

PWIB Quarterly Legislative Update

June 2006

Overview

The last few months have been very busy for elected officials and staff in Washington, DC. During an election year, legislators often spend time working through important legislative sessions during the winter and spring before gearing up for campaign season during the late summer and fall. With issues such as immigration, homeland security, and the federal budget taking center stage, Capitol Hill has been the site of many contentious debates. In reflecting on happenings on the Hill, one of the City's lobbyists recently quipped that there is a reason the founding fathers named it "Congress" not "Progress."

Having recently returned from the Memorial Day recess, Congress will continue working in June and July before taking a recess in early August for the campaign season. Congress may then return for what many refer to as the "lameduck session" after the election. This means that much of the heavy lifting remaining in this legislative year will take place before August.

At the state level, in addition to his commitment to Job Ready Pennsylvania in his FY 2007 budget proposal, Governor Rendell recently announced a \$1.4 million state investment in job training and industry partnerships. This investment supplements \$21.4 million in private sector funds, raising the total investment for the project to \$22.8 million.

Appropriations

PY2006: Philadelphia is still awaiting final Workforce Investment Act Title I allocations for the program year that starts on July 1, 2006. As previously reported, Congress did not pass the budget until early February, resulting in a substantial delay in calculating state formula allocations. A further and more significant complicating factor was an issue of key Census data that is essential for the calculation of the Youth and Adult formulas. (The Dislocated Worker allocation does not use this particular data element in its formula allocation.) In March, an agreement to resolve the data issue was reached by the US Department of Labor with the understanding the fix would take several months to effectuate. As an interim step, the Department calculated "preliminary" allocations for states, holding back ten percent of the total Youth and Adult allocations. The states, in turn, calculated "preliminary" allocations for local areas. These steps were critical to ensure continuous operations past July 1, but are creating serious challenges across the workforce system for thoughtful resource planning.

So how are we doing? Considering there was an overall cut of five percent in federal PY2006 appropriation, the situation – while not good, for sure – might not be as dismal as it could be. For the Dislocated Workers, the Commonwealth actually received slightly more than last year (an increase of about three percent). Philadelphia's share of that is \$3.5 million, up about four percent from last year. It is harder to know how things will shake out for the Youth and Adult funding streams, however. The good news is that the preliminary appropriations suggest Philadelphia's allocation is roughly equal proportionately to the state allocation when compared to PY2005. This suggests that Philadelphia will not take a disproportionate hit if the Commonwealth

is cut when the final appropriations are released later this year. There also is no way to predict if or by how much the Commonwealth may be cut.

FY2007: Meanwhile, back in Washington, the FY2007 budget process has moved along with a number of interesting developments. To illustrate, in the left-hand column of the table below are the steps typically taken in the federal budget and appropriations process and, on the right, are the steps that have been taken in the current session of Congress.

<p>Typical Budget Process (in chronological order)</p>	<p>FY2007 Budget Process</p>
<p>President presents his budget proposal on or before the first Monday in February.</p>	<p>President Bush presented his proposal on February 6 (just days after he signed the FY2006 budget). There were proposed domestic spending cuts that hit education and workforce programs (and others) particularly hard.</p>
<p>House and Senate Budget Committees develop a Budget Resolution. The budget resolution is basically an advisory document that allows Congress to set out its spending priorities for the upcoming fiscal year.</p>	<p>The House passed a budget resolution in May. The resolution originally included \$7.2 billion in additional resources to the Functions that support the Labor-HHS-Education appropriation; however, only \$4 billion has been funded.^[1]</p> <p>The Senate passed a budget resolution in March. It included \$7 billion in additional resources to the Functions that support the Labor-HHS-Education appropriation.^[2]</p>
<p>After the House and Senate develop their own budget resolutions, a conference committee is held to agree on a single version of the budget, which includes discretionary spending guidelines.</p> <p>The conference agreement then goes to the full House and Senate for passage.</p>	<p>Although conferees were assigned, a conference agreement has not been reached due to a \$16 billion net discrepancy between the House and Senate budget resolutions.</p> <p>In lieu of a conference agreement, each chamber has deemed a cap on discretionary spending. This allows them to move forward with appropriations without a conference agreement on a budget resolution.</p>
<p>House and Senate Appropriations Committees create 13 individual spending bills (one for each appropriation). Each of the 13 bills, vetted through a subcommittee with jurisdiction, provides discretionary funding to a different government "function" from the net pot of money.</p>	<p>The appropriations process is currently underway. The House Labor-HHS-Education Appropriations Subcommittee passed its appropriations bill on a party line vote 9-7 on June 7. They hope to have the bill passed by the House by the July 4 recess.</p> <p>The Senate has yet to set a date for the Subcommittee hearing, which is most likely to be after the August recess.</p>
<p>Once each chamber passes its versions of an appropriations bill for a function(s), i.e. Labor-HHS-Education, a Conference Committee is held to sort of the differences in the bills.</p>	<p>TBD</p>

Conference Committee agreement for the appropriations bill is then sent to each chamber for passage.	TBD
The President passes or vetoes the appropriations bills.	TBD

^[1] Amendment was introduced by a group of moderates that included Rep. Mike Castle (R-DE), but was ruled out of order and never brought to the floor for a vote. Representative Curt Weldon (R-PA) led the successful effort to divert \$1 billion from the Iraq Reconstruction Fund into the Labor-HHS-Education Appropriations request.

^[2] Amendment sponsored by Senators Specter (R-PA) and Harkin (D-IA); Chair and Ranking Member, respectively, of the Senate Labor-HHS Appropriations Subcommittee.

The Good News: Domestic programs are on the radar – big time. After several years of simply staving off the deep cuts proposed by the President, both the House and Senate are moving aggressively – and offensively – in support of an enhanced domestic agenda. While Senator Specter, along with Senator Harkin, has long worked collaboratively to this end, the movement in the House was a pleasant (and very welcome) surprise.

Next Steps: Budget cycles overlap and the budget itself can change day-to-day. Therefore, despite a great deal of progress in the profile of domestic spending vis-à-vis the larger budget, it is necessary to stay vigilant and engaged through every part of the budget process.

Workforce Investment Act Reauthorization

Stand-alone legislation to reauthorize the *Workforce Investment Act* (WIA) remains on hold in the Senate. However, due to the series of funding and policy changes put forth in President Bush's budget proposal, WIA remains a hot topic. A brief synopsis of major proposed changes follows:

- Consolidation of the three WIA funding streams (adult, youth, dislocated workers).
- An across-the-board 15 percent decrease.
- 75 percent of the funds be given directly to individuals (priority to low income adults, dislocated workers, and out-of-school youth) as vouchers—called Career Advancement Accounts.
- 22 percent of the allocation will be used for other services and 3 percent could be used for administration.

While the battle over funding has taken center stage in the Senate and House Budget procedures discussed above, representatives from the President's administration have been traveling and meeting with local area workforce leaders to discuss the feasibility and implications of this policy proposal. These meetings, coordinated by the USDOL Employment and Training Administration (ETA), have largely focused on Career Advancement Accounts and the ability of local areas to provide adequate services to customers under this new policy structure. PWIB members and staff have had the opportunity to participate in a handful of these meetings.

Next Steps: ETA has committed to releasing a revised proposal this summer in response to the feedback they have been getting from their “listening” sessions. The PWIB and our national affiliates will continue to monitor this activity.

Welfare Reauthorization

As you may remember, TANF was folded into last year’s budget reconciliation package. This included dramatic sanctions to states with low work participation rates, placing Pennsylvania at risk—and providing no additional funding to aid the state in making a transition. Unless Pennsylvania can meet participation rates, we are at risk for sanctions between \$35 and \$70 million.

What’s even more challenging in Philadelphia is that we hold over 40 percent of the state’s TANF caseload. In order for the state to be in compliance with new work participation standards, Philadelphia must add 20,000 adults to the labor market in relatively low wage jobs. This is simply not feasible in a changing economy where low wage jobs are harder to find, there is an increasing emphasis on educational attainment, and we already have 17,000 out-of-work residents actively looking for this type of employment.

Currently, the US Department of Health and Human Services (HHS) is working on regulations to define “permissible work activities” and who is eligible for work. The purpose of the regulations is to clear up any ambiguity in how states determine participation and individual work activities. The regulations are required by law to be released by June.

Next Steps: TANF is incredibly important to a wide range of local, statewide, and national partners. Due to potential barriers to compliance, many stakeholders, such as the US Conference of Mayors, have been actively communicating with HHS to develop regulations that are reasonable and responsible based on realities in the field. Locally, interest groups have proposed a longer window for Pennsylvania to comply before being sanctioned. The PWIB will continue to monitor this situation, and use all opportunities to share the local TANF story with policy makers and elected officials, focusing on the impact on employment.

Want to Get Involved?

Should you wish to get involved in the PWIB’s advocacy work, or if you would like more details about the information in this update or other legislative topics tracked by the PWIB, please contact Brian Goldthorpe (bgoldthorpe@pwib.org) or review materials on our website (www.pwib.org).