

PWIB Quarterly Legislative Update

March 2006

Overview

After completing the appropriations process for FY '06 in mid-December, Congress adjourned for the holidays. Upon returning in January, many of the issues that generated intense debate last year quickly resumed—most notably, the war in Iraq, homeland security, the budget deficit, and a range of domestic spending priorities, including Katrina relief. These issues have illustrated the trend towards blending budgetary processes with programmatic and policy changes, providing a complex and highly charged backdrop to activities in Capitol Hill over the next year. The upcoming year is also an important election cycle for federal, state, and local elected officials. As the campaign season kicks into high gear during the summer and fall, expect policy activities in DC and Harrisburg to slow.

Since returning to work in January, Congress worked to finish the budget reconciliation bill and recently started on the appropriations process for FY '07. Due to the state of our economy and the tough funding decisions that must be made, a number of federal programs and policies, which directly impact our local workforce system face major programmatic changes and cuts.

The bright spot remains at the state level, where Governor Rendell has continued his commitment to Job Ready Pennsylvania in his proposed budget. In addition to maintaining over \$17 million for training, \$5 million for industry partnerships, and \$15 million for TANF Youth Programs, the Governor has added \$10 million for a new nursing shortage initiative. It should be noted that to date Southeast Pennsylvania has benefited substantially from the Job Ready programs introduced last fiscal year, and Philadelphia's portion of the TANF Youth Programs (nearly \$7 million annually) has supported the YouthWorks Summer Program and a variety of the City's other youth initiatives for the last several years.

Appropriations

In the never-ending cycle of appropriations, we are currently on the cusp between two years. The FY2006 budget was just reconciled in February, five months after the start of the fiscal year. Also in February, the President released his FY2007 budget proposal. To clarify (or complicate?) matters, as noted above the federal FY 2006 budget year started back on October 1, 2005. However, many of the programs under the PWIB's purview are "forward funded," meaning the FY 2006 budget actually funds the program activities beginning July 1, 2006 – a full three quarters after the federal budget year commences. This lag is deliberate in order to insure states and local areas have adequate time to plan for actual allocations. Unfortunately, the annual delays in passing the federal budget mean local areas often do not receive notification of their allocation for *Workforce Investment Act* programs until April at the earliest.

FY2006: As previously reported, the FY2006 budget was tighter than ever. Senator Specter, in a bid to support critical domestic investments in education and training, removed \$1 billion in earmarks from the Labor-Education-HHS appropriations bill. As it finally passed, the bill included \$142.5 billion in domestic investments. Core workforce programs were cut by about 5 percent,

or about \$144 million. Considering the potential for deeper cuts, the system fared relatively well thanks to Senator Specter's leadership, and the leadership of his counterpart in the House, Representative Ralph Regula of Ohio. As noted above, the local impact of the cuts will not be known for at least a couple of months.

FY2007: In his 2006 State of the Union Address, which is typically the preview to the annual budget proposal, President Bush said the following: "to keep America competitive, one commitment is necessary above all: we must continue to lead the world in human talent and creativity. Our greatest advantage in the world has always been our educated, hardworking, ambitious people – and we're going to keep that edge." Hope springs eternal. Therefore, it was disheartening that the budget released the following week proposed a **reduction of \$2.2 billion** in a wide range of workforce and education programs, including the complete elimination of some of those programs. Additionally, the proposed budget eliminates the Community Services Block Grant; cuts housing for persons with disabilities by 50 percent, completely eliminating all funding for the construction of new affordable housing units for those with disabilities; and cuts the Community Development Block Grant by 30 percent. Senator Specter said it best when he characterized the President's budget proposal, in a public and widely-circulated statement, as "scandalous." All told, based on calculations by the Center on Budget and Policy Priorities, the proposal cuts domestic discretionary programs by 13 percent, with the following specific reductions: energy, -29 percent; K-12 and vocational education, -13 percent; environment and natural resources, -22 percent; transportation, -14 percent; higher education, -20 percent; housing, -12 percent, and veterans medical care, -13 percent. Since 2001, including the President's proposed levels for FY2007, the overall cuts for core workforce programs have been 21 percent, the equivalent of a **37 percent reduction in real dollars in the last five year.**

What's Next: The House of Representatives is scheduled to start hearings on the budget proposal on March 8. This process will ultimately lead to the assigned spending caps for all appropriations subcommittees and, based on recent history, will likely conclude before the summer recess. The House may even move before recess to complete its appropriations bills. However, the Senate tends to move at a more deliberate pace, so probably will not be considering individual appropriations bills until after Labor Day. A shortened session due to mid-term elections will make for a frantic fall as Congress strives to complete its appropriations work before breaking for the final campaign push.

Workforce Investment Act Reauthorization

There has been no movement on reauthorization of the *Workforce Investment Act* (WIA) because a member of the Senate has a hold on the bill, which means it cannot come up for a vote. However, a great deal has been happening on this front nonetheless.

Some history: For the last several years, in the absence of a reauthorized bill, the Administration has been asking Congress to make programmatic changes to WIA via the appropriations process. The leadership of our subcommittees (Sen. Specter and Rep. Regula), as well as the House and Senate leaders of the committees that authorize WIA, have been instrumental in making sure no drastic changes are made outside the reauthorization process. Most recently, in FY2006 the appropriators opted not to consolidate the WIA funding streams (adults, youth, and dislocated

workers) as proposed by the Administration, they maintained a clause that prohibits the Department of Labor from administrative rule changes, and added a new clause that retains the right of local workforce areas to exist.

This year: For the 4th year in a row, the Administration has proposed substantial changes to WIA through the appropriations process. As anticipated, consolidation of the three core WIA funding streams (adult, youth, dislocated workers) – an articulated cornerstone of the Administration's plan for the workforce system – is proposed. An across-the-board 15 percent *decrease* also is proposed. In a new twist, the Administration is proposing that 75 percent of the funds be given directly to individuals (with the priority being low income adults, dislocated workers, and out-of-school youth) as vouchers. These vouchers are called Career Advancement Accounts (a new name for Personal Reemployment Accounts, which the PWIB opposed). 22 percent of the allocation could be used for other services and 3 percent could be used for administration. In addition to the fact that the individual accounts would be impossible to manage with a 3 percent administration cap (on a \$10 million appropriation, that's 2500 individual contracts that would need to be executed, monitored, and paid incrementally with \$300,000 – that is, for \$120 per account), we have found (as have most other local areas) that customized projects, rather than individual vouchers, have the best outcomes for individuals and employers. There is great debate about what the Administration's proposal would do to state and local workforce systems, and in particular the "high-touch" and customized workforce services that seem to result in the enhanced outcomes for employers and individuals. Under the proposal, it is likely the Governor's Job Ready Pennsylvania program would take a heavy hit as well.

What's Next: The USDOL Employment and Training Administration is planning a series of regional dialogues with workforce board executives and members to discuss their Career Advancement Act agenda. The PWIB is on a draft list of invitees.

Welfare Reauthorization

Temporary Assistance to Needy Families (TANF) – better known as welfare reform – expired in 2001 and, until late last year, had been extended every three to six months by an act of Congress. As previously reported, there were rumblings in the fall that if a bill was not passed separately, TANF would be included in the budget reconciliation package. A stand-alone bill did not move, and TANF was included in a budget reconciliation package.

To set the stage, it might be helpful to go back in time. In 1996, when welfare reform was passed, the federal public assistant rolls were bursting. When the program was transitioned from a federal program to a state-run block grant program, several things happened. Many states, including Pennsylvania, changed the way non-cash assistance was structured so benefits would gradually decrease as wages increased, removing a major barrier to work for low skilled individuals. Second, the rules for joining the welfare rolls adapted state-by-state. Third, the economy began to grow by leaps and bounds, and new opportunities were created – especially for those among the higher skilled TANF recipients. Fourth, Congress appropriated **\$3 billion over 2 years to local workforce systems for the Welfare-to-Work program.** (*Remember the Greater Philadelphia Works campaign...Need a good worker? How about my mom?*) As a result, rolls dropped dramatically. Since 1995 was set as the baseline year, states – including Pennsylvania – did not have a problem meeting the federal work participation requirements.

Welfare funds began to be invested heavily in career development activities, with roughly 9,000 people a year receiving a range of intensive case management and training services in Philadelphia alone.

Currently there are 31,287 TANF adults living in Philadelphia, which is about 42 percent of the state's caseload.

Compared with the skill and educational requirements of jobs in the region, there is simply not nearly enough opportunities for these heads of households to work. A case in point: about 62 percent of TANF recipients in Philadelphia do not have a high school diploma; that is close to 20,000 adults. In the city, about 215,000 residents have less than a high-school education. The labor force participation rate for adults 25 years and older without a diploma is 32 percent. (That means 68 percent of this population is not engaged in the labor market at all) Adults with less than a high school diploma have an unemployment rate of 25 percent. That translates into 17,000 people actively seeking work in the city each day. The fundamental question is this: how will another 20,000 adults be accommodated in Philadelphia, which still carries almost half of the state's caseload? Unless Pennsylvania can meet participation rates, it is at risk of sanctions anywhere from \$35 to \$70 million. One can presume there will be less money for training, and – as noted above – the workforce system itself is getting cut (in fact, from fiscal year 2003 to fiscal year 2005 alone, the city experienced a 16 percent funding decrease in real dollars). Further, it seems unlikely that another \$3 billion is coming down to help address the transition.

What's Next: The Commonwealth is working diligently on a plan to increase participation rates, which may include changing current state laws about how participation rates are calculated. A broad-based coalition is addressing concerns with members of Congress and acting to influence the regulatory process. The PWIB is working with other urban areas through the US Conference of Mayors (USCM) to develop messaging around the ability of the nation's economy to absorb new workers with the skill levels typical of TANF recipients. Finally, through the USCM, there is an effort underway to work with the Department of Labor to determine what impact the rule changes will have on local workforce delivery systems.

Inspired to Act?

As of this writing, the PWIB is working to craft and structure a recommended strategy to appropriately address and communicate the impact legislative and appropriation proposals could have on the local workforce delivery system. All this information, as well as legislative information and contacts, will be updated on the PWIB's web site, www.pwib.org.