



**The U.S. Conference of Mayors  
WDC Annual Winter Meeting**

**Legislative Update**

**January 16-17, 2013  
Washington, D.C.**

## **Introduction**

On January 1, 2013 the 112<sup>th</sup> Congress made its final major act with the passage of the American Taxpayer Relief Act of 2012 (HR 8). The legislation is a partial resolution to the fiscal cliff, temporarily extending most of the Bush-era tax cuts for low and middle-class individuals and families, while increasing the tax rate for upper income households. It established tax deductions and credits for those at upper income levels, but did not address federal spending levels or debt control – leaving it for continued negotiation into March 2013.

On September 28, 2012, Congress enacted a Continuing Resolution (CR) that temporarily funds the government for six months -- until March 27, 2013 -- in order to prevent a government shutdown on October 1, 2012.

2012 also saw the re-election of President Barack Obama to a second term in office. In House of Representatives elections Democrats gained eight seats, with Republicans maintaining the majority. The Senate saw a Democratic gain of two seats in their majority.

## **Fiscal Cliff/Budget**

On Wednesday, January 2, 2013, President Obama signed the *American Taxpayer Relief Act of 2012* (HR 8) into law, managing to narrowly avoid the fiscal cliff. After several weeks of hard-fought negotiations, the legislation was approved overwhelming in the Senate on a 89-8 vote, and subsequently passed the House on January 1, with a final vote of 257-167.

The deal permanently extended most of the 2001, 2003 and 2010 tax cuts for low and middle-class individuals and families, incomes up to \$400,000 for individuals and \$450,000 for couples. Those earning above those amounts will be taxed at 39.6 percent, up from the current 35 percent. The legislation extended Clinton-era caps on itemized deductions and the phase-out of the personal exemption for individuals making more than \$250,000 and couples earning more than \$300,000. The tax rate on the wealthiest estates – worth upward of \$5 million per person and \$10 million for family estates – was raised from 35 percent to 40 percent. The deal also extended the President's expansions of the Child Tax Credit, Earned Income Tax Credit, and the President's new American Opportunity Tax Credit -- an up to \$2,500 tax credit to help families pay for college. Emergency unemployment insurance benefits for 2 million people were extended for one year under the agreement.

The legislation postponed the \$109 billion worth of sequestration cuts for two months, now scheduled for March 1, 2013. This final act of the 112th Congress only sets up the difficult budget decisions for the 113th to make. Though the tax question is now largely settled, new members will almost immediately have to grapple with how to deal with automatic

spending cuts now set to begin on March 1, the urgent need for another debt limit increase and a spending bill to keep the government from shutting down.

## **Appropriations**

On Wednesday, July 18, the House Appropriations Subcommittee on Labor-HHS approved the draft FY13 Labor - HHS - and Education appropriations bill. The bill would provide a total of \$150 billion in discretionary funding - \$6.3 billion below FY12 levels and \$8.8 billion less than the President's request. Additionally, the Subcommittee restored the 15 percent Workforce Investment Act (WIA) set-aside funding for statewide employment and training programs.

The legislation provides \$12 billion for the Department of Labor, which is \$497 million below the FY12 level and \$72 million below the President's request. The Employment Training Administration (ETA) would be funded at \$10.6 billion – a decrease of \$269 million below last year's level and an increase of \$174.8 million above the President's request. This increase is largely the result of a denial of the President's proposal to transfer \$448 million for the Community Service Employment for Older Americans program to the Department of Health and Human Services.

The bill provides \$1.7 billion for the Office of Job Corps, which is \$20 million below last year's level and \$33 million above the President's request. This program helps unemployed young Americans receive education, job training, and employment assistance. This funding will provide for the operation of 126 Job Corp centers in 2013. The Veterans Employment and Training Service would be funded at \$262 million, which is \$3 million above the President's request. This supports the Administration's request to eliminate the \$15 million Veterans Workforce Investment Program due to the duplication of these services under the VOW to Hire Heroes Act of 2011. The bill also provides \$3 million above the request for the Transition Assistance Program, often the first line of training and job search assistance provided to transitioning service members seeking suitable civilian employment.

The legislation would provide \$70 billion for the Department of Education, which is \$1.1 billion below FY12 levels and \$2.9 billion less than the President's request. The bill would eliminate the Race to the Top program, the President's signature competition grant program that rewards states for making changes in elementary and secondary education. Under the bill, the maximum Pell Grant award is increased to \$5,635, due to an authorized mandatory cost-of-living adjustment. Full committee markup has not been scheduled but will most likely take place next week.

On September 28, 2012 Congress enacted a Continuing Resolution (CR) that temporarily funds the government for six months, until March 27, 2013 in order to prevent a government shutdown on October 1, 2012.

On Monday, December 31, 2012 House Appropriations Chairman Hal Rogers (KY) announced that the Republican Steering Committee has approved the 12 Appropriations subcommittee Chairs for the 113th Congress. Chairman Rogers announced Congressman Jack Kingston (GA) as the chairman for the Subcommittee on Labor, Health and Human Services, and Education. The Senate Appropriations Subcommittee on Health, Education, Labor and Pensions will continue to be chaired by Senator Tom Harkin (IA), who gave up a chance to take over the powerful Appropriations Committee, indicating his desire to retain his leadership of the HELP committee and chairmanship of the HELP Appropriations Subcommittee.

### **WIA Reauthorization**

Workforce Investment Act (WIA) reauthorization legislation will likely one of the first of several reauthorization bills to be reintroduced in the 113<sup>th</sup> Congress. In March 2012, Higher Education and Workforce Training Chairwoman Virginia Foxx (NC), along with Representative Buck McKeon (CA), introduced the Workforce Investment Improvement Act (HR 4297). Chairwoman Foxx is expected to reintroduce this reauthorization bill early this year.

The legislation consolidates a number of workforce training programs into a single funding stream, the “Workforce Investment Fund”, that allows states greater flexibility unto which they designate the consolidated funds. The Senate will likely use the bill as a baseline by which to offer a counter proposal.

### **SECTORS Act**

Senators Sherrod Brown (OH) and Olympia Snowe (ME) first introduced the *Strengthening Employment Clusters to Organize Regional Success (SECTORS) Act* in March 2011, which would help ensure that workers have the skills to qualify for new, good-paying positions and that businesses can hire from a local, skilled workforce. The legislation tailors workforce development to the needs of regional industry, allowing more workers to receive placements and attracting more businesses to a given region. It would organize stakeholders connected to a regional industry – businesses, unions, education and training providers, and local workforce and education system administrators – to develop plans for growing that industry.

In September 2012, Senators Mark Pryor (AR), Roy Blunt (MO), Sherrod Brown (OH), Olympia Snowe (ME), Mark Warner (VA), and Ron Wyden (OR) introduced the Building a

Stronger America Act of 2012, which aims to increase U.S. manufacturing, competitiveness and exports, as well as grant for building sector partnerships, a job training innovation pilot program and a section on improving training and industry credentials. The Building a Stronger America Act combines 7 previously introduced bi-partisan bills, including the SECTORS Act. The legislation takes language from the SECTORS Act to help to develop a sector partnership grant program. The program's purpose is to encourage collaboration between public and private stakeholders in the same industry to promote shared planning, resources and training efforts. Partnerships awarded a grant would be able to use the funds for a variety of functions related to increasing training and skills for individuals including helping postsecondary institutions align curricula and programs with industry needs and recruiting individuals to participate in the training activities provided or arranged by the partnership.

## **Unemployment**

On Friday, January 4, the Bureau of Labor Statistics (BLS) reported that employers added 155,000 jobs in December. The unemployment rate was unchanged at 7.8 percent, the rate for November, which was revised higher from the initially reported 7.7 percent. The jobs added in December show a steady gain in hiring, but the solid job growth was not enough to impact the unemployment rate. Health care, food services, construction and manufacturing all saw the biggest gains in job growth.