



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

Legislative Update

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Introduction

Key Senate leaders are currently in the process of developing legislation to reauthorize the Workforce Investment Act. Senators Patty Murray (WA) and Johnny Isakson (GA) are largely responsible for the bipartisan legislation, a stark contrast to the House passed workforce legislation -- the Supporting Knowledge and Investing in Lifelong Skills (SKILLS) Act -- which is expected to be ready for consideration by late summer or early fall.

The full House of Representatives passed its first appropriations bill for FY14 - the Military Construction-Veterans Affairs bill, and on May 21, the House Appropriations Committee voted on the 302(b) spending allocations to each of the appropriations subcommittees. Senate Democrats have been calling on House Speaker John Boehner to appoint conferees to work out differences between the Democratic and Republican fiscal plans but Republicans have declined, indicating that the two sides are too far apart.

Workforce Legislation

On Thursday, June 20, the Senate Health, Education, Labor and Pensions (HELP) Committee, chaired by Senator Tom Harkin (IA), will hold a full committee hearing – *Developing a Skilled Workforce for a Competitive Economy: Reauthorizing the Workforce Investment Act* – on the reauthorization of the Workforce Investment Act (WIA). Charlotte Works CEO and U.S. Conference of Mayors Workforce Development Council member Steve Partridge will testify before the Committee.

Senators Patty Murray (WA) and Johnny Isakson (GA) hope to push legislation to overhaul federal job-training programs through the Senate Health, Education, Labor and Pensions (HELP) Committee before the August recess. There is no set timeline but both Senators are working together and building upon the bipartisan draft crafted in June 2011 along with Senators Tom Harkin (IA) and Michael Enzi (WY). The earlier Senate draft put in place a national job-training system and eliminated the piecemeal state-by-state programs that currently exist, and also created an innovation fund. Some issues in the legislation still being discussed include ways to streamline existing programs to ensure a more efficient delivery of services, provide states and local communities more local control over the programs, and find better transparency and oversight to identify ineffective programs. The two offices are in the process of finalizing an agreement on workforce board membership requirements -- currently a major hurdle in negotiations.

In March, the House of Representatives passed the Supporting Knowledge and Investing in Lifelong Skills (SKILLS) Act (HR 803), which will consolidate and streamline 35 federal job-training programs, create a Workforce Investment Fund and freeze current spending for the legislation at about \$6 billion a year for the next 7 years. The House-passed reauthorization bill requires two-thirds of the members of each local workforce board to be employers, but Democrats argue the requirement will potentially result in limiting opportunities for special populations. The bill, first introduced on February 21 by Higher Education and Workforce Training Subcommittee Chairwoman Virginia Foxx (NC), is meeting resistance from the White House and Democrats who say they were not consulted in writing the bill and believe the legislation will eliminate programs that help disadvantaged individuals seeking jobs.

On Monday, June 10 the U.S. Conference of Mayors (USCM), National Association of Counties (NACo), the National League of Cities (NLC) and the National Association of Workforce Boards (NAWB) sent a letter expressing support for Workforce Investment Act (WIA) reauthorization and outlining key principles in drafting legislation to Senate Health, Education, Labor and Pensions (HELP) Committee Chair Tom Harkin; HELP Committee Ranking Member Lamar Alexander; Senate Budget Committee Chair Patty

Murray; HELP Subcommittee on Employment and Workplace Safety Chair Robert Casey; and HELP Subcommittee on Employment and Workplace Safety Ranking Member Johnny Isakson. In March, the coalition also sent a letter expressing significant concerns over provisions in the SKILLS Act to House Speaker John Boehner, Majority Leader Eric Cantor, Minority Leader Nancy Pelosi, and Minority Whip Steny Hoyer.

Appropriations/ Budget FY 2014

On Thursday, March 21, Congress passed the Continuing Resolution (CR) that will keep the government funded through the end of FY13 in September - preventing a possible government shutdown on March 27. The \$1.2 trillion stopgap spending bill, which locks in the \$85 billion in automatic spending cuts mandated by the sequester, includes a full appropriations bill for the Department of Defense and Department of Veterans Affairs – providing Defense flexibility in dealing with sequestration by shifting \$10.4 billion to the operations and maintenance budget. Under the CR, existing Labor-HHS funding will carry over from FY12.

On Thursday, March 21, the House also passed Budget Committee Chairman Paul Ryan's (WI) FY14 spending plan, *The Path to Prosperity*, on a 221-207 vote. The plan would cut spending by \$4.6 trillion over the next decade and aims to balance the budget in 10 years by reducing funding for Medicare, Medicaid and programs to aid the poor – including food stamps – and government spending would hit its lowest levels in 65 years. The House plan would also repeal President Obama's health care reform law and does not include cuts to Social Security.

On Saturday, March 23, on a 50-49 vote, the Senate adopted its first budget in four years -- the Democratic fiscal blueprint, *Foundation for Growth*, introduced by Budget Chairwoman Patty Murray (WA). The Democrat's budget estimates a deficit reduction of \$1.85 trillion over 10 years, with \$960 billion intended to replace the sequester cuts that went into effect earlier this month. Under the Democratic legislation, the deficit reduction would be evenly split between spending cuts and tax increases. It would reduce projected spending by approximately \$975 billion, which includes a reduction of \$493 in domestic spending; \$240 billion in defense spending; and \$242 billion in interest savings. The legislation proposes \$100 billion for road and bridge construction and repairs, as well as \$10 billion for worker training.

On Tuesday, June 4 the full House of Representatives passed the FY14 Military Construction and Veterans Affairs Appropriations bill by a vote of 421-4. On Tuesday, May 21 the House Appropriations Committee voted on the 302(b) spending allocations to each of the appropriations subcommittees – approving an allocation for the FY14 Labor-HHS-Education appropriations bill of \$121.797 billion, a \$27.8 billion (18.6 percent) cut below current sequester-level spending. Senate Democrats have been calling on House Speaker John Boehner to appoint conferees to work out differences between the Democratic and Republican fiscal plans but Republicans have declined, indicating that the two sides are too far apart.

President's Proposed FY 2014 Budget

On Wednesday, April 10, President Obama released his FY14 budget, the Consolidated and Further Appropriations Act, 2013 (HR 933), which provides \$12.1 billion in discretionary funding for the Department of Labor (DOL), an increase of over \$20 million from FY 2013 levels. The President's budget proposal undoes the most recent sequestration cuts to workforce development and education, and many programs received increases in funding when compared with FY 2012 levels (comparisons to FY 2013 levels are difficult to calculate and misleading due to sequestration).

LABOR

The President's budget provides a slight increase in job training to states – WIA Adult Training is funded at \$792 million, a \$21 million increase over FY 2012 levels. Youth training is increased by \$23 million to \$847 million, and dislocated worker assistance is funded at \$1.27 billion, a \$36 million increase over FY 2012 levels.

The budget includes funding for an \$8 billion Community College to Career Fund (jointly administered by DOL and the Department of Education -- \$500 million to each agency per year for 8 years), designed to improve access to job training across the nation and support state and community college partnerships with business. This initiative builds on the Trade Adjustment Assistance Community College and Career Training Grants program, which has its final year of funding in 2014.

It proposes a \$4 billion Reemployment NOW program to help the unemployed return to work more quickly, and also provides \$12.5 billion for a Pathways Back to Work Fund to support summer and year-round jobs for low-income youth, and connect the long-term unemployed and low-income adults to subsidized employment and work-based training opportunities. To complement this investment, the budget provides \$150 million in continued support for a Workforce Innovation Fund to encourage cities, states and regions to break down barriers among programs, test new ideas, and replicate proven strategies for delivering better employment and education results in a more cost-effective way. This innovation fund specifically includes \$50 million for projects to serve veterans' employment needs.

The President's budget level funds YouthBuild at \$80 million, but proposes a cut in funding for Job Corps from \$1.71 billion to \$1.69 billion and calls for closing a small number of chronically low-performing centers and adopting cost-saving reforms.

The Budget increases funding for reintegration of ex-offenders from \$81 million to \$90, devotes \$50 million to test and replicate innovative strategies to serve young ex-offenders, and dedicates \$10 million to Pay for Success programs designed to provide employment services and reduce recidivism among ex-offenders. The budget also provides \$80 million to increase the set-aside for governors in the Workforce Investment Act formula grants from 5 percent to 7.5 percent to build state capacity for reform.

The President's budget materials for DOL reference that the Administration is "exploring opportunities to revisit how the Federal Government funds job training and employment services, including the possibility of reorganizing some of the existing training programs that serve overlapping populations," and also specified that the Administration "looks forward to working with the Congress and other stakeholders on job training reform this year."

EDUCATION

The President's budget requests \$71.2 billion in billion in discretionary funding for the Department of Education for FY14 -- an increase of \$3.1 billion or 4.6 percent over the FY13 (pre-sequester).

The proposed budget increased the maximum reward for the Pell grant program to \$5,785 for over nine million students and includes measures that ensure full program funding through the 2015-2016 academic year. In FY14, the Department of Education will shift the focus of the Race to the Top Competition to promoting comprehensive reforms in postsecondary education, which is supported by the proposed investment of \$1 billion for these competitive education grants.

The budget requests \$300 million for a new program to redesign high schools to strengthen college and career-readiness and focus on providing students with challenging, relevant learning experiences. It also provides \$1.1 billion to support the reauthorization of the Career and Technical Education program to improve alignment with workforce demands, strengthen linkages to postsecondary education, and promote innovation and reform.

Department of Labor Secretary

On Thursday, May 16, the Senate Health, Education, Labor and Pensions (HELP) Committee voted 12-10 to clear the nomination of Thomas Perez as Secretary of the Department of Labor for consideration by the full Senate. Votes fell along party lines with all Republicans opposing the nomination while the Democrats supported it. Perez -- who currently heads the Department of Justice's Civil Rights Divisions -- has had to defend his record against accusations from Republicans of abusing his power and negotiating a deal with the City of St. Paul, Minnesota. On Thursday, May 23, Senate Majority Leader Harry Reid (NV) said he plans to delay the vote on President Obama's Labor Secretary nominee, Thomas Perez, until after a vote on the immigration bill -- which the Senate voted on Tuesday, June 11, by a vote of 82-15, to allow debate on the legislation and a final vote is expected on it before July 4. It is uncertain whether Republicans will launch a filibuster in opposition to Perez's nomination that will delay or even prevent a vote in the Senate.

Department of Labor ETA

On Thursday, June 6, Acting Department of Labor Secretary Seth Harris announced that Gerri Fiala has agreed to serve as Acting Assistant Secretary for the Employment and Training Administration. Fiala first joined the Labor Department in 1986 as the chief of the Policy and Planning Unit in ETA's Office of Strategic Planning. By 1995, she was the administrator of the same office, where she served for eight years. Fiala played a key role in developing policies and participating in negotiations with congressional staff that culminated in the enactment of the Workforce Investment Act of 1998. She later served as staff director to the Senate Subcommittee on Employment and Workplace Safety, where she helped develop key components of the American Recovery and Reinvestment Act (ARRA). Fiala rejoined ETA in July 2009, as deputy assistant secretary, and received the 2012 Philip Arnow Award in recognition of her superior accomplishments and service to the department.

On Monday, May 6, Assistant Secretary of the Employment and Training Administration (ETA) at the Department of Labor Jane Oates had announced her resignation from the position, effective May 31, 2013. Oates acknowledged budgeting missteps while overseeing the federal Job Corps program - which froze new enrollments in January after running a deficit of \$60 million, but the stoppage was lifted in April. In her resignation email to employees, Oates touted several ETA accomplishments during her tenure including: disbursement of nearly \$1 billion in Recovery Act funds; the creation of a partnership among Job Corps, IBM and Jamba Juice; the Workforce Innovation Fund grants; the reauthorization of TAA and the new TAACCCT grants; and improved relations between the agency's home and regional offices.

Manufacturing Innovation Institutions

On Thursday, May 9, the Obama Administration announced that it is launching competitions to create three new manufacturing innovation institutes with a Federal commitment of \$200 million across five Federal agencies – Defense, Energy, Commerce, NASA, and the National Science Foundation. The Department of Defense will lead two of the new Institutes, focused on “Digital Manufacturing and Design Innovation” and “Lightweight and Modern Metals Manufacturing,” and the Department of Energy will be leading one new institute on “Next Generation Power Electronics Manufacturing.” All three institutes will be selected through an open, competitive process, led by the Departments of Energy and Defense, with review from a multi-agency team of technical experts. Winning teams will be selected and announced later this year.

The President’s manufacturing agenda starts with his vision for a National Network for Manufacturing Innovation (NNMI), and his FY14 Budget includes a \$1 billion investment at the Department of Commerce to create the NNMI. Each institute would serve as a regional hub, bringing together companies, universities and community colleges, and federal agencies to co-invest in technology areas that encourage investment and production in the U.S. This type of innovation infrastructure "provides a unique ‘teaching factory’ that allows for education and training of students and workers at all levels, while providing the shared assets to help companies, most importantly small manufacturers, access the cutting-edge capabilities and equipment to design, test, and pilot new products and manufacturing processes."

Unemployment Rate

On Friday, June 7, the Bureau of Labor Statistics (BLS) reported that 175,000 jobs were added in May – up from a downwardly revised 149,000 in April. The unemployment rate rose slightly to 7.6 percent from 7.5 percent. The increase in the unemployment rate is driven mainly by 420,000 people joining the labor force; however, June’s labor-force participation rate of 63.4 percent is still below the 66 percent that prevailed before the recession. The total number of unemployed people rose from 11.7 million to 11.8 million.