



Bush Administration Releases FY 2007 Budget:

*Theme of “Competitiveness” Frames Education and Labor Funding Requests,
Yet Budget Cuts Investments in Training for Current U.S. Workforce
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Summary

During his 2006 State of the Union address, President Bush repeatedly turned to the theme of “international competitiveness” to justify a wide range of domestic policy proposals. On the issue of workforce education and training, the President stated that “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.”

The FY07 budget that the President released the following week, however, invests far less in the skills and talent of America’s *currently* hard-working people than the competitiveness theme seemed to imply. TWA’s comparison of the Administration’s FY07 requests to current FY06 funding levels indicates proposed cuts of over \$600 million (10%) to job training and related workforce development programs within the Department of Labor (DOL), and over \$1.6 billion (11%) in cuts to vocational education, adult education and select financial aid programs potentially available to adult U.S. workers under the Department of Education (DOEd).

Other notable elements from the President’s Labor and Education budgets include:

- The proposed creation of a new “American Competitiveness Initiative,” which includes new federal funding for research, extension of an existing research-and-development tax credit, and a \$380 million “human talent” component focusing exclusively on math and science instruction for K-12 students, without any proposed new investment for adult workers;
- The ending of the Perkins Vocational and Technical Education Act, which provides occupational training to adults at community colleges as well as to students at high schools, to help fund a new \$1.5 billion “High School Reform” initiative touted as the next stage in the Department of Education’s “No Child Left Behind” effort;
- The elimination of funding for programs connected either to the Workforce Investment Act (WIA) or the Employment Service (ES) to create a new block grant—funded at \$515 million (13%) less than the sum of the replaced programs—that states would use to implement a new federally defined system of “Career Advancement Accounts.” The block grant would slightly shift allocation of these federal workforce dollars away from state formulae and toward greater DOL discretion in their distribution; and
- Continuation of DOL’s national “Community College Initiative” and its “High-Growth Job Training Initiative,” while at the same time eliminating or drastically restructuring funding for existing national programs targeted at migrant workers, senior citizens and youthful offenders.

New Website Justifies Elimination of “Ineffective” Programs

Overall, the President’s FY07 budget calls for \$870.7 billion in discretionary spending. While this represents a 3.2% increase from FY06, that growth is largely attributable to increases in spending on homeland security and defense. In contrast, the FY07 budget would cut domestic programs (non-security discretionary spending) by nearly \$2.2 billion, including by eliminating 141 federal programs.

In justifying such cuts, the Administration has stated that the targeted programs are either ineffective or duplicative, as determined by the Office of Management and Budget’s “Program Assessment Rating Tool” (PART). PART ratings have sparked controversy in the past with advocates who claim that the OMB assessments do not always gibe with existing performance data, or otherwise sometimes seem to be swayed by pre-existing Administration priorities.

At this year’s budget release, OMB announced the launch of a new website, www.ExpectMore.gov, that summarizes PART assessments for hundreds of federal programs. Ratings for key workforce education and training programs (with links to their PART assessments) include:

Department of Education

Advanced Placement	Moderately Effective
Federal Pell Grants	Adequate
Vocational Education State Grants (Perkins)	Ineffective
Adult Education State Grants	Results Not Demonstrated
Tech-Prep Education State Grants	Results Not Demonstrated

Department of Labor

Job Corps	Moderately Effective
Employment Service	Adequate
Workforce Investment Act - Adult Employment and Training	Adequate
Workforce Investment Act - Dislocated Worker Assistance	Adequate
Workforce Investment Act - Native American Programs	Adequate
Community Service Employment for Older Americans	Ineffective
Trade Adjustment Assistance	Ineffective
Workforce Investment Act - Migrant and Seasonal Farmworkers	Ineffective
Workforce Investment Act - Youth Activities	Ineffective
Job Training Apprenticeship	Results Not Demonstrated

The ratings raise a number of questions. For example, the Perkins Vocational Education program received a rating of “ineffective” despite the recent release of a several-year federal study, the [National Assessment of Vocational Education \(NAVE\)](#), which found that post-secondary vocational education programs have a substantial impact on earnings for adult students—that is, for the very students who would lose the most from canceling the Perkins program and transferring its funds to an academic “high school reform” effort. It is also notable that several of the programs targeted for elimination under this budget are not even labeled “ineffective” by the PART.

At a future date, TWA hopes to analyze some of these the PART assessments of workforce programs.

Department of Labor

WIA, ES, et al. consolidated into “Career Advancement Accounts”

For the past several years, DOL has sought to eliminate a number of Employment and Training Administration (ETA) programs—usually those connected to WIA and the ES—by combining them into a single block grant to states. With its FY07 budget request, DOL has developed yet another such block grant proposal, which would consolidate and then cut cumulative funding for the following programs:

- **WIA Adult**
- **WIA Dislocated Worker state grants**
- **WIA Dislocated Worker National Reserve** (as currently structured)
- **WIA Youth**
- **ES state grants**
- The “Workforce Information” portion of federal **One-Stop Career Center / Labor Market Information** funding, and
- The portion of the ES’s National Activities devoted to administering the **Work Opportunity Tax Credit / Welfare-to-Work Tax Credit**.

Current funding for these programs is cumulatively over \$3.9 billion in FY06. While contradictory figures have been released by DOL, TWA estimates the Department would cut this cumulative total by 13% (\$514 million), and then apportion the remaining dollars to a \$3.4 billion **“Career Advancement Accounts” block grant**.

CAAs are described as “training accounts” of up to \$3,000 that states would distribute to low-income, dislocated or incumbent workers to purchase training from an undefined list of training providers. DOL claims that the consolidation of the above-listed existing programs, along with new limits on administrative costs and the requirement that CAAs be used for training, will more than triple the number of people trained under the workforce system to 800,000 annually. Additional features of the CAA proposal include:

- Limits on How States Could Use Block Grants: States would be required to expend 75% of their block-grant allocation on CAAs; the other 25% could be used for administration (3%) or for the provision of other employment services, such as core services via the Employment Service or One-Stop Centers (22%).
- More Money Retained by DOL, Less Distributed by Formula to States: Approximately 7.5% of the CAA Block Grant would be retained as a new Dislocated Worker National Reserve, which would then be distributed at the Department’s discretion through National Emergency Grants, demonstration programs, etc. Funded at about \$256 million in FY07, this would represent a near \$100 million increase over the Reserve’s size in FY06 (\$158 million, if one does not count last year’s one-time \$125 million supplemental for Katrina/Rita relief). Conversely, the remaining CAA dollars that would go out by formula to states — approximately \$3.16 billion—would be \$537 million less (a nearly 15% cut) than states are receiving under existing WIA and ES formulae.
- CAAs vs. ITAs: Where state or local WIBs currently determine the amount and duration of Individual Training Accounts distributed to workers, CAAs would be federally defined with a mandated cap of \$3,000 per year. [According to a recent report by the GAO](#), only 8% of

Local Workforce Investment Boards currently cap their ITA's up to \$3,000; as such, most local systems would have to dramatically change how they issue training accounts under the CAA proposal. DOL states that workers who have received one CAA would have the option of applying for a second account for an additional \$3,000.

- CAAs vs. PRAs: While the \$3,000 Personal Reemployment Accounts (PRAs) previously proposed by the Administration (and rejected by Congress) were expected to cover a wide range of worker needs—e.g., training, childcare, transportation, income support upon entry into a job—CAAs can only be spent on training.
- CAAs vs. Pell Grants: In last year's budget request, the Administration proposed a new short-term student loan program for workers who wanted to enroll in occupational training at a local college but who could not qualify for Pell Grants because the courses were not part of a full-time degree program. The program was not authorized. This year, the Administration is promoting CAAs as the new means to fill this financial aid gap for shorter-term (less than 10 weeks) vocational education not currently fundable through Pell Grants.
- "Community Career Centers" vs. One-Stops: DOL has proposed that CAAs would be distributed through a new system of "Community Career Centers," which could include not only existing One-Stop Career Centers, but also other community-based or faith-based organizations, public libraries, private-sector partners, or on-line systems developed by states. This marks an explicit departure by DOL away from the promotion of the existing One-Stop infrastructure built over the past seven years through the investment of WIA dollars, and toward the type of virtual "no wrong door" One-Stop system discussed years ago before the decision was made to build the current One-Stop system.
- Eligible Training Providers: There would be no federally defined list of "Eligible Training Providers" to receive CAAs. States would determine those criteria.

While several of these proposals would seem to require new legislative language that does not exist either in current law, or in either of the pending House or Senate WIA reauthorization bills, ETA has stated that it believes this program can be implemented under "current authorizing statutes." This will no doubt be an issue of further debate if the CAA proposal seems to gain any momentum.

Other DOL Programs

DOL's FY07 budget request has significant effects on other Labor programs under ETA as well:

- **Community-Based Job Training Grants Initiative**: The Administration requests \$150 million (a 21% increase) to fund the Community-Based Job Training Initiative (CBJTI), otherwise popularly known as the President's "Community College Initiative." In each of the past two years (FY05 and FY06), DOL has requested \$250 million for the program, but has only received \$124 million annually from Congress—and this as a reallocation of dollars out of the Dislocated Worker National Reserve.
- **High-Growth Job Training Initiative**: DOL intends to continue the HGJTI in FY07 by using \$150 million in H-1B visa fees collected from employers. (These fees used to fund the H-1B Skills Training Grant Program which DOL allowed to expire in 2004.) DOL intends to

solicit proposals during FY07 in the industry sectors of advanced manufacturing, construction, energy and homeland security.

- **Migrant and Seasonal Farmworker program:** As it has for the past several years, DOL has targeted this program for elimination. Congress has rejected this request each time, funding the program at \$79 million in FY06.
- **Prisoner Re-Entry Initiative:** The DOL budget includes \$19.6 million as part of a proposed expansion of a three-agency (DOL, Housing and Urban Development, and Justice) \$60 million Prisoner Re-Entry Initiative first proposed by the President during his 2004 State of the Union Address. The initiative makes grants to faith- and community-based organizations to help reduce recidivism among individuals leaving prison through mentorship, job training, and other services.
- **Youthful Offender:** The Administration's budget would eliminate funding—approximately \$49.1 million in FY06—for the Youthful Offender program.
- **Job Corps:** Despite having proposed funding increases in the past, this year's budget proposes a cut of 4% (\$56 million) to the education and job training program for at-risk youth. Last December, Congress enacted a change in its Labor-HHS appropriations bill that moved Job Corps out of ETA's authority and into the Secretary of Labor's office. In its FY07 budget, ETA is seeking to move Job Corps back to its jurisdiction.
- **Youth Build:** The budget proposes to transfer the YouthBuild program from the Department of Housing and Urban Development to DOL, as recommended by the White House Task Force on Disadvantaged Youth. The program, which provides unemployed young people (age 16-24) with training and work experience combined with community service while building affordable housing for homeless and low-income families in their own neighborhood, would be funded at \$50 million under the DOL FY07 budget request.

For more information, DOL-ETA's budget briefing materials are available online at:

<http://www.dol.gov/sec/Budget2007/overview.htm#eta-programs> .

Department of Education

DOEd's FY07 request has a significant focus on high school reform, along with continuing efforts to improve access to the college specifically for high school students emerging from newly reformed and rigorous high school curricula. While in previous years the Administration had invoked "international competitiveness" to promote DOL efforts like the "Community College Initiative" or the "High-Growth Job Training Initiative," that language has now been focused almost exclusively on the promotion of new DOEd initiatives under the FY07 budget, including:

- \$380 million targeted for the development of "human talent" under the "**American Competitiveness Initiative**," to provide:
 - \$122 million (\$90 million in new money, plus \$32 million carry-over from 2006) to train 70,000 new High School Math and Science "Advanced Placement" and "International Baccalaureate" Teachers; and

- \$250 million to go toward new “Math Now” programs for elementary and middle school students
- The \$1.5 billion **“High School Reform”** initiative, which proposes to bring some of the No Child Left Behind standards and testing initiatives to the secondary school level—to be funded mainly by the ending of a number of other DOEd programs (including Perkins); and
- **New merit-based supplemental Pell Grant proposals** that came out of the recently passed budget reconciliation bill (the Deficit Reduction Act of 2005) and which would receive \$850 million in FY07 (and \$4.5 billion over five years) for:
 - “Academic Competitiveness” grants, which would go to Pell-eligible college freshmen (up to \$750) and sophomores (up to \$1,300) who have completed a “rigorous high school curriculum” presumably to be defined by DOEd, and who are majoring in mathematics, science, technology, engineering or critical foreign languages; and
 - National “Science and Mathematics Access to Retain Talent” (SMART) grants, which would go to Pell-eligible college sophomores and juniors (for up to \$4,000 / year) who maintained a 3.0 average in one of the above-listed majors and who are enrolled full-time at a degree-granting four-year institution.

As such, the Administration’s new investments in competitiveness are focused almost exclusively on future workers served under high school or high school-to-college programs under DOEd. While these are clearly worthy investments, workforce advocates are concerned that such new investments are being developed at the potential cost to vocational education programs that have been at least theoretically available to adult workers and non-traditional students. Also, given the merit-based nature of some of the new AC and SMART grants, financial aid advocates are concerned about the effort to expand Pell Grant assistance to lower-income students who are the most talented, as opposed to those who are the most in need.

Perkins Vocational and Technical Education

It is not coincidental that the \$1.5 billion price tag for the proposed High School Reform initiative is almost equivalent to the current funding level of the Perkins Vocational and Technical Education program (\$1.3 billion in FY06), which the FY07 proposes to zero-out. Indeed, the Perkins program—which funds both State Grants and TechPrep grants to support vocational training at our nation’s community colleges and high schools—is the largest Education program slated for elimination to pay for new initiatives like High School Reform.

This is the third year in a row that the Administration has attempted either to end or dramatically alter the Perkins program. In the two prior years, Congress rejected these proposals and fully funded the program (currently at \$1.3 billion for FY06). Both the House and Senate have passed Perkins reauthorization bills that are waiting to go to conference.

While TWA affirms the need to improve the academic connections between secondary and post-secondary education, we continue to be concerned about the Administration’s continued effort to divert investments away from vocational education in general—and specifically away from adults who have long been out of high school but are still in need of new occupational skills.

Adult Education and Family Literacy Act (WIA Title II)

The Administration has called for flat funding of **Adult Basic and Literacy Education State Grants** with a request of \$564 million, the same as current FY06 funding. In making the request, the Department acknowledged the need to help states meet “a significant and ongoing need for adult education services,” given the “high rate of high school dropouts and the growing numbers of adult immigrants” demanding those services.

Such an assessment is a significant departure from last year, when the Department had called for gutting state Adult Education programs by more than half (63%) because they had “limited impact or.. little or no evidence of effectiveness.” Last year, Congress rejected the Administration’s claims and funded the program at \$564 million, 4% less than its FY05 level.

For FY07, the Department is also requesting \$9 million for **National Leadership Activities**, and \$6.6 million for the **National Institute for Literacy**.

Higher Education Act (Pell Grants)

Coming on the heels of some [significant changes to HEA programs under the recently passed budget reconciliation bill](#) (the Deficit Reduction Act of 2005), the Department of Education requested \$12.7 billion in new money for the Pell Grant program in FY07. The request would represent a 2% reduction when compared to the \$13.0 billion that was enacted for FY06. However, due to a recent change in the budget-scoring rule for the Pell program, the Department adds to its FY07 \$12.7 billion request an anticipated \$273 million Pell surplus for FY06, thus bringing the “aid available” number in FY07 to \$12.99 billion (as compared to \$12.75 billion in FY06, once that surplus has been carried forward to the following year).

With this new scoring rule in place, the Department thus claims an increase in Pell funding for FY07, stating that an additional 60,000 students will get Pell over FY06 (to 5.27 million recipients vs. 5.21 million), and that the size of the average grant will increase slightly (to \$2,463 vs. \$2,445 in FY06). The size of the maximum Pell grant will stay the same at \$4,050. Advocates have noted that this marks the fifth year in a row that there has not been an increase in maximum grant—the longest duration in recent memory.

For more information on the Department of Education budget, please visit:

<http://www.ed.gov/about/overview/budget/budget07/index.html> .

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