youth Challenge Grant program (contained in the Senate bill) to matching grants for States, for the establishment of local partnerships focusing on dropout retrieval and recovery; and for Summer Youth programs (at the discretion of states) in areas with high rates of youth unemployment. Non-WIA matching would be required at both the State and local levels. Under this proposal, the funding threshold protecting the formula program at \$1 billion would be retained. Such an approach would provide States with funding for youth programming, while protecting formula funding for local youth programs.
- The Local Coalition supports the Senate provisions providing a 60% in-school; 40% out-of-school split in youth services. The Coalition recognizes however that a compromise of 50% in-school/ 50% out-of-school youth is possible, and would support such a funding split.
- The Coalition supports changes in the provisions of WIA that identify youth who are eligible to participate in WIA Youth programs. To ease the complex burden of identifying eligible youth, the Coalition urges the addition of certain proxies for determining program eligibility including: eligibility for free and reduced school lunch; all youth residing in designated empowerment zones; and other poverty-related criteria as determined appropriate by the Committee.
- Further, the Local Coalition is very concerned over language that was included in the House bill last Congress, that would have prohibited the provision of WIA funded youth services for in-school students during regular school hours. WIA resources are currently used to effectively supplement efforts for disadvantaged youth in the public schools - resulting in improved academic as well as workforce-related outcomes. We caution that the inclusion of this or similar language could result in the elimination of WIA funding for many effective programs and services such as effective alternative education programs, even those jointly funded with public school systems; effective career exploration activities;

and effective drop-out prevention programs, to name a few, for youth who are eligible for such services that are funded with WIA dollars.

- The Local Coalition supports providing services to youth ages 14 to 21, as provided in S. 1021, as many of the in school youth served by youth formula programs are in the critical 14-15 year old bracket.

## PERFORMANCE

- S. 1021 included streamlined performance measures, but retained skills attainment and customer satisfaction as measures for the Adult and Dislocated Worker programs, and did not include the efficiency measure sought by the Administration. The Senate bill further required states and localities to use a regression model approach in determining performance.
- The Local Coalition supports efforts to simplify performance standards under WIA, and develop cross-program performance measures that will help to build a comprehensive, outcome-oriented workforce investment system in this Nation.
- The Coalition is concerned over the encouraged use of "efficiency" as a measure or a reporting requirement, as it may inadvertently lead to creaming (serving only those individuals who are most job-ready) and to a lessening of more costly services, including training, for individuals with the most serious barriers to employment (i.e., individuals with disabilities, low education and skills levels, limited English proficient, etc.). An alternative to the use of "efficiency" may be to develop a return-on-investment (ROI) measure, which could be developed on a demonstration basis during the first 12 months after reauthorization. Several states and local areas are already using ROI measures effectively, which could be viewed as models for this approach.
- The Coalition supports the retention of customer satisfaction as a required measure. Such measures are needed to ensure that the workforce system serves both of its primary customers well: jobseekers and businesses.
- The Coalition supports the retention of skills attainment (i.e., employer-recognized credentials) as a measure, as it was retained in the Senate bill. If WIA is a system that is focused on meeting the skill requirements of employers, skills attainment is a necessary measure to drive the system toward the provision of training identified as necessary by employers.
- The Coalition supports the Senate bill provisions requiring that a regression model be used by States and localities in developing performance standards, which the Coalition supports.

- The Local Coalition supports the strengthening of language pertaining to the negotiation between states and local areas on the establishment of local performance standards, to ensure that this is truly a negotiation process in which local conditions are fully taken into account.
- Finally, the Local Coalition is aware of interest in the Integrated Performance Initiative blueprint coordinated by the NGA, the State of Washington, and several other states. We are currently working with the NGA and others to determine how this model, which includes many of the same measures described above, could benefit the WIA system. We look forward to continuing discussions with the Senate on this important issue.