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Issue: Workforce Development and Training
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MEMORANDUM FOR LEON PANETTA

FROM: Alice Rivlin, Laura Tyson, Carol Rasco

SUBJECT: Meeting on Strategy for Workforce Development Legislation

CC: Secretary Reich and Secretary Riley

THE SPECIFIC ISSUE. We ~~seek a meeting~~ would like to meet with you to get your advice and assistance in developing our floor strategy in each chamber and conference position on committee bills that seek to consolidate and streamline federal education and training programs for adults and youth. These bills may offer a rare opportunity to enact major principles of a new Presidential initiative, i.e., Skill Grants and One-Stop Career Centers for adults and School-to-Work systems for youth in the President's proposed G.I. Bill for America's Workers. Floor action could occur within the next week or two, but certainly before the August recess.

As outlined more fully below, however, the respective committee bills fall short, albeit on different counts: for example, Skill Grants are not required for adults in the Senate bill, while the House bill repeals School-to-Work "seed capital" grants entirely. As a result, the opportunity and the risks are great.

THE LARGER CONTEXT. Any floor and conference strategy to enact the President's basic principles in the final workforce development bill -- or to veto any bill that doesn't -- must also fit into our larger political strategy:

- to defend education as a Presidential budget priority;
- to limit the size of the tax cut and to target it on rewarding middle income families who invest in post-secondary education; and ,
- to ward off Republican attempts to gut the rest of the President's education initiatives (including repeal of Goals 2000 and School-to-Work; capping Direct Student Loans, Pell Grants and Head Start; either eliminating the Department of Education or merging it with the Department of Labor; and "blocking and cutting" most education and training programs with a 20-30% reduction).

G.I. BILL BACKGROUND. The President proposed to consolidate federal education and training programs for adults in order to put increased purchasing power and good information directly in the hands of adults so that they can make informed choices about how to get ahead in the changing economy. New Skill Grants for dislocated workers, expanded Pell Grants for the disadvantaged, more convenient and affordable Student Loans for all, and a new education tax deduction for moderate and middle income families would expand ~~the~~ purchasing power, while better information on the labor and education markets would be available conveniently through One Stop Career Centers to all individuals. With respect to youth programs, the President proposed consolidating federal vocational education programs to expand School-to-Work opportunities. The 1996 Budget increased the 1995 level of education & training appropriations by $1 billion to $14.2 billion (or by $.6 billion to $7.4 billion, when Pell Grants are accounted for separately as in the current House and Senate bills). The new budget proposed by the President confirms these levels.

On May 24th and June 21st, respectively, the House and Senate committees reported out their versions of education & training consolidation bills

- House. The Goodling-McKeon CAREERS bill (H.R. 1617) was reported by a largely bipartisan vote of 29-5. It consolidates over 90 programs into four State grants (youth, adult training, literacy, and vocational rehabilitation) with funding authorized at about 80% of the FY 1995 level. Skill Grants are generally required for adult training, and priority is given to disadvantaged and dislocated workers; youth programs are loosely organized around the school-to-work concept; the delivery system incorporates One-Stop Career centers. There are relatively strong accountability requirements (which the NGA opposed on a bipartisan basis).

  We agreed with the majority to underplay our support for the bill prior to floor action, fearing a strong endorsement could lend weight to Republican freshmen and Governors who are still working for a Zeliff substitute that would block grant all funds to the governors to do with as they please.

- Senate. The Workforce Development Act (S. 143, Kassebaum) was reported out by a near party line vote of 10-6, Senator Pell joining the Republicans. Compared to the House bill, which grouped block grants by target population, the Senate bill consolidates 91 programs into a single State block grant divided at the State level by function -- one-quarter of the funds is reserved for employment, another quarter for education, and half is for a flexible pot which the Governor may use for any mix of education or employment activities, including support for economic development activities broadly defined. Some features incorporate the principles, but not the specifics, of two aspects of the G.I. Bill: requiring One-Stop Career Centers for service delivery; continuing support for School-to-Work activities and "seed capital" grants.

  The overall authorization (15 % cut from 1995) is more generous than the House, but given the 50% flexible pot, it is almost certain the Senate bill would result in less spending on adult training -- for example, the bill requires no targeting on dislocated workers or low-income adults. In addition, it only authorizes, but does not require Skill Grants; devolves Job Corps to the States; and has an extremely limited federal role in accountability. Unlike the House, S. 143 does not require the Federal government to work with States in defining performance indicators.

The Senate bill raised a new issue: the combining of current responsibilities in Education and Labor for these related programs into some kind of jointly administered entity (details still being worked on), loosely analogous to the small, jointly run School-to-Work Opportunities Act.

Senate

Committee Democrats generally would like to support a bipartisan job training bill. In part, this is because they have many other issues in this committee to fight over (affirmative action, Davis-Bacon, OSHA, rolling back Goals 2000, the education budget); they want to be able to say "yes" to something.

MAJOR ISSUES. Changes are being made in both bills in preparation for floor action, but at this point, the House is much closer to the Administration's proposal and would be the one to be supported in Conference.

1. Skill Grants. The House, like the G.I. Bill, requires (with some exceptions) Skill Grants for adult training; the Senate authorizes them as only one means among others for purchasing job training services. Getting significant movement toward skill grants is critical to having a final bill with this central political and policy hallmark of the G.I. Bill proposal.

- Senator Kassebaum is strongly opposed to requiring skill grants, as are most Governors. We need to do something in the Senate to increase the chances of getting the preferred House language on Skill Grants. One possibility is working with Senator Kennedy, Senator Pell, Minority Leader Daschle, and sympathetic Republicans on changes to require Skill Grants only for dislocated workers. This is closer to the House and this population is seen as less "disadvantaged" and thus more capable of making its decisions on training. If successful, this approach also would assure some resources are used for dislocated worker training.

2. School-to-Work. About 30 States will have received these five-year grants by the end of this summer. Most of the remaining States would receive grants in FY 1996 under our budget. The issue in the House and Senate bills is how long after 1996 there will be an authorization for awarding new or continuing School-to-Work grants. The House authorizes the program through June 30, 1997; the Senate through June 30, 1998 (but from the 50% "flex account"). The Administration seeks it through 2001. Without such an authorization, the School-to-Work process in many States could be terminated in mid-stream.

- There is support from House Committee Democrats (Williams and Roemer) to insert language before floor action that would support continuations. Some Committee Republicans appear to be willing to support such language if offered by Democrats. However, majority Committee staff are strongly resisting such language. Committee Democrats plan to meet with Goodling soon on this matter.

- Our goal is to authorize full five-year grants to all States, by the 2001 current law sunset. Eventual compromises might center on limiting the number of continuation years but should aim for initial grants to every State. Initial grants are a 1996 appropriations issue.

3. Governance. The House retains a somewhat traditional federal oversight and plan approval process, but with Education overseeing the youth block grant that includes JTPA youth programs, and Labor overseeing the adult block grant.

The Senate places most programs under one block grant to Governors and with a radically different Federal governance structure. The current version of the bill transfers large groups of Labor and Education Federal staff (those associated with administering job training and employment activities and vocational and adult education activities) to a new entity called the "Federal Partnership." The Federal Partnership would be overseen by a "Governing Board" including business, labor, education representatives, and Governors. The Board would be under the authority of the two Secretaries, but the structure remains highly objectionable.

- It creates a new agency of about 1,100 employees, more or less outside the Cabinet, adding rather than reducing government complexity.

- By requiring two Secretaries to share management oversight and introducing a governing board with uncertain powers, it sharply reduces accountability and effective oversight and restricts the President's ability to manage and coordinate the activities of the Executive Branch.

- Putting funds under this Act into the Partnership splits workforce development functions from comparable activities administered within the two departments (e.g., employment service in the Partnership, unemployment insurance in DOL; formerly JTPA adult training funds in the Partnership, the greater adult resources in Pell grants and student loans in ED), making strategic planning and implementation vastly more difficult.

While Senator Kennedy supports maintaining ultimate authority for funding decisions in the two Secretaries, he is very sympathetic to some new management configuration for the interrelated programs of the two agencies.

The Senate proposal could readily become the basic building block for the merger of ED and Labor functions or the elimination of the Education Department entirely. Senator Kennedy states that he will not permit that, but we need an approach that satisfies Senator Kennedy's desire for a new governance vision, without leading to the Republican end game of no Education Department.

4. Reemployment System/Adult Training. A key Administration priority in the last Congress and in the G.I. Bill is to assure adequate resources are devoted to (1) developing the Reemployment/One-Stop system and (2) providing training for dislocated workers and low-income adults in that context.

- The House gives priority to dislocated workers under the adult system.

- The Senate bill could result in no dislocated workers being trained for new jobs. The Senate bill repeals TAA and NAFTA-TAA which target workers who lost their jobs because of international trade agreements, and it does not require the Governors to spend any money on job training for dislocated workers. It also provides Governors with the discretion to spend up to three-fourths of State funds on economic development and workforce education activities, which would divert more than one-half of current job training dollars to other activities.

We need to work to obtain the strongest core job search and training infrastructure, with sufficient authority to ensure support for our commitments to dislocated workers.

5. Money. The bills authorize spending levels $2 to 2.5 billion below the President's new budget plan for comparable programs in FY 1996. Our spending would increase annually in the outyears. Given the budget resolution, it seems unlikely that any significant authorization increases will be accepted in either body. The battle will begin with the FY 1996 appropriations, even though neither bill takes full effect until FY 1997; the 1996 level will set the base for future years.

- We will also fight in the appropriations process to implement the President's vision for putting additional adult training resources in the hands of individuals through our proposed major increases for Pell Grants.

- Funding for education and training is already a keystone in the President's statements on how his budget choices differentiate him from the Republicans. We need the debate on the workforce bill funding to be consistent with that line and to help develop the strongest positions for the negotiations late this year on final action, and for our FY 1997 budget strategy.

[DOL SUGGESTS DELETING "OTHER ISSUES" IF BREVITY NEEDED]

OTHER ISSUES

6. Youth Programs (Job Corps and Summer Jobs). Our proposal kept Job Corps separate and continued targeting of youth funds on the disadvantaged, but did not explicitly require a separate summer jobs program; that was before the rescission bill included summer jobs, after which we took a strong position in favor of the program. The Senate bill devolves Job Corps to the States, closes 25 of the 121 centers based on performance rankings, and would

not ensure targeting on at-risk youth during the year or in the summer. The House has no Job Corps changes and does not earmark summer youth jobs funds.

- Senator Kennedy appears willing to compromise with Kassebaum on Job Corps, granting Governors the right of first refusal to operate centers within their States, and closing some centers that are performing poorly. Kassebaum is adamant that Job Corps be devolved. We need a compromise on Job Corps for the Senate, hoping to drop it in Conference; we need to work with the House and the Senate on directing some youth funds toward summer jobs.

7. DOL National activities. The Senate provides little funding for Labor to respond to employment needs generated by major economic dislocations or natural disasters, for Education or Labor to conduct research and evaluation, and for training special groups such as Native Americans or migrants. DOL currently has almost $600 million for such purposes (half of which is for dislocated workers). The House authorizes these activities but at 60% of the 1995 funding level.

- Attempts to make more resources available for national activities failed in Senate mark-up; Senator Kassebaum apparently refuses to divert State funds back to the Federal level, believing Governors have the flexibility to fulfill this responsibility successfully with their block grant funds. An unstated assumption also may be that true natural disaster dislocations will be financed with emergency appropriations. We need to continue to work for this authority, primarily through demonstrating to Senators and to House members the benefits their States and districts have received and the unreality of expecting formula funds to Governors to be sufficient to provide such benefits in the future.

8. Vocational Rehabilitation. The House bill would change the traditional method of providing vocational services to disabled adults by incorporating vocational rehabilitation delivery into the One-Stop Career Centers. This raises concerns about the capacity of One-stops to provide the necessary specialized counseling and services. The Senate bill maintains the current system while building linkages to One-Stop Career Centers.

- House Committee Democrats attempted to remove this title from the bill, but were defeated by a strict party vote. Our efforts, and those of the disability community are centered on having Senate provisions prevail in Conference.

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MAJOR ISSUES IN HOUSE, SENATE, AND PRESIDENT'S JOB TRAINING PROPOSALS

ISSUE	PRESIDENT CLINTON'S G.I. BILL FOR AMERICA'S WORKERS	"CAREERS," H.R. 1617 (GOODLING)	"WORKFORCE DEVELOPMENT ACT," S. 143 (KASSEBAUM)
Skill Grants for adult training	Required. Major component of market-driven reform.	Required, with a few exceptions.	Authorized, but not required. States decide.
School-to-Work Act implementation grants and activities	Fully finances 5-year implementation grants to 4 State cohorts, localities, through 2001. Activities required as framework for reformed youth system.	Repeals Act on 6/30/97. No provision to continue existing grant funds. Puts FY 1996 grant funding at risk.	Repeals Act on 6/30/98, but States w/grants must continue implementing w/Governor's "flex" funds.
Governance	Retains traditional federal oversight, but as a "performance partnership," demands greater accountability in return for increased flexibility in program design and operation.	Traditional plan approval and federal oversight process, except ED assumes all youth oversight. DOL retains adult training grant oversight.	Radical change. Joint ED-DOL oversight in new "Federal Partnership" agency of 1,100 FTE transferred from both agencies.
One-Stop Reemployment System for disadvantaged and dislocated workers	Like School-to-Work, successive waves of federal grants to increasing numbers of States spur new system of One-Stop Career centers. Commitment to serve all dislocated workers who need help.	Requires One-Stop Career centers. Gives "priority" to dislocated workers.	Requires One-Stop Career centers, but no funding assured for dislocated workers. Governor could use 75% of allocation for non-training activities like economic development and education.
Authorizations	Part of President's budget strategy to "put people first" while balancing the budget. FY 1996 budget increases FY 1995's funding by $1B to $14.2 B in 1996.	Cuts FY 1995 funding by 20% for all programs in consolidated blocks.	Cuts FY 1995 funding by about 15%. ??

other
- Summer Youth
- Job Corps
- Voc Rehab