

Outlook for the Workforce System 12/17/2008

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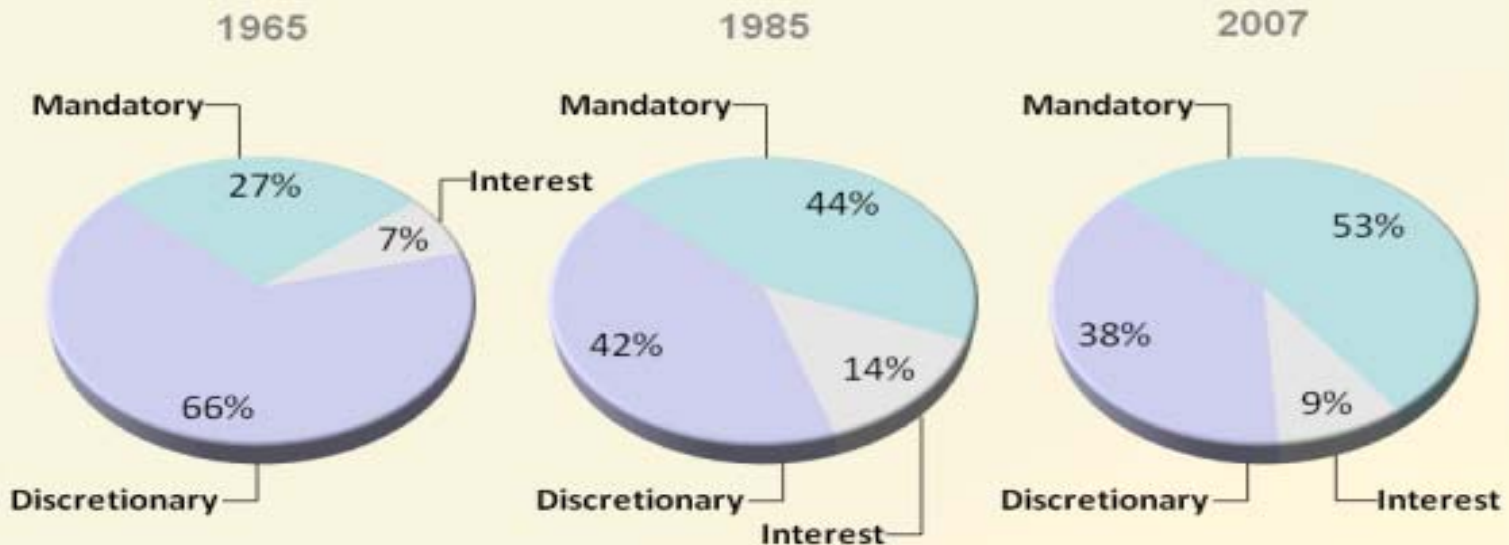


**Fiscal environment ---
domestic discretionary spending
shrinking significantly**

Overall Budget:

Mandatory Spending Growing as a Proportion of the Budget while Discretionary Spending is Shrinking

Categories of Federal Spending for Selected Years



The portion of the budget devoted to mandatory spending has almost doubled in 42 years.

FIGURE 1

Regular Defense Funding and War Funding Have Each Increased Substantially since 2001

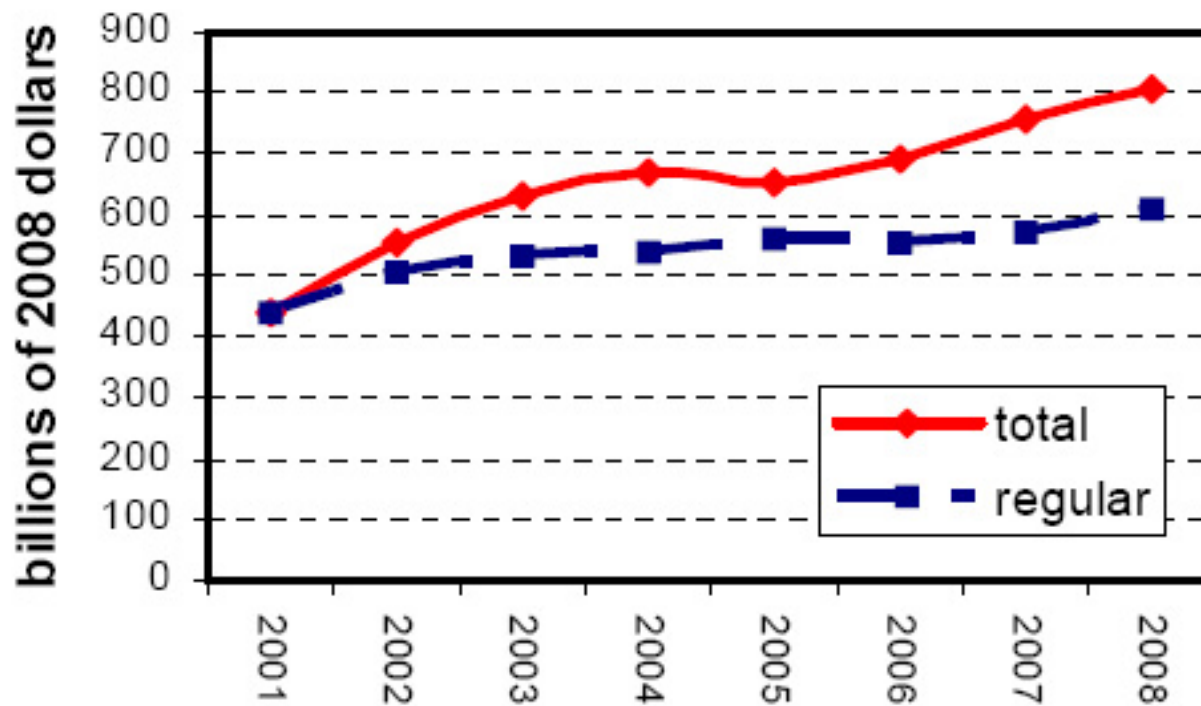
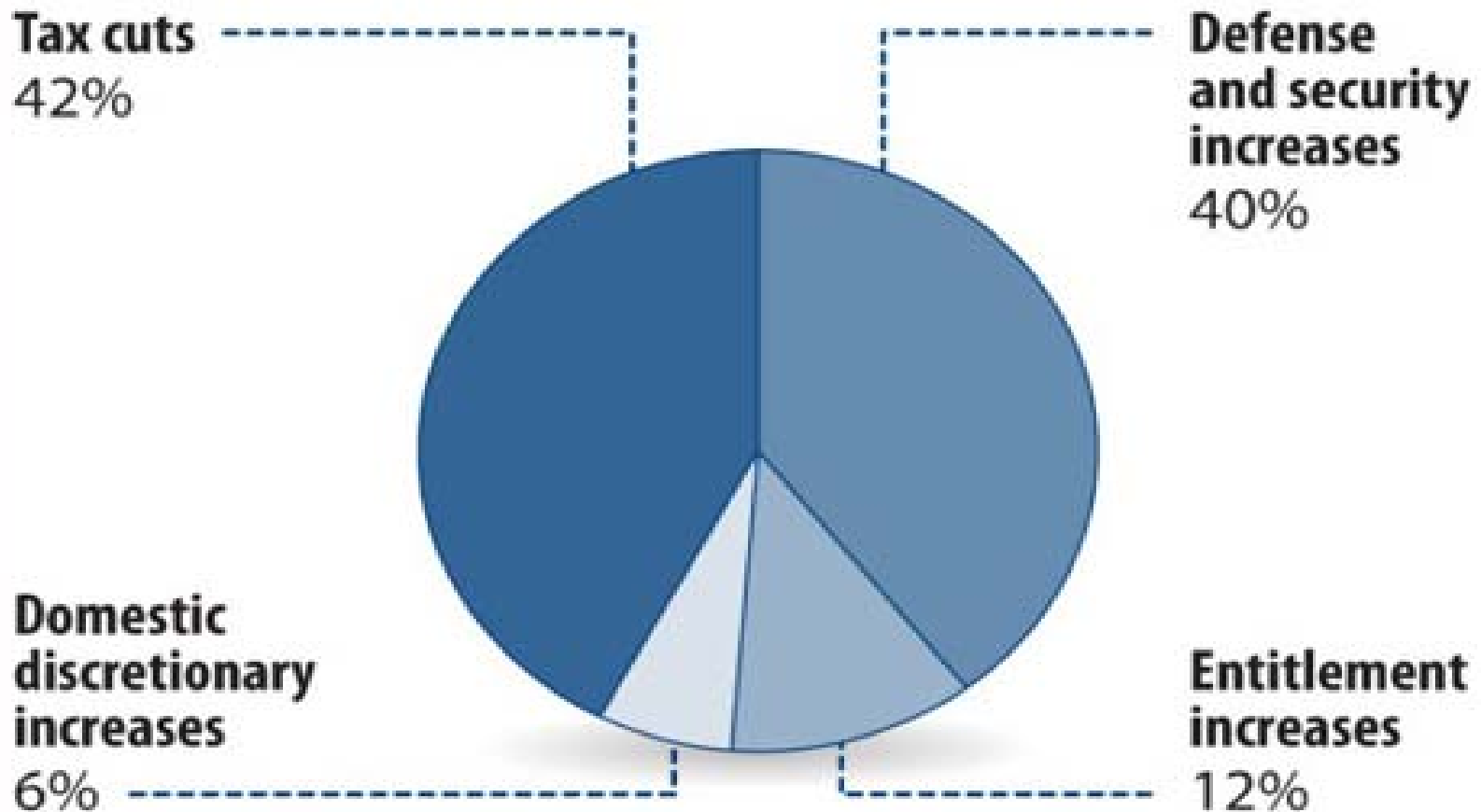


Table 1:
Domestic Discretionary Funding
Is a Shrinking Share of Total Program Costs

Share of Total	2001	2008	Change
Defense & security	21.7%	29.2%	+7.5%
Social Security, Medicare/caid	45.9%	43.5%	-2.4%
Other mandatory programs	14.0%	12.5%	-1.4%
<u>Domestic discretionary</u>	<u>18.4%</u>	<u>14.7%</u>	<u>-3.7%</u>
Total program costs	100%	100%	0.0%

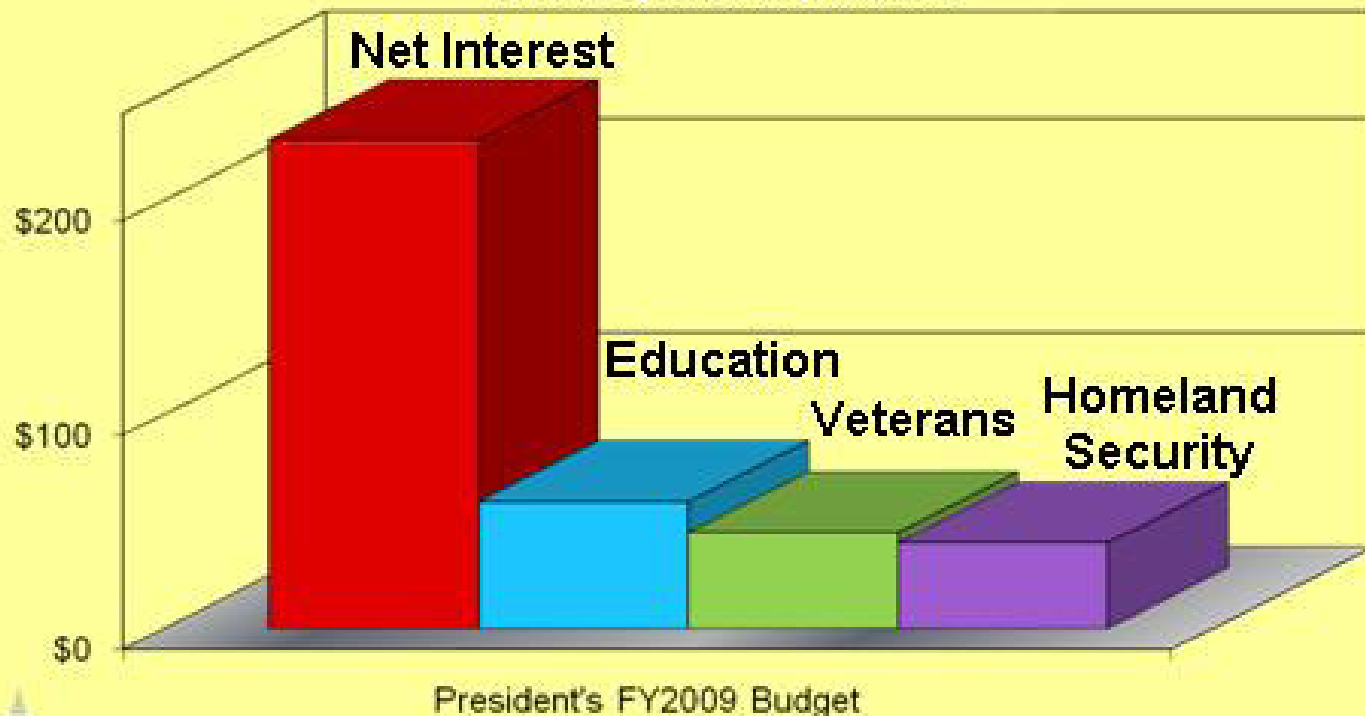
FIGURE 1

HOW LEGISLATION ENACTED SINCE 2001 CONTRIBUTED TO DEFICIT FOR 2009



Interest Payments on Debt Dwarf Other Priorities

2009 Budget Authority in Billions

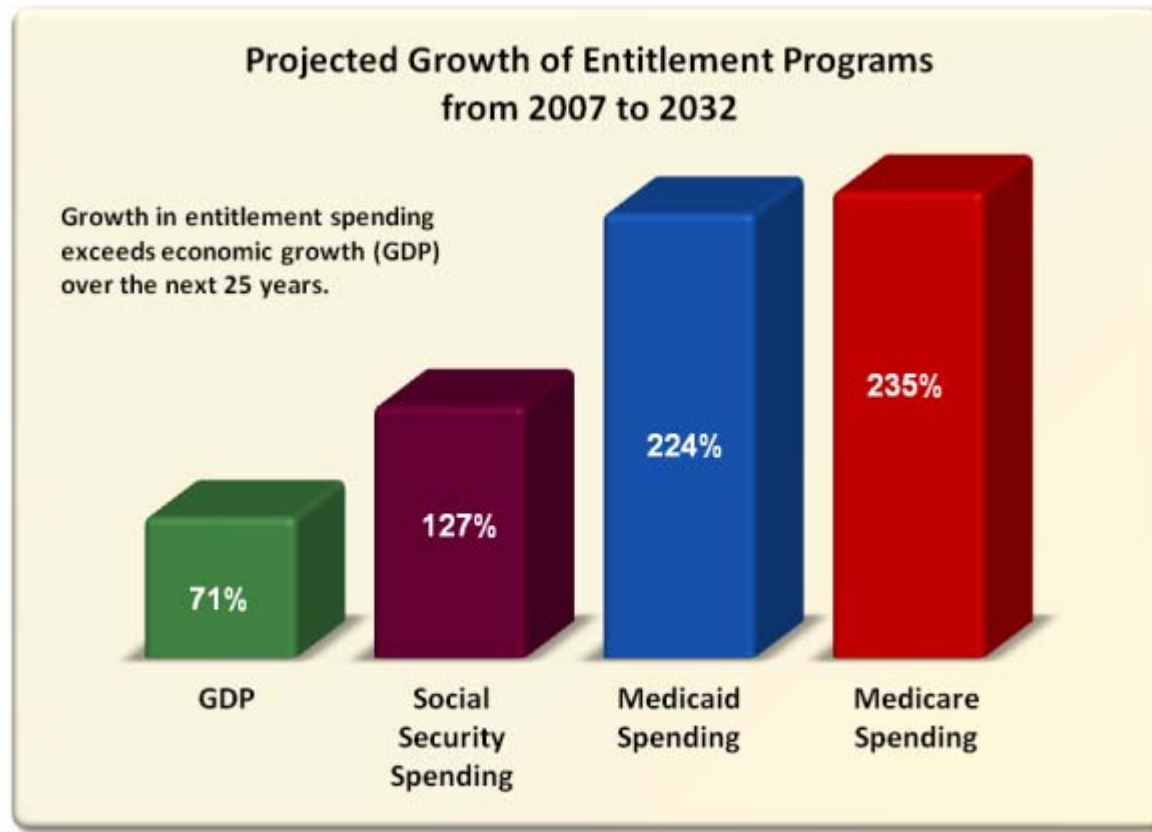


President's FY2009 Budget

Education, Veterans and Homeland Security are Discretionary Budget Authority Only



Entitlement Spending Growing Rapidly



Source: Government Accountability Office
U.S. Financial Condition and Fiscal Future Briefing, January 2008



FY 2009 Deficit

- Expected to exceed \$1 trillion, doubling previous record deficit

FY 09

BUDGET

PROCESS

Administration's FY 09 budget proposal

- President Bush's final budget proposal,
- 151 programs for either limitation or termination.
The estimated TOTAL savings was \$18 billion.
- These recommended reductions included over \$1.2 billion in cuts to the workforce system and over \$500 million to WIA formula programs:
 - Adult \$153 Million (17.7%)
 - Dislocated Workers \$249 Million (16.9%)
 - Youth \$102 Million (10.8%)

Our Objectives for 2008

- Long term funding stability
 - Restoring Administration's proposed cuts
 - Preventing Future Rescissions
 - Building Champions
- First test – FY 09 Budget Resolution

Function 500 Programs

- FY 08 funding - \$79.7 billion
- FY 09 Administration request - \$76 billion
- Conferees provide \$84.3 billion

CONFERENCE REPORT 2009 RESOLUTION: DISCRETIONARY SPENDING

(In billions of dollars)

Fiscal year	2008	2009	2010	2011	2012	2013	2009-2013
Education, Training, Employment and Social Services (500):							
BA.....	79.771	84.337	89.383	90.320	91.381	92.540	447.961
OT.....	81.068	83.355	88.209	89.082	90.101	91.251	441.998



Accomplishments: FY 09 Budget Resolution

- Worked with Senator Patty Murray (D-WA) to champion WIA funding ---
 - Murray ensures Administration's proposed cuts are rejected and \$390 million is added for WIA above current levels

FY 09

Appropriations



Our overall FY 09 Appropriations Focus

- Restore cuts – survive the Bush era
- Develop New Champions
- Protect the core WIA formula programs
- Tell the good news story about WIA
 - Used DOL's own data to show WIA successes

Bush Proposes Severe Cuts to Labor-HHS Appropriations

- Bush requested \$7 billion in cuts to Labor HHS programs
 - Bush overall funding request for Labor-HHS is \$500 million above last year
- \$1.2 billion in cuts to WIA
 - \$515 million in cuts to WIA formula programs
 - Elimination of Employment Service funding - \$703 million
- Labor-HHS “302 B allocation” only \$7.8 billion above the Presidents request – WIA is a significant overall portion of this restoration

House WIA funding Strategy FY 09

- Restore WIA Cuts
- No More Offsets
- Member to Member strategy
- Creating Champions:
 - Rep. Ryan went to Chairman Obey
 - Met with Rep. James Walsh (R-NY) explained impact of rescission in his district
 - Met with majority of Labor-HHS Appropriators to tell story of WIA in their district and impact of the FY 08 rescission – support pledged from Members for WIA



Our Approach: Senate Strategy FY 09

- Restore Cuts
- Prevail in protecting workforce funding in Conference.

House Subcommittee Markup

- FY 09 WIA proposed funding cuts restored by Labor-HHS Subcommittee
- In addition, Mr. Obey includes \$500 million for workforce programs in the economic stimulus package



Senate Labor-HHS Appropriations

- Restored FY 09 proposed cuts to WIA
- Senator Murray & Senator Harkin also propose including an additional \$600 million for WIA in stimulus package last month.

Accomplishments: What we did in the FY 09 WIA Appropriations process

- Engaged key authorizing committee Members to weigh in support of WIA funding
- Educated Labor-HHS Members and staff
- Asked House Members sent program letter requests
- Drafted and circulated a Dear Colleague letter in the Senate that received 38 Signatures
- John Twomey Provided testimony on FY 09 budget
- Created our own materials explaining the good news about the workforce system at the national level in Members states and districts – this type of targeted information was unavailable in the past.

Additional protections for local workforce system

Worked with Appropriators to include language in their bills to :

- Stop ETA sole source grant making for key DOL initiatives.
- Prohibit changes to the definition of administrative costs or re-designation of local areas until WIA reauthorized.
- Prohibit implementation of any proposed regulation under the Workforce Investment Act, Wagner-Peyser Act, or Trade Adjustment Assistance Act until legislation reauthorized.



Where We Started

- \$1.2 billion in proposed cuts

Where We Are Now

- Senator Murray added \$390 million above current levels for WIA in the Budget Resolution
- House and Senate Labor-HHS Subcommittee fully restores WIA
- House and Senate Appropriations Committees include significant funding for WIA in their stimulus proposals




FY 09 Appropriations Timetable

- Overall Appropriations process fractured between Congressional Democrats and the Bush Administration.
- Congressional Democrats have chosen to wait to complete their FY 09 Appropriations bills until President Elect Obama takes office in January
- Continuing Resolution signed to keep the government running through March 6.

FY 09 Appropriations Timetable

- Appropriations Committee staff beginning to conference their FY 09 bills. Hope to complete work by December 19.
- Remaining bills will be considered as part of an Omnibus package
- Appropriations Committee members will return to Washington in early January to complete their FY 09 bills and ready them for President Elect Obama to sign in late January.



Economic Stimulus Status

FY 09 Economic Stimulus:

What to Know & What We Can Expect

- Senate Stimulus \$100 billion

- Reid/Byrd – \$600 million for WIA

- House Stimulus \$61 billion

- Pelosi/Obey – offered in September - \$500 million for workforce programs

- Obama

- Original proposal \$175 billion \$300 Billion & Counting

Stimulus:

What to Know & What We Can Expect

- Congressional leadership and Obama team are beginning to develop a far larger stimulus proposal that will be introduced in January.
- President Elect Obama has indicated that it will be the first bill he signs upon entering office.

Stimulus:

What to Know & What We Can Expect

- Obama Administration approach – will make stimulus large enough to ensure economy is kick started. Increasing the deficit not a concern with the stimulus package.
- However, the stimulus is the only vehicle where we expect large funding increases, Obama has pledged will assess the performance of all federal programs through the annual appropriations process to determine which programs are effective and where funding should be directed.

Stimulus:

What to Know & What We Can Expect

- We are working with House and Senate allied to greatly expand stimulus package for workforce programs.
- What to expect:
 - Next package could be several times larger for workforce programs
 - Funding for all three WIA formula programs
 - Funding to run summer program
 - Sectoral focus – green jobs, health care
 - Discussions include a set aside in infrastructure funding for training – led by Mr. Rangel in the House and Patty Murray in the Senate

2008 Election

Results:

**High Expectations for
President Elect Obama**

2008 House Election

- Heading into Election Day:

- Democrats 236

- Republicans 199

- After Election Day

- Democrats 257

- Republicans 178

- 79 seat majority for House Democrats

2008 Senate Election

■ Heading into Election Day:

□ Democrats 49

□ Republicans 49

□ Independents 2

■ After Election Day

□ Democrats 58

□ Republicans 41

□ Undecided 1

■ Minnesota

■ Changing Nature of the Senate

□ Impact of larger Committee ratios

2008 Senate Elections – Administration appointments of Democratic incumbents leaves three seats to be filled

- Three Democratic seats need to be filled
 - President Elect Barack Obama (IL)
 - Senator Hillary Clinton (NY)
 - Senator Joe Biden (DE)

What The Voters Are Saying

	Now	10/5	9/11	8/10	7/13	6/1
The Economy	58	47	41	38	35	36
Iraq	13	11	14	19	18	20
Lack of Money	9	12	3	-	-	1
Health Care	9	5	8	6	6	4
Unemployment/Jobs	8	3	7	6	5	5
Ethics/Morals/Religious	4	4	3	4	6	5
Corporate Corruption	3	1	-	1	-	1
Immigration	2	3	5	3	3	4
Nat'l Security	2	2	3	2	1	1
Education	2	1	1	-	1	1
Terrorism	2	2	4	2	2	2

75% of Americans believe Obama will be a good President

	All	White	Black
Very Good	42	37	85
Fairly Good	33	32	14
Fairly Poor	12	15	1
Very Poor	9	11	*

Which of the Following should be Obama's Top Priority as POTUS?

The Economy	64
Iraq/Afghanistan	11
Federal Budget Deficit	7
Energy	6
Health Care	5

78% have some degree of confidence that Obama will make the right decisions on the economy?

	All	GOP	Dem.	Ind.
A lot	41%	16%	65%	36%
Some	37	44	29	39
Not Much	11	20	4	11
None at all	8	16	1	8

67% say Obama will have a successful first term?

	All	GOP	Dem.	Ind	Ob	McC
Successful	67	41	90	67	92	39
Unsuccessful	22	44	6	20	3	45

74% want GOP Leaders to Work With Obama

	All	GOP	Dem.	Ind.
Work With	74	56	86	78
Stand up to	22	39	11	17

72% want Obama to set policy agenda

Obama	72
Dem Leaders in Congress	21

60% want Republicans to serve in Obama Administration

	All	GOP	Dem.	Ind.	Ob	McC
Yes, should	60	71	51	59	52	69
No, should not	4	1	6	4	5	2
Doesn't Matter	35	26	41	36	41	27

65% say we will be better
off four years from now

	All	1/05	1/01	11/00	11/92
Better Off	65	53	46	50	51
Worse Off	25	42	42	28	31

The Next
Administration
&
Workforce

Obama team's overall focus

- Transforming government to meet the challenges of the next generation.
- Congressional Democrats believe they will be an equal stakeholder with a President Obama in shaping policy

Barack Obama on Workforce

- Historically supportive of WIA funding and reauthorization during his time in Senate.
- Has not explicitly addressed the workforce system other than green jobs expansion.
- His approach – strong partnerships, break down silos, comes from his community organizing roots
- Workforce system needs to reach out to community colleges, environmental groups, other potential partners



Next Steps on Workforce: Obama Administration

- Obama team transition process underway:
- Cabinet selections to be begin soon:
 - Who will be the next Secretary of Labor?
 - Who will be the next ETA Assistant Secretary?
- Both will have a large role in crafting the Obama Administration's WIA reauthorization proposal
- We do not expect to hear more WIA specifics from Obama before a new Labor Secretary takes office.

Insights into Obama Administration on workforce issues

- Ed Montgomery's DOL blueprint paper for the Center for American Progress
 - Workforce programs badly underfunded – 17 times lower proportionally than in 1979
 - WIA needs to be reformed – begin a dialogue with stakeholders to help create comprehensive reauthorization proposal
 - Expanded the skills and services for dislocated workers, low wage workers, and at risk youth to create a ladder to the middle class
 - Require state leveraging of resources
 - Incentivize partnerships
 - Broaden Unemployment Insurance system safety net
 - Expand Trade Adjustment Assistance programs to provide comprehensive services to dislocated workers regardless of the cause of their job loss

Next Steps for the Incoming Administration

- Install new political appointees
- Perform thorough review of federal agencies
- Develop FY 10 budget request
 - Difficult funding year in FY 10 – Obama inherits a \$1 trillion budget deficit in FY 10 as a result of both continuing deficits and costs of economic stimulus package

Our Initial Expectations for WIA in the Obama Administration in 2009

- Funding Stability
 - Large increases cannot be expected due to the overall budget deficit
 - Large budget cuts proposals are not expected, particularly in light of rising unemployment
 - However, we do not expect that WIA funding will be as vulnerable to cuts as it was under the Bush Administration
- An authorization year – our best chance to reauthorize WIA with one party rule and jobs issues having much higher visibility on Capitol Hill as a result of the recession.

WIA

**Reauthorization in
the new Congress**

Senate Priorities for WIA

- Bipartisanship
- Build on previous efforts
- No desire to eliminate current governance structure
- No faith based component
- Pass bipartisan bill with support from labor movement – a difficult assignment
- Bill introduction early next year



Keys to Senate WIA Reauthorization

- Quick Start by Murray
- Green Light from the Administration
- Members must view this as an non-partisan issue
- Majority on board



Next steps on Workforce: Senate

- Senate already beginning WIA reauthorization process -- held first listening session outlining major constituencies concerns two weeks ago.

Next steps on Workforce:

House

- Chairman Miller willing to introduce bill early next year.
- Miller's priorities:
 - Enhanced dislocated worker services regardless of reason for layoff
 - Greater Assimilation with TAA
 - Organized Labor support for bill
 - Bipartisanship less of a concern than in the Senate
 - Faith based a non starter



Issues Affecting House WIA Reauthorization

- Other Committee priorities
- Rep. John Tierney (D-MA) leadership
- Labor sign off

Expectations that WIA reauthorization will include:

- Increase emphasis on training -- possible training percentage requirement and elimination of any remaining “work-first” policies;
- Continue a dual customer focus -- meeting the needs of employers, jobseekers and workers, including those who are low-skilled;
- Retain business-led boards -- but encourage regional partnerships that convene stakeholders in support of comprehensive workforce systems;
- Increase alignment with economic development and education in support of regional economic needs;
- Retain One-Stop delivery system but increase focus on service delivery rather than system infrastructure;
- Employ innovative strategies (e.g., sectors, career ladder, incumbent worker, etc);
- Leverage non-WIA resources and alternative financing mechanisms (e.g., bonding);



Our Priorities

- 1) Economic Stimulus package
 - Significant short term boost to WIA funding
 - Likely to be enacted in January 2009 as part of an FY 09 Omnibus package
- 2) FY 09 Appropriations
- 3) FY 2010 Budget
- 4) FY 2010 Appropriations
- 5) WIA Reauthorization
- 6) New DOL and White House leadership

**What you can
do?**



What You Can Do to Help Advance Workforce Issues in These Difficult Times

- House Education and Labor Committee Chairman George Miller told us he will contact Mr. Rangel early in the new Congress to work together on WIA reauthorization to provide more comprehensive services for dislocated workers – you want Mr. Rangel to provide Miller with a list of ways he would like WIA improved..
- Mr. Rangel's is also leading the effort in the House to dedicated a portion of infrastructure funding for training to help low skilled workers particularly hard hit by the recession. Mr. Rangel needs to be thanked for his leadership.



What You Can Do to Help Advance Workforce Issues in These Difficult Times

- President-Elect Barack Obama will soon be selecting a Department of Labor Secretary as well as an Assistant Secretary for Employment and Training. Both positions will require Senate confirmation.
 - What question(s) would you like to see the Senate Help Committee Members ask these nominees?



What You Can Do to Help Advance Workforce Issues in These Difficult Times

- NWA may initiate Congressional Dear Colleague letters to the Obama Administration regarding WIA funding in the FY 2010 budget.
 - Do you think your Member of Congress is likely to sign such a letter?
 - At the appropriations time will you contact your Member on this request?
- Remember, we expect relatively good FY 2010 WIA budget numbers from the Obama Administration

And finally – keep an eye on 2010 elections

- 2010 Senate races – “Filibuster proof majority”?

- 19 **Republicans** Seats up for reelection

- 17 **Democratic** Seats up for reelection:

- Vulnerable Democratic seats:

- Majority Leader Harry Reid

- Senate vacancies – IL, NY, DE

- Vulnerable Republican seats:

- Retirements – Sam Brownback (KS), Mel Martinez (FL)

- Bunning (KY)

- Specter (PA)

- Gregg (NH)

- Obama carried six of the nineteen Republican states up in 2010



Questions & Comments

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