House Republican leaders unveiled on September 29 their second attempt to eliminate funding for job-training programs. Their first attempt didn’t work, so this time they’re trying through the back door.

The House Appropriations Committee posted a draft of its fiscal year 2012 appropriations bill for the Departments of Labor, Health and Human Services, and Education.¹ The bill would cut more than $2.2 billion from employment and job-training programs in FY 2012. But this massive cut is the first in a multistep process to hollow out the workforce development system so that full elimination of federal job-training programs becomes easier over the next two years.

These proposed cuts, combined with a clever accounting gimmick, would create a permanent $3.1 billion budget shortfall in the Department of Labor’s Employment and Training Administration within the next two years. That $3.1 billion budget shortfall would smash headfirst into governmentwide budget cuts mandated in last summer’s debt ceiling agreement.² Based on that agreement, the total increase in annual appropriations between FY 2012 and FY 2014 is $23 billion—which means that Congress would have to direct more than 10 percent of the governmentwide increase in annual appropriations to the Employment and Training Administration to fill the $3.1 billion shortfall. Obviously that would not happen.

The eventual result, if the bill is successful, is that millions of unemployed Americans would lose access to employment services—such as job search assistance, skills assessment, and career counseling—and job-training programs. That would be a travesty, especially since unemployment is projected to remain unacceptably high for the next few years.
The Senate Appropriations Committee should reject this disastrous attempt to dismantle the workforce development system. Instead of eliminating job-training programs, the committee should reaffirm its commitment to employment and job-training programs so that our workforce remains competitive in an innovation-based global economy.

This policy brief will explain how the House Appropriations Committee’s bill, if enacted, would create a $3.1 billion funding shortfall in the Employment and Training Administration within two years. Given the current budget outlook—and the debt ceiling agreement—such a massive funding shortfall would lead to a permanent dismantling of the workforce development system.

House leadership’s first attempt to eliminate job-training programs

Earlier this year, House leadership passed an appropriations bill (H.R. 1) that tried to cut more than $4 billion from job-training programs, including:3

- Eliminating $3 billion for Workforce Investment Act employment and training programs
- Eliminating $200 million for Dislocated Worker employment and training programs
- Eliminating $125 million to train unemployed workers through community colleges
- Eliminating $100 million to educate and train at-risk youth
- Eliminating $100 million to educate and train ex-offenders
- Eliminating $100 million for additional job-training programs
- Rescinding $300 million from the Job Corps
- Rescinding $75 million from other employment and training programs

Fortunately those shortsighted and devastating cuts were rejected. But House leadership didn’t abandon their plans to eliminate job-training programs. They simply changed their strategy. Now they are trying to cut $2.2 billion in funding for employment and job-training programs in FY 2012 behind the pretense of “transitioning agency budgets to correspond with the regular fiscal year.”

Don’t believe it.

House leadership’s second attempt to eliminate job-training programs

The House Appropriations Committee’s FY 2012 draft bill slashes funding for workforce development programs by $2.2 billion, a cut of 36 percent in comparison to FY 2011.
Only the beginning of the assault

Cuts to workforce development programs in FY 2012, in millions

<table>
<thead>
<tr>
<th>Department / program</th>
<th>FY 2011 CR</th>
<th>FY 2012 House bill</th>
<th>Difference</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Labor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIA adult employment and training</td>
<td>$770.9</td>
<td>$207.5</td>
<td>-$563.4</td>
<td>-73%</td>
</tr>
<tr>
<td>WIA youth employment and training</td>
<td>$825.9</td>
<td>$413.8</td>
<td>-$412.1</td>
<td>-50%</td>
</tr>
<tr>
<td>WIA dislocated workers employment and training</td>
<td>$1,063.4</td>
<td>$101.7</td>
<td>-$961.7</td>
<td>-90%</td>
</tr>
<tr>
<td>WIA Dislocated Worker National Reserve</td>
<td>$224.1</td>
<td>$64.6</td>
<td>-$159.5</td>
<td>-71%</td>
</tr>
<tr>
<td>WIA innovation fund</td>
<td>$124.8</td>
<td>$0.0</td>
<td>-$124.8</td>
<td>-100%</td>
</tr>
<tr>
<td>Native Americans</td>
<td>$52.7</td>
<td>$27.1</td>
<td>-$25.6</td>
<td>-49%</td>
</tr>
<tr>
<td>Migrant and seasonal farmworkers</td>
<td>$84.5</td>
<td>$43.3</td>
<td>-$41.1</td>
<td>-49%</td>
</tr>
<tr>
<td>YouthBuild</td>
<td>$79.8</td>
<td>$40.0</td>
<td>-$39.8</td>
<td>-50%</td>
</tr>
<tr>
<td>Reintegration of ex-offenders</td>
<td>$85.4</td>
<td>$45.0</td>
<td>-$40.4</td>
<td>-47%</td>
</tr>
<tr>
<td>Jobs Corp</td>
<td>$1,706.2</td>
<td>$2,223.9</td>
<td>$517.8</td>
<td>30%</td>
</tr>
<tr>
<td>Senior Community Service Employment Program</td>
<td>$450.0</td>
<td>$450.0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Employment service</td>
<td>$702.2</td>
<td>$351.8</td>
<td>-$350.4</td>
<td>-50%</td>
</tr>
<tr>
<td>One-Stop career centers</td>
<td>$63.6</td>
<td>$31.8</td>
<td>-$31.8</td>
<td>-50%</td>
</tr>
<tr>
<td>Total, ETA workforce development programs</td>
<td>$6,233.4</td>
<td>$4,000.5</td>
<td>-$2,232.9</td>
<td>-36%</td>
</tr>
</tbody>
</table>


And yet House leadership shamelessly claims that they are not cutting job-training funds. According to the official press release, they try to explain these massive funding cuts as an attempt to transition the Department of Labor’s budget to the “regular fiscal year.”

Apparently it is merely a coincidence that their budgeting sleight of hand involves cutting $2.2 billion from employment and job-training programs.

Don’t be fooled. This is simply a retread of previous efforts to eliminate job-training programs—this time under the auspices of shifting the budgetary calendar.

Accounting gimmicks will lead to huge cuts in FY 2014

House leadership is relying on the fact that budgeting is often complicated. Most constituents are not interested in technical details. By suggesting that huge funding cuts are actually plausible-sounding procedural changes, House leaders are
trying to deflect the conversation away from their repeated attempts to eliminate job-training programs.

Specifically, the Majority’s bill attempts to shift funding for job-training programs from a “program year” funding schedule to a “fiscal year” funding schedule. That sounds like an innocuous change. But in fact it would lead to a domino effect of funding cuts that would result in a $3.1 billion shortfall in FY 2014.

And that’s their goal. House leaders are intentionally putting job-training programs into a huge budget hole. Once they have artificially manufactured a $3.1 billion shortfall for job-training programs, they will throw their hands up, say “the country is broke,” and claim that we cannot afford to pay for these programs.

In the following sections this policy brief will clarify the long-term impact of these accounting gimmicks. First, it will look at the House leadership’s unnecessary technical changes—shifting job-training programs from a “program year” funding schedule to a “fiscal year” funding schedule. And second, it will demonstrate how those technical changes would lead to a $3.1 billion shortfall that would cripple our nation’s investment in job training in the next two years.

Workforce development programs should stay on a “program year” funding schedule

As previously mentioned, House leaders propose to shift funding for job-training programs from a “program year” schedule to a “fiscal year” schedule. This does not sound like a significant change in policy. But it would have serious long-term consequences.

Most federal programs and agencies are funded on a “fiscal year” calendar, which begins October 1 and runs through September 30 of the following year. For instance, fiscal year 2012 began earlier this month and will continue through September 30, 2012.

In contrast, many job-training and education programs funded through the Department of Labor or Department of Education are funded on a “program year” calendar, which begins July 1 and runs through June 30 of the following year. For instance, program year 2011 began on July 1, 2011, and runs through June 30, 2012.

This alternate funding schedule is intentional. Many job-training programs, like many education programs, begin in August or September. So it makes sense to provide funding one month or two months in advance of the beginning of a course. By providing funding in advance, state and local workforce investment boards—which are business-led groups in charge of job-training funds—are able to spend July and August coordinat-
ing with eligible training providers and community colleges to finalize training contracts for the upcoming year.

Shifting to a “fiscal year” schedule that begins on October 1, as House leadership proposes, would create substantial challenges for job-training programs. Delaying availability of funds until October would mean that job-training programs couldn’t start until November or December. This delay in funding would lead to unnecessary scheduling problems and minimize the viability of in-school programs, weakening their effectiveness.

And that’s a best-case scenario. In most years, Congress doesn’t get around to finalizing appropriations bills until November or December. This year the fiscal year 2011 appropriations bill wasn’t passed until April 9, 2011—more than six months into the fiscal year. If the Majority’s plan were in place this year, it would have resulted in a six-month delay in states receiving job-training funds—which means that nobody could have enrolled in a job-training program during the 2010-11 school year. Many unemployed workers would have been forced to wait a full year before enrolling in programs to improve their skills.

If job-training programs are shifted to a “fiscal year” funding schedule, workforce investment boards would need to modify their bidding process to ensure timely approval of contracts with eligible training providers and community colleges. And training programs would have to be modified down to shorter timeframes—which is counterproductive since longer training programs will be necessary to address our nation’s skills shortage in many high-growth industries.

For state and local workforce boards that continue to enroll students in longer training programs, shifting to a “fiscal year” funding schedule would likely increase the funding balances that states “carry in” to subsequent years. According to WIA statutes, state and local workforce boards have three years to expend employment and training funds. This long-term flexibility allows workforce boards to direct workers toward training programs that are closely tied to local labor markets, including longer training programs. In addition, funds are often paid out only after the training has been provided, delaying the official expenditure by one or more quarters, semesters, or training cycles.

For these reasons, states do not spend 100 percent of their budgets in the first year. If Congress shifts workforce development to a “fiscal year” funding schedule, many workforce investment boards would accumulate larger-than-intended “carry-in” balances each year because they would not be able to plan ahead. Republican policymakers frequently cite “carry-in” balances as a sign that programs are not efficient. But in an ironic twist, their proposal would actually make this problem worse.

Fortunately, none of those unintended consequences occurred this year because job-training programs were funded on a “program year” basis. Workforce investment boards found out in April 2011 how much funding would be available between July 2011 and June 2012. They were able to plan in advance with relatively minor inconveniences.
In reality, the Majority’s proposal to shift workforce development programs to a “fiscal year” funding schedule is a façade. It is an accounting gimmick intended to undermine these programs over the long term. But as this explanation has shown, shifting workforce development programs to a “fiscal year” funding schedule is also bad policy that would do more harm than good.

The House bill creates a massive funding shortfall in two years

So it is obvious that House leadership is not proposing to shift the budget calendar to improve the effectiveness of job-training programs. In fact, their proposed policy shift is counterproductive.

Instead, their proposal is a clever accounting gimmick that will artificially create a $3.1 billion budget shortfall in FY 2014. At that point, the debt ceiling agreement that mandates cuts to annual appropriations over the next decade will place immense pressure on appropriators to find billions in savings. One obvious choice for those savings will be to avoid closing the $3.1 billion funding shortfall for workforce development programs.

The following table illustrates how a $3.1 billion shortfall would be created in the next two years. The table includes likely funding levels for FY 2012 to FY 2014, based on the House majority proposal, along with the resulting shortfall in FY 2014. It is followed by an explanation of the assumptions that were used to construct the table.
How the House Republican bill drains billions from training workers

Workforce development programs, FY 2011 to FY 2014

<table>
<thead>
<tr>
<th>Department/agency</th>
<th>FY 2011 CR</th>
<th>FY 2012 House bill</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2014 Shortfall</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Labor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WIA adult employment and training</td>
<td>$770.9</td>
<td>$207.5</td>
<td>$578.2</td>
<td>$770.9</td>
<td>$192.7</td>
<td>33.3%</td>
</tr>
<tr>
<td>WIA youth employment and training</td>
<td>$825.9</td>
<td>$413.8</td>
<td>$619.4</td>
<td>$825.9</td>
<td>$206.5</td>
<td>33.3%</td>
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<tr>
<td>WIA dislocated workers employment and training</td>
<td>$1,063.4</td>
<td>$101.7</td>
<td>$797.6</td>
<td>$1,063.4</td>
<td>$265.9</td>
<td>33.3%</td>
</tr>
<tr>
<td>WIA dislocated worker national reserve</td>
<td>$224.1</td>
<td>$64.6</td>
<td>$168.1</td>
<td>$224.1</td>
<td>$56.0</td>
<td>33.3%</td>
</tr>
<tr>
<td>WIA innovation fund</td>
<td>$124.8</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>NA</td>
</tr>
<tr>
<td>Native Americans</td>
<td>$52.7</td>
<td>$27.1</td>
<td>$39.5</td>
<td>$52.7</td>
<td>$13.2</td>
<td>33.3%</td>
</tr>
<tr>
<td>Migrant and seasonal farmworkers</td>
<td>$84.5</td>
<td>$43.3</td>
<td>$63.3</td>
<td>$84.5</td>
<td>$21.1</td>
<td>33.3%</td>
</tr>
<tr>
<td>YouthBuild</td>
<td>$79.8</td>
<td>$40.0</td>
<td>$60.0</td>
<td>$79.8</td>
<td>$19.8</td>
<td>33.1%</td>
</tr>
<tr>
<td>Reintegration of ex-offenders</td>
<td>$85.4</td>
<td>$45.0</td>
<td>$64.0</td>
<td>$85.4</td>
<td>$21.3</td>
<td>33.3%</td>
</tr>
<tr>
<td>Jobs Corp</td>
<td>$1,706.2</td>
<td>$2,223.9</td>
<td>$0.0</td>
<td>$1,706.2</td>
<td>$1,706.2</td>
<td>INF</td>
</tr>
<tr>
<td>Senior Community Service Employment Program</td>
<td>$450.0</td>
<td>$450.0</td>
<td>$0.0</td>
<td>$450.0</td>
<td>$450.0</td>
<td>INF</td>
</tr>
<tr>
<td>Employment service</td>
<td>$702.2</td>
<td>$351.8</td>
<td>$596.8</td>
<td>$702.2</td>
<td>$105.3</td>
<td>17.6%</td>
</tr>
<tr>
<td>One-Stop career centers</td>
<td>$63.6</td>
<td>$31.8</td>
<td>$47.7</td>
<td>$63.6</td>
<td>$15.9</td>
<td>33.3%</td>
</tr>
<tr>
<td>Total, ETA workforce development program</td>
<td>$6,233.4</td>
<td>$4,000.5</td>
<td>$3,034.7</td>
<td>$6,108.6</td>
<td>$3,074.0</td>
<td>101.3%</td>
</tr>
</tbody>
</table>


Fiscal year 2012

Overall, in FY 2012 the House bill cuts workforce development programs by $2.2 billion. This is supposedly done to shift these programs to a “fiscal year” funding schedule in future years. Since current program year 2011 funding is available through June 30, 2012, that leaves a three-month gap at the end of fiscal year 2012 that needs to be filled in the FY 2012 appropriations bill. The House bill provides funding to bridge this gap.

In a cynical move, however, House leadership claims that limited funding provided in FY 2012—to bridge the three-month gap—is in fact sufficient to cover workforce development expenses for six months, including the first three months of FY 2013. To support their claim, House leaders will likely point to “carry-in” balances from prior years that have not been spent yet.

But that claim is misleading and wrong. In reality, a high percentage of “carry-in” balances have already been designated for training programs that are currently underway—such as a longer-term nursing program—which means those funds are not available for future use.
In addition, the House bill provides an increase of $500 million for Job Corps. But it isn’t really an increase because the funds are intended to last 15 months instead of 12 months. The additional funds are provided in the FY 2012 bill so that zero funds will be necessary in the FY 2013 bill.

And finally, the House bill provides flat funding for the Senior Community Service Employment Program. But again, it isn’t really flat funding because the funds are also intended to last 15 months instead of 12 months. It is really equal to a 20 percent cut. Moreover, the fact that SCSEP is funded through the entirety of FY 2013 means that zero funds will be necessary in the FY 2013 bill.

**Fiscal year 2013**

If the House is successful in shifting to a “fiscal year” funding schedule, the FY 2013 bill would most likely include an additional cut of $500 million.

The House Appropriations Committee’s FY 2012 bill provides bridge funding for workforce development programs through the first quarter of FY 2013. This decision signals that funding in the FY 2013 bill would likely be limited to levels that are sufficient for the remaining three quarters of the fiscal year. Assuming that House Republicans maintain a façade of support for workforce development programs, they would likely establish FY 2013 funding levels for workforce development programs at three-quarters of their respective FY 2011 funding levels.

As mentioned above, the FY 2013 bill would include zero funds for Jobs Corps and SCSEP because the FY 2012 bill funded both programs through the remainder of FY 2012 and the entirety of FY 2013.

**Fiscal year 2014**

According to the timetable established in the House Appropriations bill, all workforce development programs would be fully transitioned to the “fiscal year” funding schedule by FY 2014. That means there would be no funds from prior years that overlap with FY 2014. In other words, all funds available for workforce development programs in FY 2014 would need to be provided in the FY 2014 bill.

To fully fund workforce development programs in FY 2014, the House bill would need to match respective funding levels provided in FY 2011. But in order to reach those funding levels, the FY 2014 bill would need to boost funding by $3.1 billion over the previous year—a 100 percent increase in a single year. Alternatively, the House could choose to provide the same level of funding in FY 2014 as the previous year. In that case, however, there would be a $3.1 billion shortfall in annual funding for workforce development programs.

Given the fiscal constraints of the debt ceiling agreement, increasing funding for workforce development programs by 100 percent in a single year is wildly unrealistic. In other words, it would not happen.
The debt ceiling agreement

The Budget Control Act of 2011, commonly known as the debt ceiling agreement, establishes firm caps on annual appropriations for the next 10 years, including the following caps for FY 2012 to FY 2014:

- FY 2012: $1.043 trillion
- FY 2013: $1.047 trillion
- FY 2014: $1.066 trillion

According to the debt ceiling agreement, annual appropriations will increase by $23 billion between FY 2012 and FY 2014. For Congress to fill a $3.1 billion shortfall created by shifting to a “fiscal year” funding schedule, it would have to direct more than 10 percent of the overall increase in annual appropriations to workforce development programs.

As mentioned above, that simply would not happen. In fact, Congress would be more likely to go in the opposite direction. Workforce development programs would be sacrificed to satisfy the budget hawks.

Conclusion

Our nation continues to suffer through an unemployment crisis. As many as 25 million American workers are either unemployed or underemployed, while businesses continue to struggle to find workers with the right mix of skills to fill millions of job vacancies. Further, economists predict that high unemployment and skills mismatches will continue to persist for the next few years.

And yet House Republicans believe it is a good time to eliminate funding for workforce development programs that serve millions of unemployed workers, local businesses, and regional economies.

Eliminating funding for these programs will leave millions of unemployed Americans without access to job search assistance, skill assessment, career counseling, and job training. According to the Department of Labor, WIA-related programs served more than 9 million job seekers last year, an increase of 234 percent in recent years. But the elimination of funding would force nearly 3,000 One-Stop Career Centers to close their doors by 2014. In addition, the elimination of funding will hamper employer expansion efforts—a critical part of our economic recovery—by removing a system that connects local employers with workers who have the necessary skills to help them achieve success.

Hopefully House leadership was listening to their own expert witness at this week’s House Education and Workforce Committee hearing on WIA reauthorization. In her opening statement, Laurie Bouillion Larrea, president of Workforce Solutions in Dallas, stated that “existing funds are not adequate for the volume of job seekers.”
Later in the hearing, Ms. Larrea was asked what would happen if funding for the workforce development system was eliminated. Ms. Larrea responded that “desperation in our communities would heighten.”7

To be sure, our nation’s workforce development system is not perfect. In fact, the Center for American Progress has proposed numerous ideas to improve the system through the WIA reauthorization process.8 But workforce development programs continue to serve a crucial purpose for job seekers and private-sector employers. At a time of heightened unemployment, members of Congress should work together on a bipartisan basis to strengthen these programs, not eliminate them.

In the meantime, the Senate should reject this backdoor attempt to undermine the workforce development system. The Senate Appropriations Committee already proposed a bill, passed by the full committee on September 21, which maintains funding for these vital programs and avoids the clever accounting gimmicks used in the House bill.9 It should serve as the starting point for any conference negotiations over FY 2012 appropriations.

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(Endnotes)


5 The projected shortfall does not reflect the elimination of the Workforce Innovation Fund. If WIF funding is restored, the FY 2014 bill would need to boost spending on workforce development programs by $3.2 billion.


9 Senate Appropriations Committee, “Appropriations Committee Releases the Draft Fiscal Year 2012 Labor, Health and Human Services Funding Bill.”