DOL 1995 OMB Budget Hearings

DATE: July 22, 1993
TO: Bill Galston, Kathi Way
FROM: Mike Schmidt
RE: OMB Pre-Hearing on 1995 Department of Labor Budget

This afternoon, I attended OMB's pre-hearing on the Department of Labor's 1995 budget. Two issues came up in the discussions at this meeting that I thought you might be interested in:

- OMB Budget Analysts were hungrily looking at the Department's $1.1 billion investment for Dislocated Worker Assistance as a prime source of possible future budget cuts. They argued that these programs are expensive to run and that the training that they fund does not work. Instead, they see job-search assistance as a more attractive and cost-effective alternative to training. OMB also argued that DOL has not yet resolved a number of program issues -- in effect, they are asking for a huge increase in a program that they are not yet sure how to run.

- In terms of the School-to-Work legislation, OMB said that, because of some <u>very recent</u> changes made to the language in the legislation, the initiative will now require programs to include 1-2 years of post-secondary education. These changes were made after the draft memo on this initiative from Reich and Reily to the President was circulated for comment. According to OMB, it seems to be the Department of Education that is pushing this change, with DOL reluctantly going along (I am sure that you know more about this than I do Bill, but I thought I would alert you to this change just in case). OMB is concerned that this change will be detrimental to those young people who do not want to go on to college after high-school.

I have attached some of the relevant handouts from this meeting. If either of you has any questions about any of this, I will be glad to go into more detail. Also, if you would like to have the full packet of OMB handouts, I would be happy to copy them for you.

DATE: August 2, 1993
TO: Carol Rasco
FROM: Mike Schmidt
RE: OMB Hearing on 1995 Department of Labor Budget

Last Thursday, I attended OMB's hearing on the Department of Labor's 1995 budget. I have attached the handouts from the meeting. I have also attached a copy of the pre-hearing memo that I sent Kathi Way and Bill Galston while you were in Arkansas. At the hearing, Secretary Reich discussed a number of issues, including:

- DOL divides its' mission into three parts: Helping to create **First Jobs** for young people; helping to create **New Jobs** for workers who have lost their jobs; and helping to create **Better Jobs** for all workers.

- In terms of **First Jobs**, DOL's main focus is its School-to-Work Opportunity/Apprenticeship initiative. This initiative includes providing skills standards and encouraging the expansion of vocational education opportunities. There are three important funding issues that need to be resolved under this initiative:

  -- While the President requested $135 million for this initiative, the House only approved $68 million -- Secretary Reich hopes for more funding from the Senate;

  -- The Administration must decide whether it wants final legislation for this initiative to contain a specific authorization of funds, or to call for funding "as needed" and leave it open-ended;

  -- In the current budget negotiations, the Senate approved $60 million in apprenticeship tax credits but the House dropped the provision entirely -- Secretary Reich feels that the credit needs to be at least $100 million for it to be effective.

- Also in the New Jobs category, DOL is proposing to build 50 new Jobs Corps centers by 2001. The Jobs Corps program is a well-run, fairly successful, politically popular program. The President requested $133 million for this activity -- so far, only $20 million has been put forward in the House.

- In terms of **New Jobs**, DOL hopes to re-focus current programs by stressing early intervention, rather than assistance after the fact. The two main initiatives for DOL in this area are the Dislocated Worker Assistance Investment (funded at $1.1 billion in the House), and the One-Stop Delivery Initiative, which hopes to integrate Unemployment Insurance, retraining, and re-employment assistance programs to create one-stop employment and training centers.

- The current Emergency Extended Unemployment Insurance authority will expire on October 2. Secretary Reich proposes that we use that October 2 decision date to announce reforms to the system currently being considered at DOL (one-stop shopping, dislocated worker assistance investment initiative, and other reforms).

- In terms of **Better Jobs**, three issues were highlighted:

  -- First, Secretary Reich warned that the Minimum Wage issue (raising the minimum wage) will likely bubble to the political surface in the near future. He feels that this issue will need to be resolved, especially after the Earned Income Tax Credit passes.

  -- Second, the Department will be introducing a Pension Benefit Guarantee Commission (PBGC) reform bill in September. The Secretary advised that we don't mention this until after reconciliation is over.

  -- Finally, the Department has created a new Office of the American Workplace, which will study high performance workplaces, benchmark best practices, and possibly set voluntary workplace standards.

Dept. of Labor Budget Pre-Hearing
7-22-93

- OMB Questioning Dislocated worker investment
  - expensive program
  - DOL doesn't know what to do or how to do yet
  - See it as a prime place to cut on investment

Summer Jobs & Dislocated Worker programs are 2 biggest investment areas

School-to-Work Transition Act
- change toward requiring program to include 1-2 years of post-secondary Education
- recent change
- mandate

(D) - Labor & Education Depts making changes after Pres Decision Memo circulated

Department of Labor

M & B

Pre-Review

July 22, 1993

Department of Labor

- The Department performs three major activities:

  Reich's focus

  - Grant and contract awards for job training and to assist labor market operations;
  - Benefit payments under four entitlement programs and pension guarantees; and

    undergoing redefinition

    - "reemployment insurance"
    - permitting workers to cash out UI benefits to start business
    - use UI funds to train dislocated worker
    - EEOC act expires on Oct 2 – will program need extension? How much? How long to continue EEOC extensions

    state 26 weeks
    extension 13 wks
    EEOC 15-20 wks
    based on economy/unemployment rate

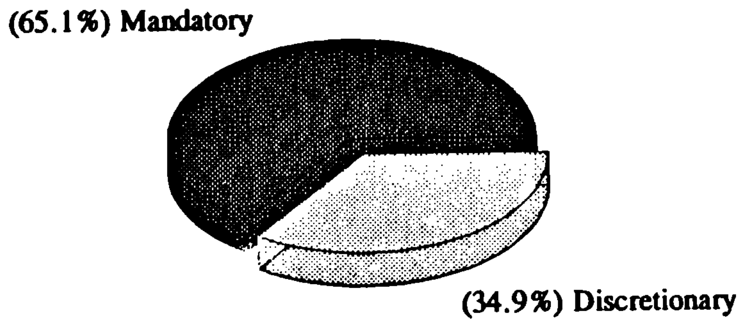
  - Workplace regulation.

    o This is a staff intensive activity.

    have not yet grappled with this issue fully

FY 1995 Mandatory/Discretionary Split

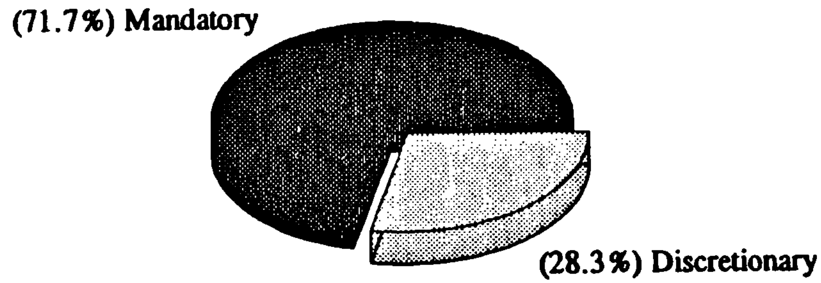
With Investments



Mandatory...........$24.8 Billion
Discretionary......$13.3 Billion

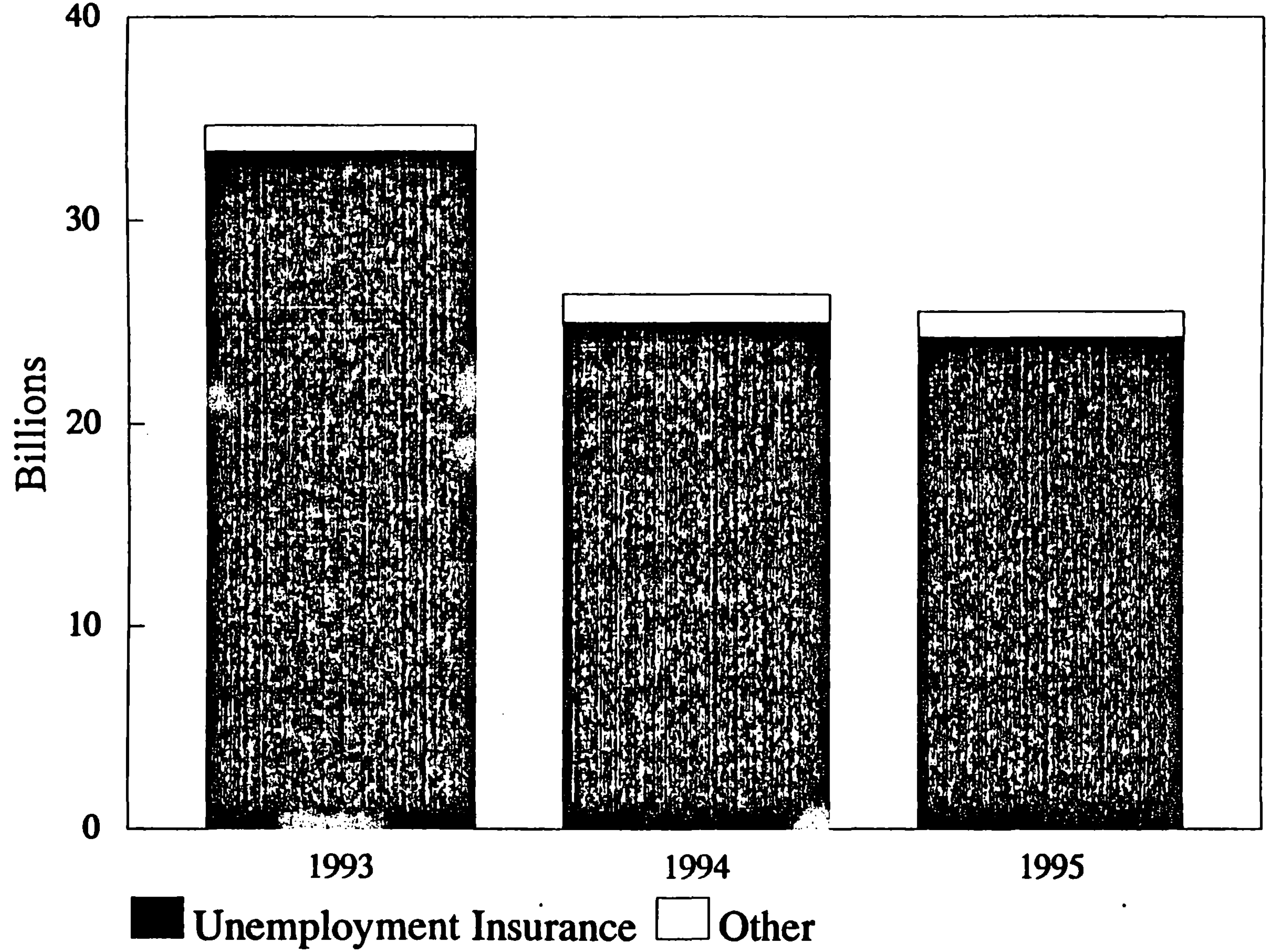
Note: Unemployment compensation accounts for about 98% of mandatory costs.

Without Investments



Mandatory........$24.8 Billion
Discretionary.....$ 9.8 Billion

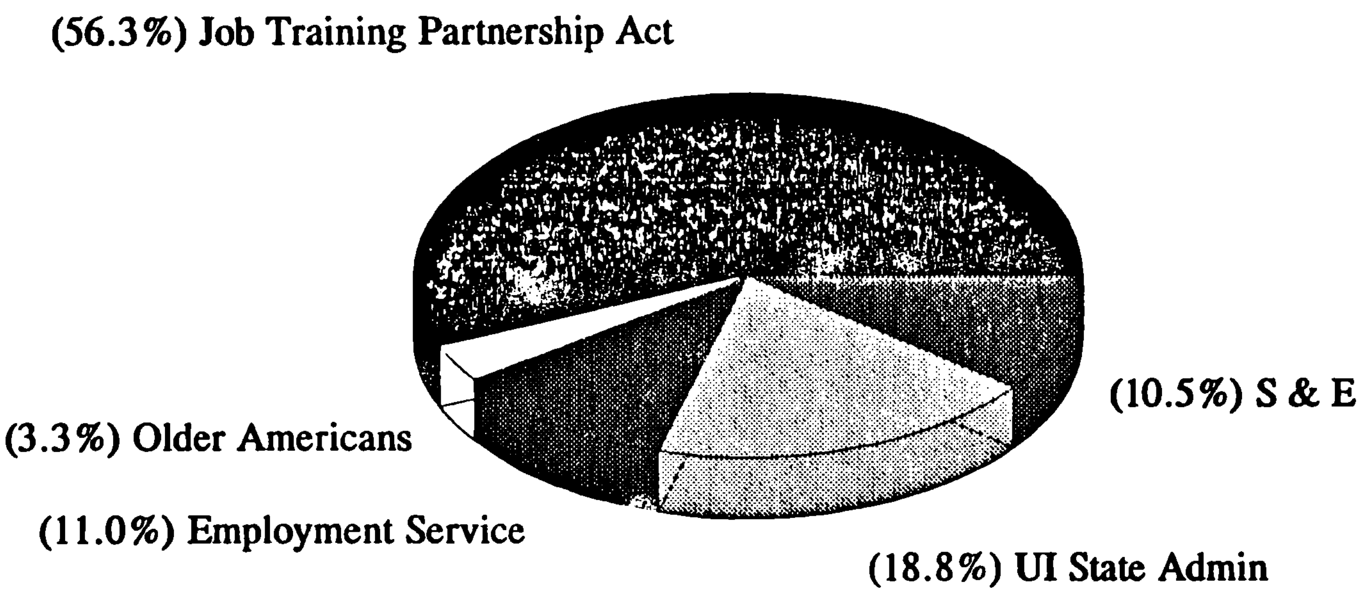
Major Mandatory Programs



FY 1995 Other Mandatory Programs		
Trade Adjustment Assistance	$56 million	- will ↑ to $100 million
Federal Workers Compensation	$222 million	
Black Lung Program	$1,022 million	

Unemployment Insurance	
FY 1995	$24 Billion
FY 1994	$25 Billion
FY 1993	$33 Billion

Discretionary BA by program (including investment)
FY 1995

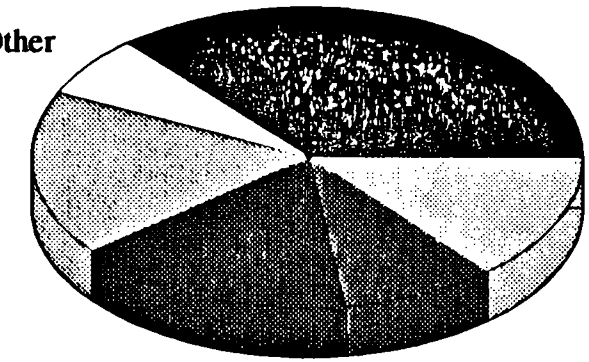


ETA => 80% of Budget Authority

Job Training Partnership Act	$7.5 Billion
Older Americans Employment	$0.4 Billion
Employment Service	$1.5 Billion
Unemployment Insurance Administration	$2.5 Billion
Salaries and Expenses	$1.4 Billion
TOTAL	$13.3 Billion

Job Training Partnership Act (JTPA)

FY 1995 BA (including investments)



- study of Summer Jobs program going on now
- next year, evaluation of program will take place

more evaluation needed

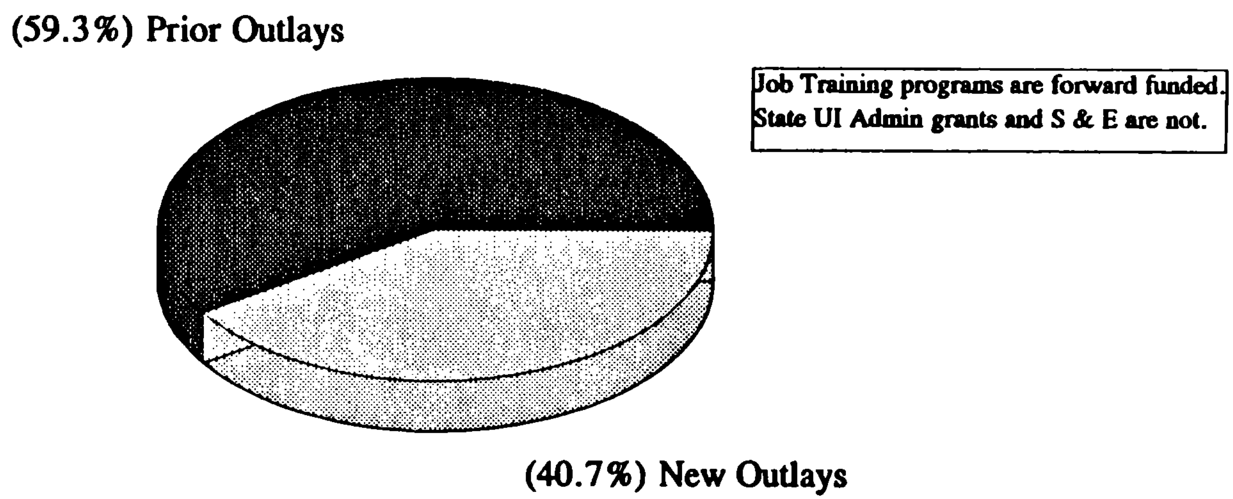
summer jobs → currently little long term effect
\ need link to education/skill building

($ in millions)

	BA	Investment (included)
Dislocated Workers	$2,734	$2,189
Summer Jobs	$1,331	$625
Job Corps	$1,237	$221
Adult Grants	$1,030	$0
Youth Grants	$687	$0
Other	$502	$250
TOTAL	$7,521	$3,285

Forward Funding

60 percent of FY 1995 Discretionary Outlays are from prior year authority.



Prior Outlays..........$6.9 Billion
New Outlays..........$4.7 Billion

Salaries and Expenses Primarily Pay for Regulatory Activity

undersec.
tom Glynn — all S&E agencies have been charged w/
- mission statement
- goals & strategic planning
- reinventing ideas

- The Department's regulatory agencies account for about 57 percent of its staff, but less than 10 percent of its discretionary budget.

- These agencies: — Congress rarely put staff cuts back after cuts in 80's

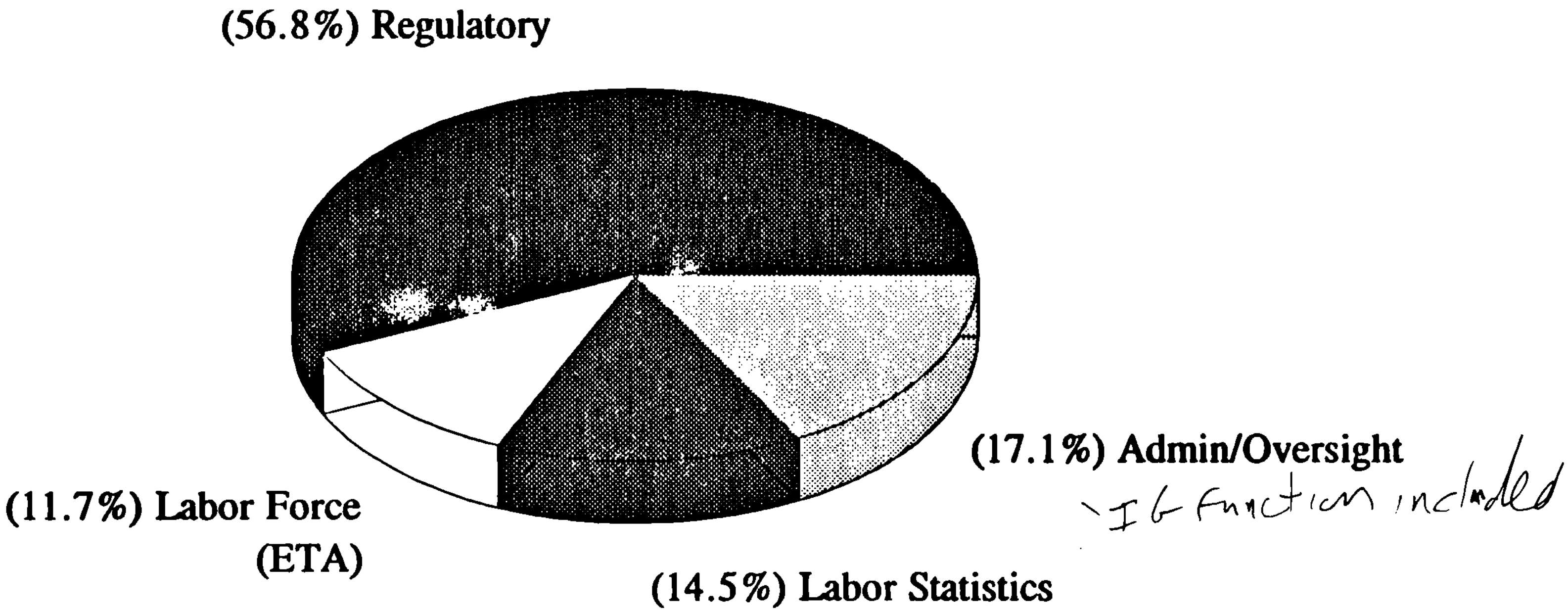
    - regulate workplace safety and health;
    - enforce wage-hour laws;
    - monitor pension funds' compliance with fiduciary standards;
    - monitor union financial activity; and,
    - guarantee certain pension benefits.

- Across-the-board or top down staff reductions usually have the effect of cutting program activity in regulatory agencies.

- Staff in DOL have been cut almost 23 percent (5,257 FTE) over the past 12 years.

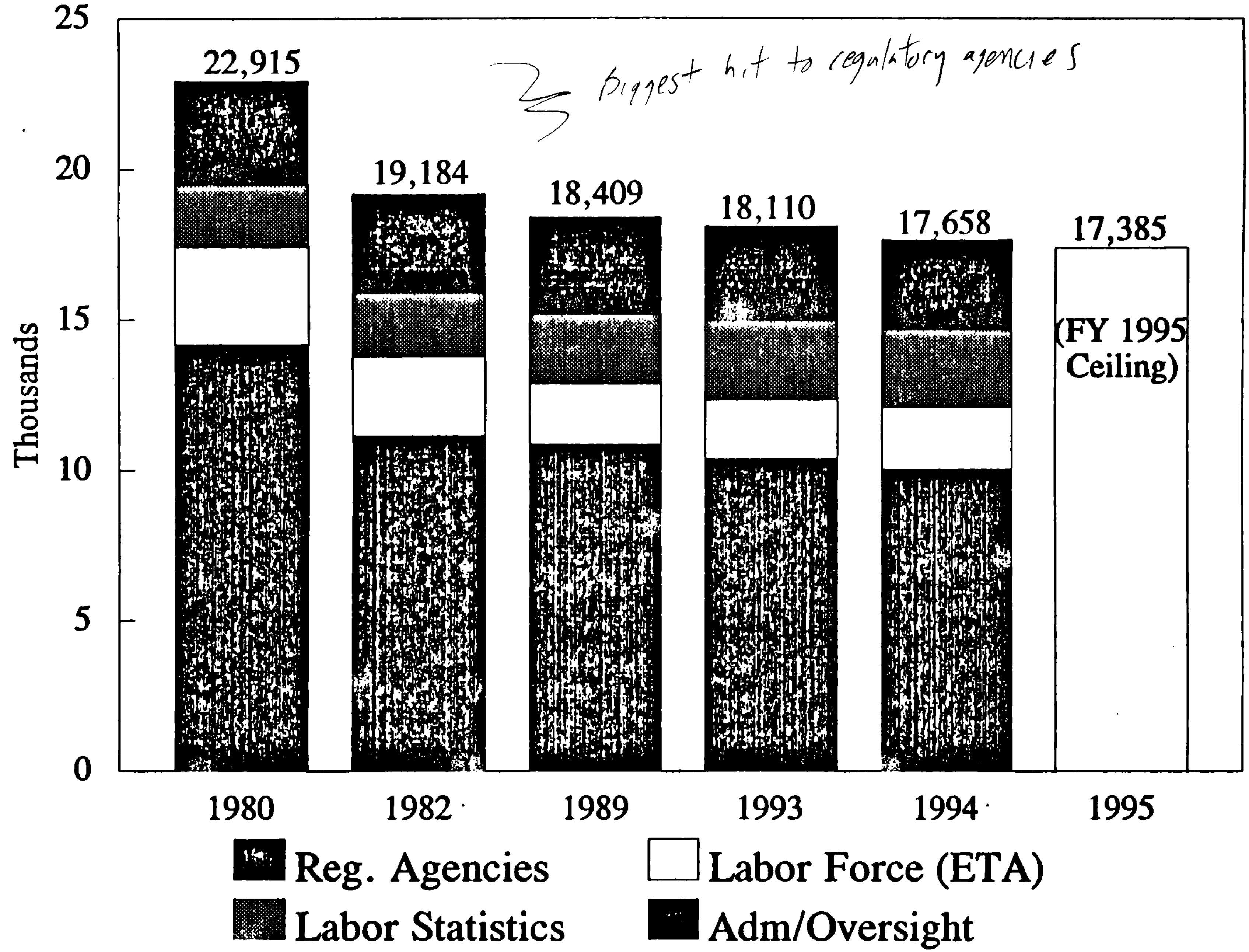
    - Regulatory agencies were reduced by almost 30 percent.
    - Only the BLS enjoyed staff increases over this period.

DOL FTE (FY 1994 Ceilings)



Regulatory	10,029 FTE
Labor Force	2,061 FTE
Labor Statistics	2,552 FTE
Admin/Oversight	3,016 FTE
TOTAL	17,658 FTE

Department Labor Staffing (FTE)



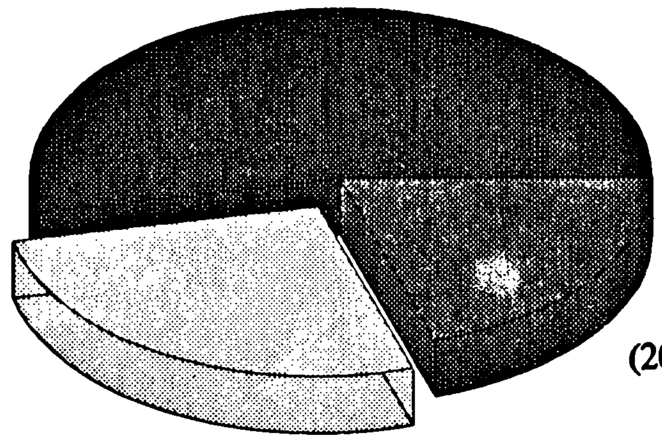
Investment Constraints

new
2nd largest investment overall
/ training
/ school-to-work
' largest
proportionately

- DOL has seven investment initiatives in 1995 totalling $3.6 Billion. As a result, almost half the domestic discretionary BA in DOL would be off limits to a 10 percent cut in non-investment activity.

- The four major programs remaining are:
  - Unemployment insurance administration ($2.5 B);
  - JTPA grants for low-income adults, youth, Indians and migrants ($2 B);
  - the Employment Service ($1.1 B); and,
  - Salaries and Expenses accounts ($1.5 B).

FY 1995 Non-investment and Investment BA

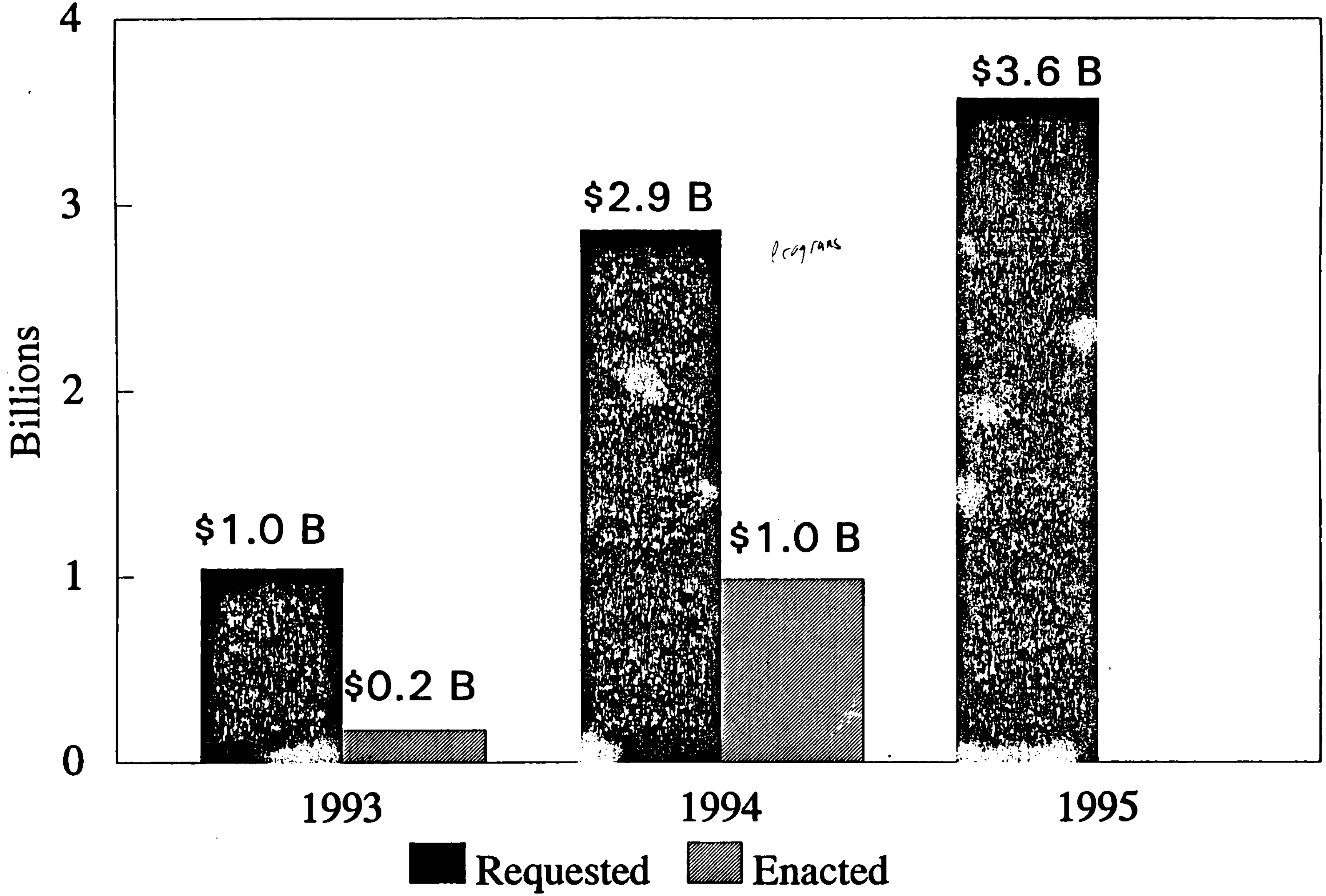


Non-investment	
Job Training Partnership Act (misc.)	$2.0 Billion
Employment Service	$1.1 Billion
Unemployment Insurance Admin	$2.5 Billion
S & E	$1.5 Billion
Total	$7.1 Billion

Investment	
Summer Jobs	$1.3 Billion
Dislocated Workers	$2.7 Billion
Job Corps	$1.2 Billion
Older Americans	$0.4 Billion
School-to-Work	$0.3 Billion
One-Stop Shopping	$0.3 Billion
Total	$6.2 Billion

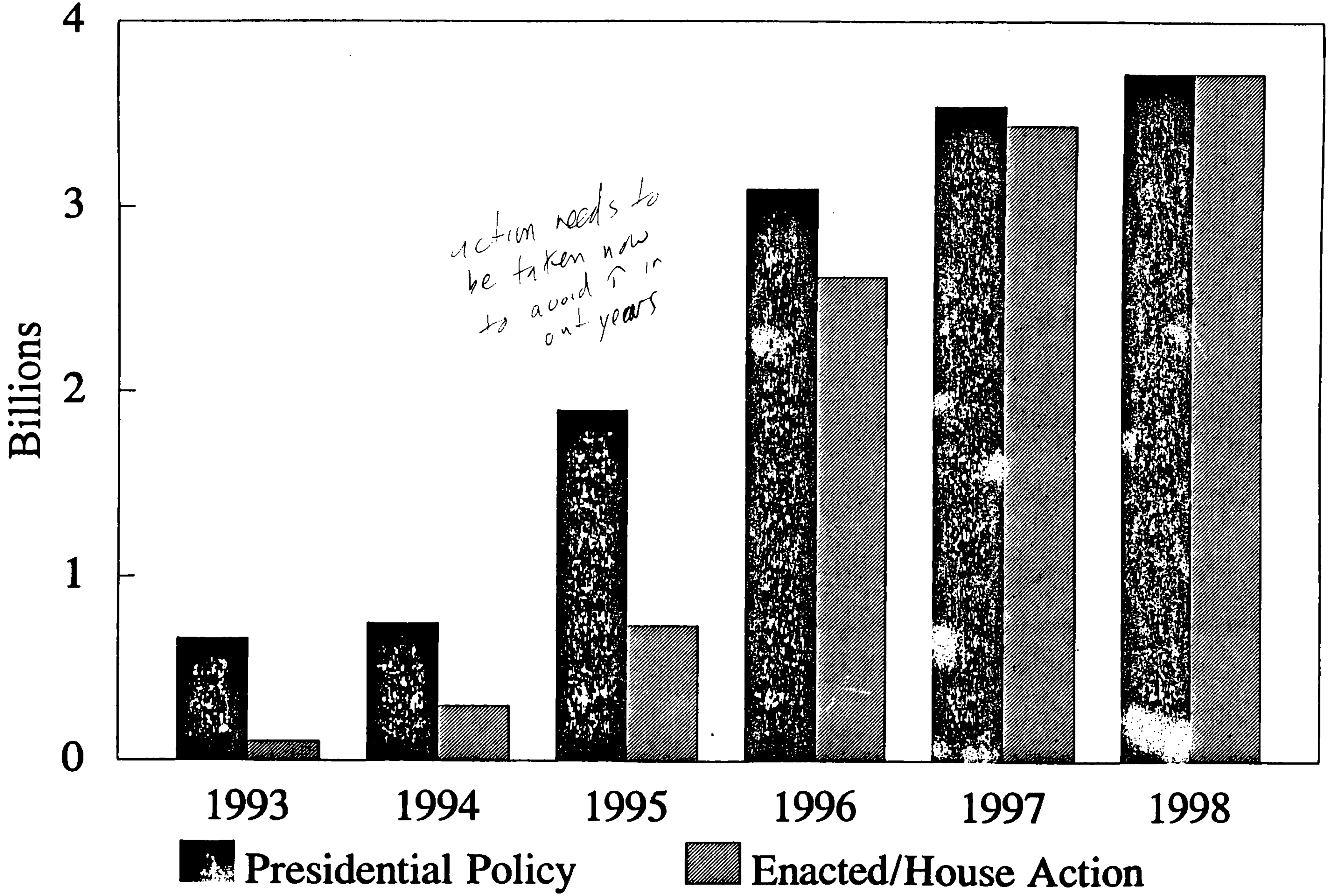
Congressional Action on Investments

Budget Authority



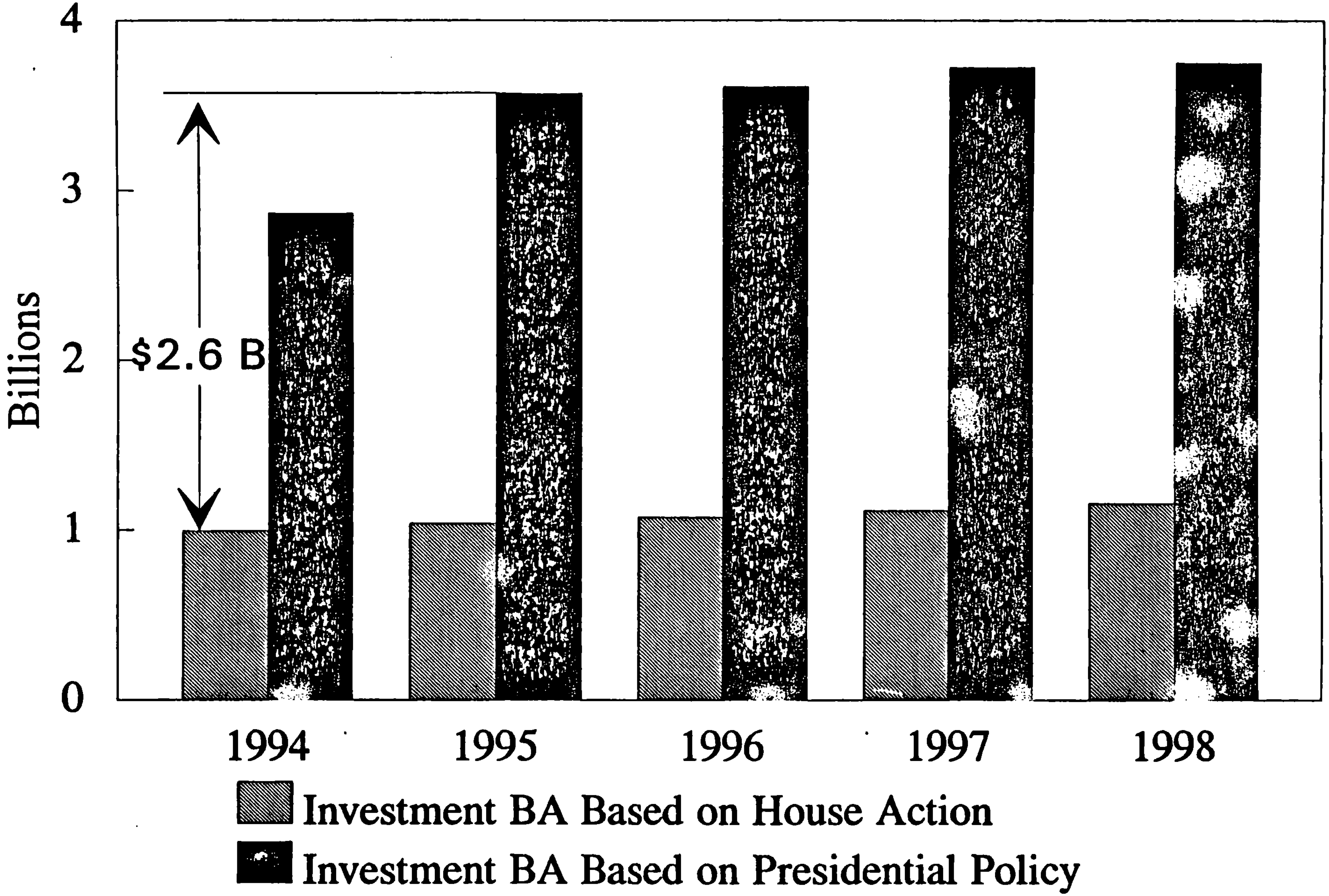
Effect of Congressional Action

Outlay Savings Lost if '95-98 Policy Continued



Investment Initiatives

BA Savings if House Action is Continued in Outyears



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DEPARTMENT OF LABOR
DISCRETIONARY SAVINGS SCENARIOS
($ in millions)

		FY 1993 Enacted	FY 1994 President's April Request	FY 1995 Current Policy Base	FY 1996 Current Policy Base	FY 1997 Current Policy Base	FY 199 Current Policy Base
Various Outlay Targets:							
BRD Proportional Discretionary Savings to Meet the Caps	BA	---	---	(1,130)	(865)	(582)	(1,21
	OL	---	---	(774)	(760)	(510)	(1,19
HOWEVER: Because programs are forward funded, BA required to achieve the BRD outlay is higher	BA	---	---	(1,759)			
	OL	---	---	(774)			
ALTERNATIVELY, a 10% Outlay Savings from Non-Investment Programs requires a 23 percent cut in non-investment BA	BA	---	---	(1,591)			
	OL	---	---	(700)			

DEPARTMENT OF LABOR
INVESTMENT PROGRAMS
($ in millions)

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Investment Initiative		FY 1994 President's April Request	FY 1994 House Action on Request	FY 1995 Current Policy Base	FY 1996 Current Policy Base	FY 1997 Current Policy Base	FY 1998 Current Policy Base
Dislocated Workers	BA	1,390	551	2,189	2,186	2,184	2,191
	OL	70	28	1,013	1,880	2,147	2,185
Summer Jobs	BA	1,000	300	625	625	625	625
	OL	248	198	540	625	625	625
School to Work Transition	BA	135	34	250	250	250	250
	OL	16	4	122	224	248	250
One-Stop Career Shopping	BA	150	43	250	250	250	250
	OL	30	9	170	250	250	250
Job Corps Expansion	BA	133	20	171	214	328	346
	OL	5	1	25	70	202	329
Job Corps Maintenance	BA	30	30	50	50	50	50
	OL	1	1	6	17	39	50
Older Americans Employment	BA	21	10	34	34	34	34
	OL	4	2	21	33	34	34
Worker Profiling	BA	9	9	0	0	0	0
	OL	9	9	0	0	0	0
DEPARTMENT TOTALS	BA	2,868	996	3,569	3,609	3,721	3,746
	OL	383	252	1,897	3,099	3,545	3,723

DEPARTMENT OF LABOR
EFFECT OF FY 1994 CONGRESSIONAL ACTION
($ in millions)

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Accont		FY 1993 Enacted	FY 1994 House Action	FY 1995 Current Policy Base	FY 1996 Current Policy Base	FY 1997 Current Policy Base	FY 1998 Current Policy Base
Stimulus/Investment Request							
	BA	1,046	2,867	3,569	3,609	3,721	3,746
	OL	668	753	1,904	3,100	3,545	3,723
What Congress Cut				due to forward funding			
	BA	(870)	(1,871)				
	OL	(557)	(453)	(1,167)	(477)	(105)	(5)
What the Administration Got							
	BA	176	996	3,569	3,609	3,721	3,746
	OL	111	300	737	2,623	3,440	3,718

NOTE: The 1995 outlay effect of the Congressional cuts (-$1,167 M) exceed the $774 M BRD outlay reduction target by $393 M.

Secretary Reich May Argue

- I've already met my targets for FY 1995 because:
  - The stimulus proposal wasn't enacted.
  - I gave at the office when the Administration <u>cut back on the FY 1994 investments</u>.
- I can't cut back more on investments. Urgent, systemic problems in labor force preparedness must be attacked.
- My non-investment programs are at a bare minimum. I intend to improve them.
- I need FTE relief for:
  - investment activity.
  - improvements in regulatory programs and labor statistics.

- unwilling to give on Dislocated worker program
- willing to give on Summer youth, because he knows Congress will give it back

Re-examining Investments

- Major FY 1995 outlay savings already have accrued due:

    - Administration decisions to reduce 1994 investments.
    - Likely Congressional action.

- Additional savings can be realized for <u>1996-98</u> if the investment proposals are revisited:

    - Summer Youth jobs financing
    - Dislocated Workers
    - Job Corps Expansion
    - One Stop Career Shopping
    - School-to-Work Transition
    - Older Americans employment

Dislocated Worker Assistance Investment

- Current programs:
  - Economic Dislocation and Worker Adjustment Assistance ($531 M);
  - Trade Adjustment Assistance (TAA) ($190 M)

- The House halved the Administration's $1.9 B request, enacting $1.1 B for FY 1994.

Re-examination — community college approach -- successful -- should be utilized

- Many program issues are unresolved. Fresh approaches should be considered.

- Costly, training-intensive programs should be **avoided.**

  - Most **displaced workers do not want or need training.** They want to get back to work.

  - **Training doesn't work.** Research shows that training for dislocated workers does not increase their earnings.

- Financing training through **loans-- instead of grants--** would promote consistency across programs and save billions annually.

- **Job search assistance should be** emphasized. Such a strategy:

  - appeals to experienced workers who are eager to return to work;

  - is the **most cost effective service** we can offer;

  - promotes learning on the job. Learning is most effective when it occurs in context.

DOL may be underestimating demand for program

School-to-Work ~~Transition~~ Apprenticeship Investment

Pres wants $100 million

Current situation

- House action reduced DOL and ED investment from $135 M each to $34 M each.

- Legislation to authorize a new program is in clearance.

- Policy baseline includes $250 million each for DOL and ED in each of the years 1995-98.

Re-examination

- Halving the investment would save $1B in BA and $775 M in outlays over four years.

- The Perkins Act **already provides more than $1 B annually** for State vocational education. Perkins funds should be redirected to support this initiative. - why not?

- **State ownership is critical.** The **federal role should be limited,** both in terms of funding and in fulfilling the DOL and ED vision of "venture capitalist."

- Federal funds must not support the permanent creation of just another specially treated group, leaving the majority of noncollege-bound students unaided.

I don't want to take on Perkins Act constituency in Congress

Job Corps Expansion Investment

pretty well-run program

Current Situation

- Proposal would add 50 new centers by 2001, increasing program capacity by about 50 percent.

- FY 1994 first phase build-up of $133 M reduced to $20 M by the House.

Re-examination

- Because of very long lead time, very little near-term outlay savings for BA cuts.

- Once a center is built, it will never be closed. This is a permanent investment with annually increasing costs.

- DOL could be asked to propose a less ambitious expansion schedule.

- DOL is launching a $16 M evaluation of Job Corps which could steer policy in a different direction.

long-term evaluation

should we slow ~~growth~~ down & wait for results?

One-Stop Career Sh pping Investment

legislation next year

<u>Current Situation</u>

- Objective is to help workers make better life-long career decisions by improving access to information on labor markets, quality of training providers, and eligibility requirements for targeted education/training programs.

stigma attached to ES

- NPR one-stop shop proposal potentially eliminates Employment Service.

possible loss of 17,000 state jobs

Labor concerned

- OMB/DOL/ED thinking on reforms to post-secondary education and training system relies on one-stop shops to provide a common entry point.

- Congress cut the 1994 investment from $150 M to $42 M.

<u>Re-examination</u>

- Policy baseline includes $250 M investment each year 1995-98; no programmatic basis.

- Scale-back option: focus initiative on automated information services.

- Issue to raise with DOL: what will happen to Employment Service?

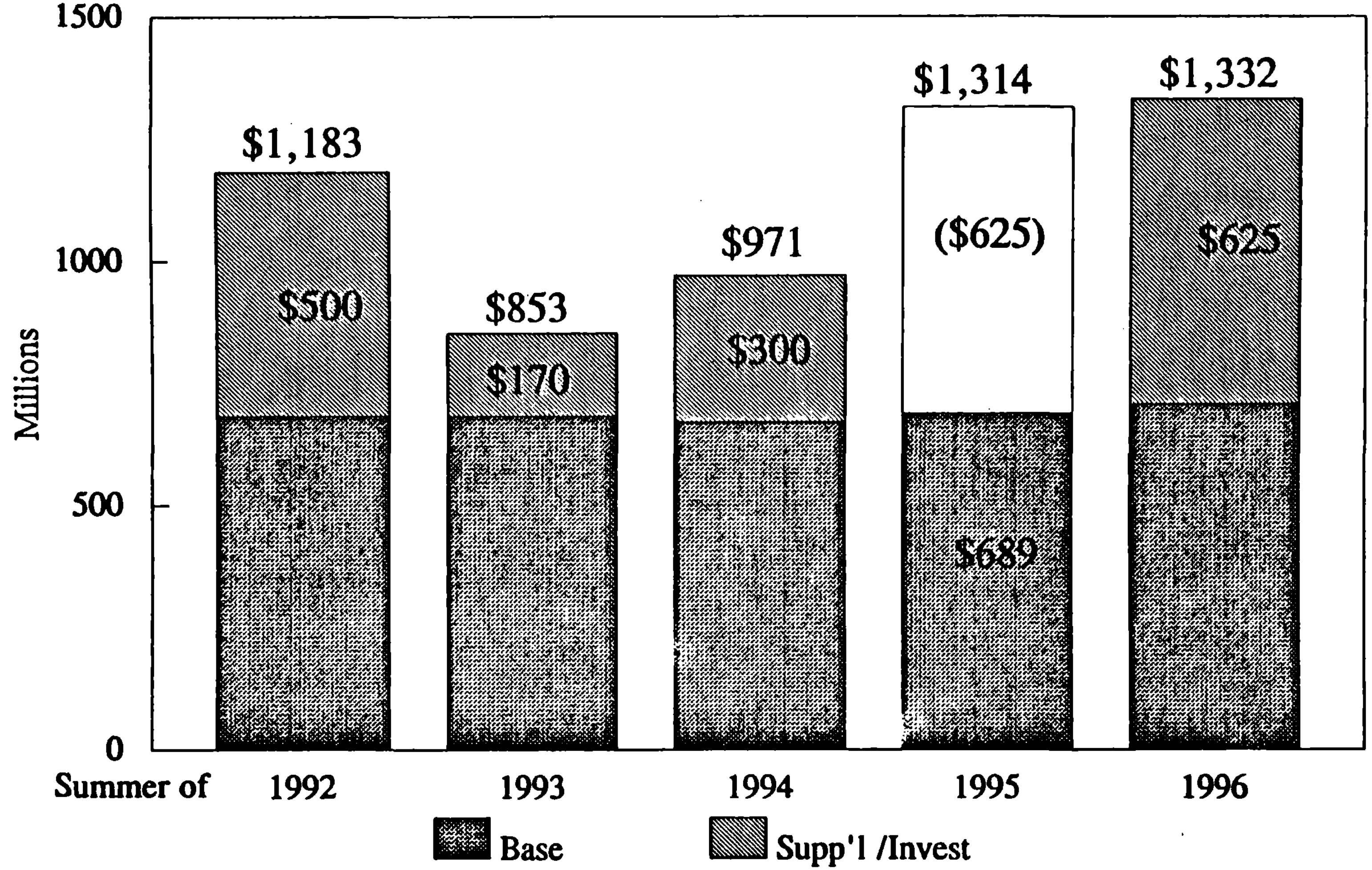
where would one-stop shops be located? in ES locations?

Summer Youth Employment Investment

- **This summer,** 692,000 total participants.
  - FY 1993's $170 M supplemental financed 114,000 additional job slots.
- **Summer of 1994**: The House financed 618,500 participants.
  - Administration's request would have supported 667,500 jobs.
  - House action provided a $300 M investment add-on, instead of the $375 M request.
- **Summer of 1995**: The House financed **just 435,800 participants.**
  - The Administration's $625 M **investment request was rejected.**
  - House action financed **380,300 fewer jobs** than the Administration request.
- **Summer of 1996:** FY 1995 policy would buy 831,800 jobs.
  - FY 1995 policy includes (1) $625 M investment; and (2) $707 M base.

Summer Youth Employment

(dollars in millions)



Note: BA is new BA available to finance jobs for the summer of the year indicated.

(dollars in millions)

		Base	Supp'l/ Invest	TOTAL
Summer of	1992	$683	$500	$1,183
	1993	$683	$170	$853
	1994	$671	$300	$971
	1995	$689	$0	$689
	1996	$707	$625	$1,332

Summer Youth Employment

	Summer of 1992	Summer of 1993	Summer of 1994 Request	Summer of 1994 House	Summer of 1995 Request	Summer of 1995 House	FY 1995 Options for Summer of 1996: (1) FY 1995 Policy	(2) 1995's Participants	(3) 1994's Participants
BA, $ Millions									
Base BA	683	683	671	671	689	689	707	697	707
Add-on	500	170	375	300	625	0	625	0	313
Total	1,183	853	1,046	971	1,314	689	1,332	697	1,020
Participants	790,700	692,000	667,500	618,500	816,100	435,800	831,800	435,800	618,500

Note: Shaded area represents FY 1994 Budget request.

Older Americans Employment Investment

Current Situation

- The stimulus and investment add-ons were last minute additions in response to requests from Senators Kennedy and Harkin.
- The stimulus was reduced from $32 M to $6 M; the investment from $21 M to $10 M.

Re-examination

- Despite strong bipartisan Congressional support, this is not a top priority program.
- Not proposing the 1995-98 investment would save:
    - $136 M in BA over four years and
    - $106 M in outlays.

Additional Savings Proposals

- The Following proposals recommend other changes to DOL programs.
- They are not easy to achieve and probably will be opposed by DOL.

LABOR DEPARTMENT
Summary of Savings Ideas
(dollars in millions)

Brief Description	1995 Policy BA	1995 Policy O		1995 BA	1995 O	1995-1998 BA	1995-1998 O	FTE
Convert Grants to Loans. Maximize ED and DOL training resources by making income-contingent direct loans to some lower income or dislocated workers. [NOTE: This issue is part of the OMB/ED/DOL M&B Review work on postsecondary training] Loans would be paid off with interest by recipients who successfully complete training and enter the workforce. Recipients who do not complete the program or do not get jobs that pay enough would have their loans written off after a period of years. Even assuming 25% of the funds are not repaid, the Federal funds would go much further through loans than under direct grants. E.g. $2 billion of what ED (Pell grants) and DOL (JTPA & Dislocated workers) have each year purchases training for about 1 million individuals. The same training bought with loans with a 25% subsidy would cost $500 million. For $1 billion in loans each year, therefore, we can save $1 billion, and double the number of people served in a more rational policy.			Savings:	1,000	160	4,000	3,040	

Estimated training funds:

1,700	JTPA Block Grant
1,350	Dislocated workers
1,700	Pell Grants
4,750	
(1,000)	Savings
(1,000)	Convert to Loans
2,750	Training for low income/high risk persons

LABOR DEPARTMENT
Summary of Savings Ideas
(dollars in millions)

Brief Description	1995 Policy BA	1995 Policy O		1995 BA	1995 O	1995-1998 BA	1995-1998 O	FTE
Do not extend the Targeted Jobs Tax Credit (TJTC). The TJTC provides employers a tax credit of 40% of the first $6,000 in wages paid to workers in legislatively designated groups considered hard to employ (e.g., economically disadvantaged youth, welfare recipients, ex-convicts). The Administration sought a permanent extension of TJTC and addition of "youth apprentices" as a targeted group in reconciliation. A similar concept is employed in the "Empowerment Zones" legislation. The House reconciliation bill permanently extends TJTC and adopts the "youth apprentice" expansion. The Senate extends TJTC for two years retroactive to June 30, 1992, without the "youth apprentice" provision. If the Senate provision prevails, the TJTC will be up for extension on June 30, 1994. Evidence is mixed to negative that TJTC accomplishes its goal of encouraging employers to seek out the targeted groups. It costs about $15 M a year in discretionary funds to administer and $200 - $400 M in tax expenditures.	16	16	Savings:	12	12	61	61	
			Amount remaining:	4	4	4	4	

LABOR DEPARTMENT
Summary of Savings Ideas
(dollars in millions)

Brief Description	1995 Policy BA	1995 Policy O		1995 BA	1995 O	1995-1998 BA	1995-1998 O	FTE
Increase the statutory match from 10 to 25 percent in the Community Service Employment for Older Americans program. Maintain participation at the 1994 Budget level of 66,000 job slots. Would be strongly opposed by interest groups such as the AARP, National Council on Aging, and the National Urban League.	411	402	Savings:	62	11	256	196	
			Amount remaining:	349	391	1,451	1,473	
Coordinate Job Corp's outreach, screening, and placement (OSP) activities with One-Stop Career centers. Currently, Job Corps contracts with SESAs, for-profits, and CBOs for such services at a cost of about $48 M annually. Proposal would shift less than half of OSP to One-Stops. Would be opposed by DOL, which wants to retain Job Corps' autonomy.	1,237	1,038	Savings:	20	2	80	62	
Contract out operation of the 30 Job Corps centers located on federal land. Currently, about 1,600 FTE in the Agriculture and Interior Depts. operate these Civilian Conservation Corps centers; operating costs are at least 11 percent higher than in the privately run centers. Would require an amendment to JTPA, which now prohibits such contracting.			Savings:	18	2	75	58	1,600

LABOR DEPARTMENT
Summary of Savings Ideas
(dollars in millions)

Brief Description	1995 Policy BA	1995 Policy O		1995 BA	1995 O	1995-1998 BA	1995-1998 O	FTE
Eliminate the Assistant Secretary for Veterans Employment and Training (ASVET). The DOL provides about $167 M annually to local Employment Service (ES) offices to provide services exclusively to veterans and to assure that other ES staff provide priority services to veterans. ASVET ($20 M and 276 FTE in FY 1994) also enforces the veterans re-employment rights act and finances the National Veterans Training Institute (NVTI) which trains Federal, state and local staff that deal with veterans. VETS staff in local ES offices may not serve the general public, yet they serve only 64 percent of veterans applying to the ES. Save about $100 M annually by eliminating the Local Veterans Employment Representatives in the ES who look over other people's shoulders to be sure veterans get priority services (retain the Disabled Veterans Outreach staff), transfer the veterans re-employment rights function to the Employment Standards Administration (which does other workplace enforcement), and eliminate the office of the ASVET and the NVTI.	190	190	Savings:	101	40	418	357	276
			Amount remaining:	90	150	371	431	

Politically, not a smart cut.

LABOR DEPARTMENT
Summary of Savings Ideas
(dollars in millions)

Brief Description	1995 Policy BA	1995 Policy O		1995 BA	1995 O	1995-1998 BA	1995-1998 O	FTE
Repeal 15 low priority, low impact programs included in the policy baseline. Each program has either interest group or Congressional support. None are large, several have outlived their purpose or duplicate programs in other agencies, several are earmarked add-ons to large grant programs.	62	20	Savings:	62	20	248	200	100
Eliminate the Office of Labor Management Standards (OLMS). The OLMS collects for public disclosure reports by unions on their finances and dealings, audits these reports, and also conducts contested union election re-runs. This activity supplements private rights -- employees are entitled to receive these reports from their union. DOL enforcement is permissive, and the IG, through the Office of Labor Racketeering, investigates union activity regularly. Retaining the public disclosure and supervised election re-run activity would require about 45-50 FTE. Eliminating the audit and investigation function would save about 322 FTE and $23 M annually.	26	26	Savings:	23	23	92	90	322
			Amounts remaining:	3	3	12	12	

LABOR DEPARTMENT
Summary of Savings Ideas
(dollars in millions)

Brief Description	1995 Policy BA	1995 Policy O	1995 BA	1995 O	1995-1998 BA	1995-1998 O	FTE
Eliminate Office of Federal Contract Compliance (OFCCP) function in DOL. Transfer Executive Order 11246 and other statutory authority to EEOC. Maintain the current complaint work load at EEOC (presently 15% of OFCCP's workload). Reduce compliance reviews by 50% by more effectively targeting known violators and problem industries. Combine remaining OFFCP field staff with EEOC. The new agency will have offices in 66 cites. After one time transfer costs, possible savings could be up to 40% of OFCCP's present $56 M budget "or" those savings could be used to fund higher priority complaint investigations currently in EEOC's case backlog. An NPR issue.							
Partial or total funding for the CPI revision could be taken from a present BLS program that produces surveys used by the Federal Pay Agent to set federal pay on a locality basis. This depends on what decisions the Pay Agent makes about future of locality pay program. No decisions have been made to date. The base funding for the locality pay program in FY 1993 is $22 M and 250 FTE.							

15 Low Priority Programs That Could Be Terminated
in the FY 1995 Budget

	($ in millions) 1995 BA
Veterans Job Training	9.0
Rural Concentrated Employment Programs	3.8
Homeless Job Training	12.5
American Samoan Job Training	4.0
JTPA Training and Technical Assistance	2.9
JTPA Labor Market Information	2.9
National Occupation Information Coordinating Committee (ED also finances)	5.4
Glass Ceiling Commission	0.7
National Center for the Workplace	0.7
Mine Safety State Grants	5.6
National Commission for Employment Policy	1.5
Team 21	1.5
Womens Bureau	8.0
President's Committee on Employment of People with Disabilities (Partial)	3.0
DOL Chief Economist's Office	0.5
TOTAL	62.0

FY 1995 ISSUES

Discretionary

- **CPI Revision:**
  The Consumer Price Index (CPI) is the principal source of information concerning trends in consumer prices and inflation in the United States. The CPI is used to adjust payments to social security recipients, federal and military retirees, and to recipients of entitlement programs such as food stamps and school lunches. It is also used to adjust individual income tax brackets and personal exemptions. A one percent change in the CPI results in a net change of $.6 billion in federal spending and revenues. The CPI is revised every ten years after the decennial census. Due to the lack of budget resources and tight FTE ceilings the revision has already been put off two years. The BLS current policy outyear numbers contain funds for the revision but BLS's FTE ceiling does not. If the revision starts in FY 1995, 25 FTE would be required. A maximum of 267 FTE will be need in FY 1998; all but 24 of those FTE will be gone by 2001.

- **Minimum Wage:**
  If federal program levels are to be maintained, a 10 cent raise in the minimum wage would increase direct federal spending by $45 million a year. The programs affected are Summer Youth Employment and older Americans employment in Labor and Federal Work-Study in Education.

- **OSHA Reform:**
  Representative Ford introduced the Comprehensive Occupational Safety and Health Reform Act (COSHRA) on March 10, 1993. COSHRA would require employers to establish health and safety programs and joint safety committees in the workplace to reduce hazards and prevent injuries and illnesses. Mr. Ford introduced a similar bill two years ago which was reported out of the House and Senate full committees but never came to the floor. OSHA estimated that last session's COSHRA bill would require OSHA to expend an additional $370 million and 3,053 FTE over the current FY 1993 appropriation.

- **Commission on the Future of W ker-Management Relations:**
  The "Dunlop" commission is scheduled to report in June, 1994. Recommendations are apt to increase government involvement in workplace relations, creating pressure for additional federal staff in DOL and elsewhere.

Mandatory

- **PBGC Reform:**
  An Administration task force is working on options to improve the solvency of the Pension Benefit Guaranty Corporation, secure its financial future, and reduce its contingent liability. The task force chose a strategy that relies mainly on requiring stiffer pension plan funding standards for underfunded plans. Higher pension contributions will result in revenue losses from increased business expense tax deductions. The task force may also recommend increasing PBGC premiums to offset the revenue loss. You should expect a briefing on task force recommendations around the end of July.

- **EUC Extension:**
  The EUC program provides additional weeks of benefits to those who have exhausted their regular unemployment insurance benefits. **The March 1993 extension of EUC expires on October 2, 1993**. EUC has been extended three times since it was first created in November 1991. Since the July 1992 extension, EUC has been funded out of general revenues; the March extension requires appropriations estimated at $6 billion over FY 93-94.

- **Reforms of the Extended Benefits (EB) Program:**
  The EB program is a permanent, stand-by program that provides 13 weeks of additional unemployment benefits in States with high and rising unemployment rates. The July 1992 extension of EUC created an optional EB trigger, based on a State's total unemployment rate, that would provide 13 or 20 additional weeks. The House reconciliation bill sought to encourage more States to adopt the optional trigger by increasing the Federal share of EB costs to 75 percent (from 50 percent). The Senate did not include this provision. DOL/OMB estimated the cost of this provision at $1.2 billion over 5 years.

  The rationale for increasing the EB match is to give Congress an excuse for not passing another extension of EUC when it expires. DOL projects that only 10 States would qualify for EB under the optional trigger when EUC expires in October. To date, only 1 State (Washington) of the 10 has adopted the trigger, and another (Texas) has explicitly rejected it.

The Advisory Council on Unemployment Compensation, created in the November 1991 EUC bill, is scheduled to report on eligibility for EB and trigger rates in its first report, due February 1, 1994. (The House reconciliation bill delays this report date to 1995.) Many in Congress believe it to be premature to make EB changes without first hearing from the Advisory Council.

- **FUTA Surtax:**
  The House reconciliation bill included a 2-year extension of the 0.2 percent FUTA surtax, which is due to expire in December 1996. The Senate did not include this provision. The Treasury revenue estimate is $2.1 billion for FY 97-98.

  It has been decided not to include the surtax extension in reconciliation. Secretary Reich, however, does have some interest in extending the surtax and using it for the Administration's comprehensive dislocated worker program, to fund income support for experienced workers while they complete training.

- **Other Unemployment Insurance (UI) Reforms:**
  Secretary Reich has recently spoken on the need to change the unemployment insurance system into a "reemployment" insurance system, with the suggestion that workers who have lost their jobs need more than just income support. Staff have not seen any specific proposals.

DEPARTMENT OF LABOR

WHAT IS THE DEPARTMENT DOING TO ADDRESS OIG CRITICISMS OF ITS ENFORCEMENT PROGRAM?

DOL administers several worker health and safety laws that include criminal penalties. The OIG has repeatedly expressed concern that DOL does not make sufficient use of criminal enforcement options and that it does not coordinate the criminal enforcement activities that are under its authority. The OIG has also reported that DOL has no standard framework for capturing and reporting data about criminal investigations.

HIGH RISK AREAS

CAN DOL PROVIDE SUFFICIENT DOCUMENTATION TO JUSTIFY REMOVING FROM OMB'S LIST THE THREE HIGH RISK AREAS DOL HAS TARGETED FOR REMOVAL IN 1993: STATE JOB TRAINING PARTNERSHIP ACT (JTPA) GRANT OPERATIONS, DOL EQUITY IN STATE EMPLOYMENT SECURITY AGENCY (SESA) REAL PROPERTY, AND DOL FINANCIAL SYSTEMS?

JTPA GRANT OPERATIONS: Problem: This is a summary of weaknesses related to inconsistent monitoring and implementation of JTPA systems and financial controls. Progress: The JTPA Act Amendments (signed in September 1992) addressed JTPA cost classification, procurement policy, on-the-job training processes, monitoring requirements, and program accountability. Interim final rules implementing the amendments went into effect on July 1, 1993 (final rules are expected by September 1993). Remaining Issue: Can DOL demonstrate that the amendments and regulations have been successfully implemented and have resolved JTPA weaknesses?

DOL EQUITY IN SESA REAL PROPERTY: Problem: DOL had not established adequate policies and controls to track and protect Federal equity in the estimated $1 billion (in fair market value) of real property purchased with Federal grants by SESAs. Progress: Draft guidance was published to State Grantees informing them of real property requirements, emphasizing the withdrawal of delegations of prior approval authority, and establishing accounting standards for rent vs. depreciation vs.

acquisition costs. Remaining Issues: When will guidance be finalized? Has staff monitoring been expanded as planned? Has monitoring determined whether States are following the guidance?

DOL FINANCIAL SYSTEMS: Problem: DOL financial systems and operations were inadequate and were not providing adequate and consistent financial information. Progress: While the most recent OIG financial audit cited substantial progress in the preparation of financial information related to administrative operations, continuing problems were cited in processing grant management and revenue information. DOL is in the process of installing a new grants management system in the Employment Training Administration this year. If successful this system will be expanded to all other bureaus. With regard to revenue systems DBL has shared responsibilities with Treasury and is making arrangements for information sharing on revenue activities. Remaining issue: Will the grant management system be implemented successfully and will mutual revenue information sharing be arranged with Treasury?

WHAT IS DOL DOING TO ACHIEVE REPEAL OF THE LIMITED SCOPE AUDIT PROVISION OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA)?

The audits of hundreds of billions of dollars in employee pension funds are weakened due to ERISA's limited scope provision. (This is a significant factor in the high risk area on inadequate pension oversight.) This provision exempts pension funds invested in federally regulated entities from the requirement for pension plan audits (audits contracted for by pension plans and performed by independent public accountants), on the assumption that these funds receive adequate audit coverage from other Federal agencies. However, a 1989 DOL OIG audit concluded that the Federal regulatory agencies audits had decreased in frequency and that, in some cases, such audits did not adequately consider ERISA requirements.

While a legislative proposal was submitted during FY 1992 to eliminate limited scope audits of pension plans, it did not progress in the last Congress. DOL has not resubmitted its proposal, although a similar proposal has been submitted by a member of Congress.

PENSION BENEFIT GUARANTY CORPORATION

What level of continued financial and technical support is being provided to PBGC to fix their financial systems? What type of assistance is necessary to recruit qualified managers to fill key positions? PBGC financial systems and related administrative support are seriously dysfunctional and have been cited in numerous GAO reports and are on OMB's high risk list. Millions of dollars of unidentified premiums are at risk of not being collected. Further, the actuarial liability for insurance programs is seriously understated and could have impacts on future budgets in the billions of dollars. PBGC has taken interim steps to identify uncollected premiums and to formulate statistically sound methods to improve the determination of the liability associated with insurance programs. $40 million of previously unidentified premiums were billed as a result of recent efforts. PBGC must install a new premium billing system, a new primary accounting system and statistically valid computation methods to support actuarial calculations. To effectively manage the implementation process additional qualified project managers are needed within PBGC.

SUMMARY OF FINANCIAL MANAGEMENT PERFORMANCE MEASURES

Program Area	FY 92 Gross BA and the Estimated % to be Audited (Billions) (a) (1)	(2)	FY 91 Audited F/S Unqualified Audits (3)	Material Weaknesses (4)	Timely Prompt Payments % with a Quality Control Program (5)		% of Payroll By EFT (6)	% Agency Locations Fully Reconciled (7)	Timely Posting of Inter-agency Charges - Avg. Posting Time (8)	Timely Reporting To Central Agencies (9)	Timely Travel Payments - Avg. Process Time (10)	Deliverables Measures To Be Developed (11)
Standards	N/A	(b)	All	None	95%	Good	90%	95%	30 Days	99%	15 Days	TBD
National Security and International Affairs												
Defense	$276.6	60%	0 of 7	26	92%	Planning	86%					
State	6.1	12%	0 of 1	2	76%	Planning	94%					
A.I.D.	3.4	44%	0 of 2	12	77%	Planning	97%					
Health												
HHS	628.0	51%	0 of 6	11	96%	Fair	85%					
Human Services												
Education	32.3	23%	0 of 1	3	95%	Planning	90%					
Labor	57.5	100%	0 of 2	7	85%	Planning	71%					
VA	40.3	100%	0 of 1	5	87%	Excellent	80%					
Economics and Government												
Commerce	4.4	1%	1 of 2	6	87%	Good	85%					
HUD	33.6	100%	1 of 3	12	90%	Planning	89%					
Justice	12.6	11%	3 of 5	7	84%	Planning	83%					
Transportation	40.1	51%	No audit	0	84%	Good	89%					
Treasury	318.0	4%	6 of 7	2	76%	Planning	75%					
FEMA	5.6	13%	0 of 2	2	91%	N/A	85%					
SBA	3.3	86%	0 of 1	4	93%	Fair	77%					
Natural Resources, Energy and Science												
Agriculture	90.7	100%	4 of 7	18	99%	Poor	71%					
Energy	26.2	21%	8 of 10	11	93%	Fair	83%					
Interior	10.5	40%	1 of 4	2	80%	Fair	75%					
EPA	7.1	26%	No audit	0	97%	Poor	87%					
NASA	15.3	100%	No audit	0	97%	Poor	90%					
NRC	0.5	99%	No audit	0	N/A	N/A	93%					
NSF	2.7	1%	1 of 1	2	N/A	N/A	90%					
General Management												
GSA	8.9	100%	1 of 1	0	96%	Excellent	77%					
OPM	72.0	73%	0 of 3	3	66%	Planning	76%					
Total Gross BA	$1,015.9	51%										

Columns (7) through (10) are new performance measures that were identified for this program. OMB has not yet collected base data for these measures. A pilot data submission based on the quarter ending June 30, 1993 is planned for August 1993.

DRAFT

= Organization is meeting the Controller's performance standards.

(a) See Endnotes, Methods of Calculation
(b) See Note 2, Methods of Calculation

Controller's Performance Measures

DRAFT

Methods of Calculation

(1) Fiscal year 1992 gross budget authority. Source: OMB Budget Review and Concepts Division. Updated annually.

(2) The estimated percentage of gross budget authority for which audited financial statements will be obtained. Source: The Budget of the United States Government, Fiscal Year 1994. The standard is the percentage of budget authority, in the form of commercial activities, trust funds, revolving funds, or entire agencies, requiring audit under the CFOs Act, as shown in Column (3) of Attachment A. Updated annually. NOTE: Budget authority may not fully describe the significant elements of agency operations subject to audit under the CFOs Act. For example, the CFOs Act requires the audit of 1) significant revenues collected by Treasury, 2) loan portfolios managed by HUD, 3) properties held by GSA, and 4) trust fund assets managed by SSA, OPM, Transportation and Labor.

(3) Measures the number of unqualified audit opinions out of the total FY 1991 audits performed as required by the Chief Financial Officer's Act of 1990 (CFO Act). Updated annually.

(4) Measures the number of remaining unresolved material weaknesses identified in FY 1991 CFO Act audits. Updated quarterly.

(5) The percentage of FY 1992 commercial payments made in compliance with the Prompt Payment Act as verified by an agency quality control system. Updated quarterly.

(6) The percentage of employees paid by Electronic Funds Transfer (EFT) as of May 1993. Updated quarterly.

(7) The percentage of Agency Location Codes (ALCs) fully reconciled, i.e. reconciling to a zero balance in the following Budget Clearing Accounts:

- F3878 Budget Clearing Account - Collections;
- F3879 Budget Clearing Account - Disbursements.

Controller's Performance Measures
Methods of Calculation (continued)

(8) The average number of days from receipt of inter-agency transactions to the post date in the accounting system. Updated quarterly. Agencies bill each other for services by using an on-line system known as 'OPAC'. A typical transaction works as follows:

Agency A bills agency B for services through OPAC and collects money from Agency B's appropriation. Agency B logs in to OPAC and notes that money has been disbursed from their account to Agency A; Agency B does not know why the money was disbursed or the specific appropriation affected. This is the date of receipt of transaction. Agency A sends documentation to Agency B providing details about the transaction - what appropriation was affected and why. With this information, Agency B can now post the transaction in their accounting system.

The objective is to minimize the time period between the transaction and the post date; effective financial management requires that agencies have current and accurate status of funds.

(9) The percentage of required reports due to Treasury and OMB submitted on time. Updated quarterly. The designated reports requiring timely submission are:

- SF133 Report on Budget Execution (monthly);
- SF224 Statement of Transactions (monthly);
- SF225 Report on Obligations (quarterly);
- SF2108 Year-end Closing Statement (annual);
- SF220-8 Direct and Guaranteed Loans Reported By Agency and Program Due From the Public (quarterly);
- SF220-9 Report on Accounts and Loans Receivable Due From the Public (quarterly/annually).

NOTE: While the timely submission of required reports constitutes the performance measure, the submission of reports that are accurate is considered essential, and agencies should do nothing to compromise accuracy for the sake of timeliness.

(10) The average number of days from receipt of travel vouchers by the payment office to the date of payment. Updated quarterly.

(11) Due to the diversity and complexity of programs for which collecting receivables is a major financial management function, OFFM has initiated an effort with the agencies to identify meaningful measures and standards.

Attachment A

Executive Agencies
Estimates of Fiscal Year 1992 Actual Budget Authority (BA) Covered by Audited Financial Statements

(GROSS BA IN BILLIONS OF DOLLARS)

DRAFT

	Agency Budget Authority (1)	Agency BA and the % Requiring Audit by CFOs Act (2)	(3)	Agency BA for Which Audited Financial Statements Will Be Obtained (4)	(5)	% of BA Requiring Audit that was Audited (6)
Agriculture	$90.7	$90.7	100 %	$90.7	100 %	100 %
Commerce	4.4	2.6	58	0.04	1	1
Defense	376.6	241.8	64	241.1	60	100
Education	32.3	7.4	23	7.4	23	100
Energy	26.2	5.4	21	5.4	21	100
Health and Human Services	628.0	474.7	76	321.7	51	68
Housing and Urban Development	33.6	33.6	100	33.6	100	100
Interior	10.5	10.5	100	4.2	40	40
Justice	12.6	1.4	11	1.4	11	100
Labor	57.5	57.5	100	57.5	100	100
State	6.1	3.9	63	0.7	12	18
Transportation	40.1	26.4	66	20.5	51	78
Treasury	338.0	13.7	4	13.4	4	98
Veterans Affairs	40.3	40.3	100	40.3	100	100
Agency for International Development	3.4	1.5	44	1.5	44	100
Environmental Protection Agency	7.1	1.9	26	1.9	26	100
Federal Emergency Management Agency	5.6	0.7	13	0.7	13	100
General Services Administration	8.9	8.9	100	8.9	100	100
National Aeronautics and Space Administration	15.3	15.3	100	15.3	100	100
National Science Foundation	2.7	0.02	1	0.02	1	100
Nuclear Regulatory Commission	0.5	0.5	99	0.5	99	100
Office of Personnel Management	72.0	52.9	73	52.9	73	100
Small Business Administration	3.3	2.9	86	2.9	86	100
	$1,815.9	$1,094.4	60 %	$922.7	51 %	84 %

Source: Budget of the United States Government - Fiscal Year 1994

1. FIRST JOBS for young people

need to resolve Funding issue soon

*TJTC - not effective w/teenagers
*JTPA (II)
✓Job Corps
Youth Fair Chance
Summer Jobs (enriched)
Wage subsidies in empowerment zones

initiative School-to-Work Opportunity - $68 million house, hope for more in senate
Skills Standards - specific authorization or funds "as needed"
Vocational Education - apprenticeship tax credit - approved in senate, gone in House
- now 60 million -- need 100 million

2. NEW JOBS for workers who have lost their jobs

WARN in advance of shut-down
Early intervention
Unemployment insurance
Extended (and Emergency extended) Unemployment insurance - Oct 2 decision - use to announce reforms
Profiling (identifying long-term unemployed)
One-stop Delivery - integrate UI, retraining, reemployment assistance
~~Long-term training and income~~ support (now EDWAA, Title III)
- congressional support for ↑ this program (28 now)

3. BETTER JOBS

A) Making work pay
~~Earned income~~ tax credit
Minimum wage - this issue will bubble to the political surface soon -- need to resolve, especially after EITC passes
Welfare reform--child care, etc.

B) Minimal workplace standards
Hours, child labor
Family and medical leave for emergencies
Safety and health at the workplace (OSHA, MSHA) - in effect Aug 5

C) Retirement security
Pensions
PBGC - Reform Bill in September introduced by Labor -- don't mention until reconciliation over
~~Social~~ Security

D) Workplace organization
Commission on the future of worker-management relations - report back this spring - improve cooperation, reduce litigation
1.5 percent training fee
~~Benchmarking of best practices~~ - set standards

✓ = highest payoff
\# = needs work

→ challenged to do on voluntary basis?
- if no improvement, threatened regulation?
- OMB not enthusiastic about training fee

Investment community is enthusiastic about this

OMB - DOL Budget Hearing 7-29

→ CIM
→ SCANS competencies

- Immigration
- want the word traditional [illegible],
but some laws are ridiculous under high-unemployment
i.e. - need cap on high-tech workers allowed to
enter under critical need law.
(companies lay Americans off, hire foreign
computer specialists)

OMB Raised Issues

- Procurement reform: - streamline process
by limiting # of exemptions granted
(must follow Civil Rights concerns)

United States Department of Labor

Shaping a Management, Program and Budget Agenda for FY 1995

A Fresh Approach

July 29, 1993

DOL Mission

- First Jobs
- Better Jobs
- New Jobs

Table 1

DOL Strategy

- First Jobs
  - Summer Youth
  - Job Corps
  - School to Work Skill standards
- Better Jobs
  - Enforcement Initiatives
  - New American Work Place
- New Jobs
  - One Stop Career Center
  - Displaced Worker

Table 2

Tom Glynn

DOL Reinvention

Targets of Opportunity

point of entry for Employment service, UI
- assessment
- job search
- referral center for fed, state training sources

- savings • One-Stop Employment and Training Centers
- savings • Workers' Compensation
  $1.7 billion program
  - close cases, get people re-employed
  - problem - need staff -- short-term FTE?
- • DOL as Pilot for Performance Based Budgeting
- • Report Reduction and Use of Automation
- • Initiatives to Make Front Line DOL Workers More Productive
- • OSHA Reform / Targeted Enforcement
  - firms hire auditors themselves, DOL sets standards
  - companies w/good record visited less often
  - users fee for consultation services
- • Unemployment Compensation
- savings • Post Secondary Training -- Belle Sawhill
  - student loans
  - one-stop shop
  - common processes along JTPA lines -
- • DOL Unions Involvement in Reinvention

Table 3

DOL Reinvention
Savings (Quick Hits)

# of Action	Reinvention Action	LEAD	Appropriation Impacted	$$$$($1000's)	FTE
1	Close Executive Dining Room	SEC	Departmental Management	98	2
2	Reduce Executive Motor Pool	SEC	Departmental Management	69	2
3	Eliminate First Class Travel by Executives	SEC	Departmental Management	25	0
4	Eliminate 8 of 13 Non-Statutory Advisory Committees	SEC	Several	964	0
5	Merge DOL Academy and Personnel Management Organizations	OASAM	Departmental Management	250	2
6	Eliminate One-Third of Reports	OASAM	All	Pending	
7	Require Use of Credit Cards Rather than Purchase Orders	OASAM	All	100	1
8	Automate Administrative Forms/Timekeeping	OASAM	All	Pending	

Table 4

Discretionary Program Real Outlays

(Adjusted for Inflation)

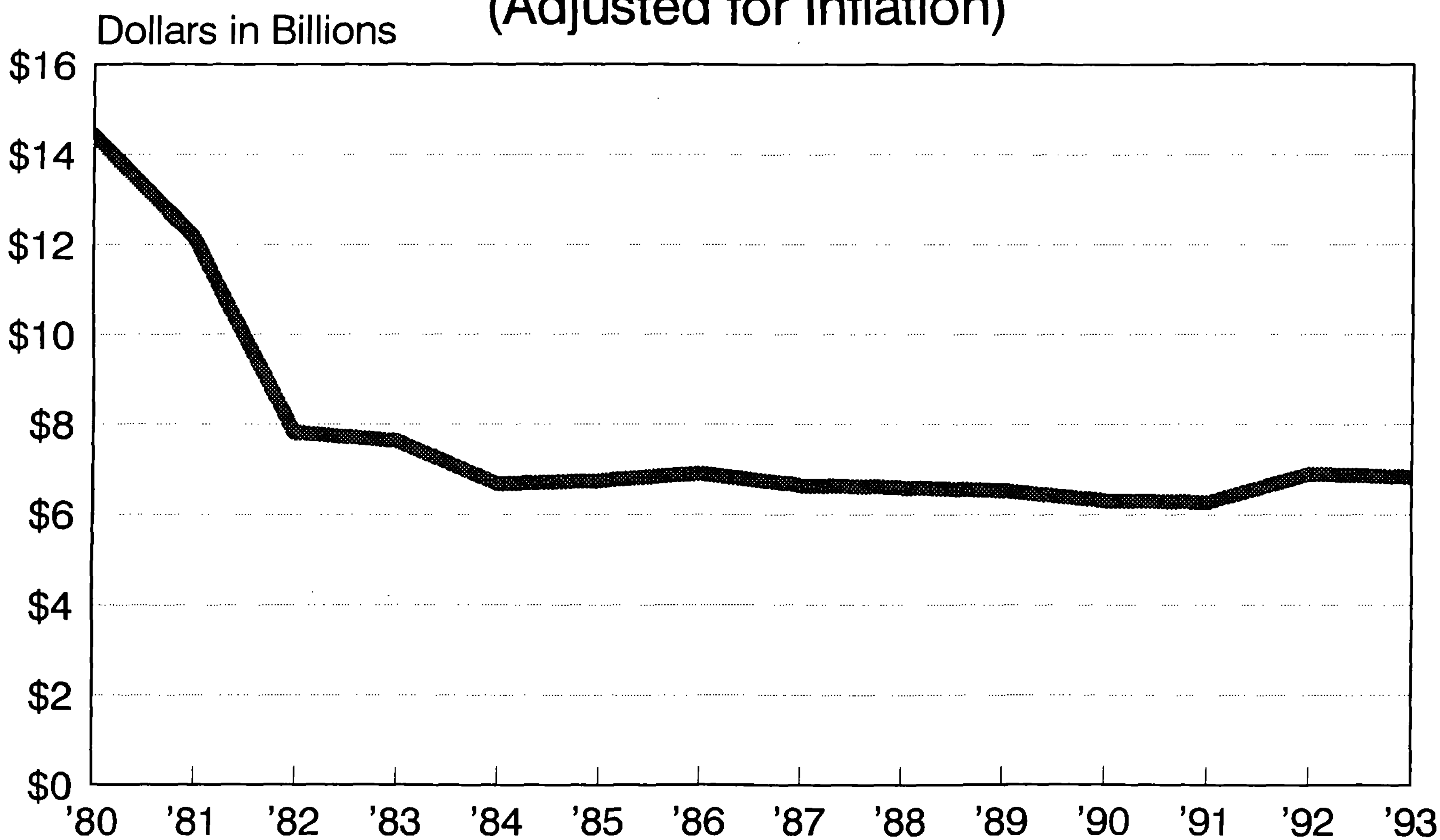
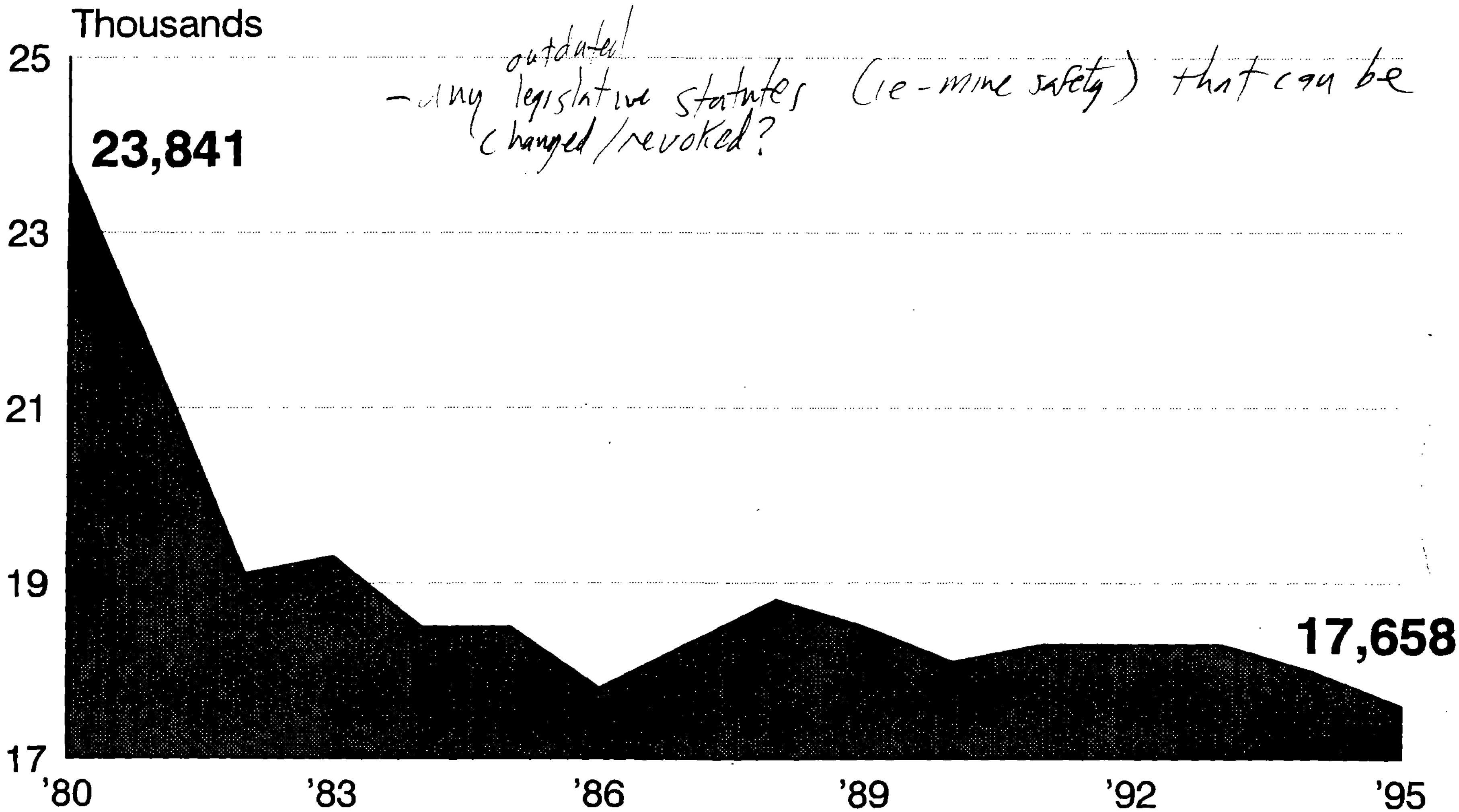


Table 5

Department of Labor

FTE Employment History



– any outdated legislative statutes (ie – mine safety) that can be changed/revoked?

Table 6

DOL Reinvention Program

Savings Goal

Absorb Mandatory Cuts Without Reducing Service to the American Worker

- Savings of $ 96 Million Admin
- Savings of 725 FTE

New Requirements Mandated

1980-1993

Job Training Partnership Act (JTPA)
Immigration Control Acts of 1986 and 1990
Immigration Nursing Relief Act of 1989
Pension Plan Ammendments of 1980, 1986, and 1987
Employee Polygraph Protection Act of 1988 (EPPA)
Americans with Disabilities Act (ADA - 1990)
Chief Financial Officer Act of 1990
Civil Rights Act of 1991
Family and Medical Leave Act of 1993

Table 8

Unemployment Insurance (UI)

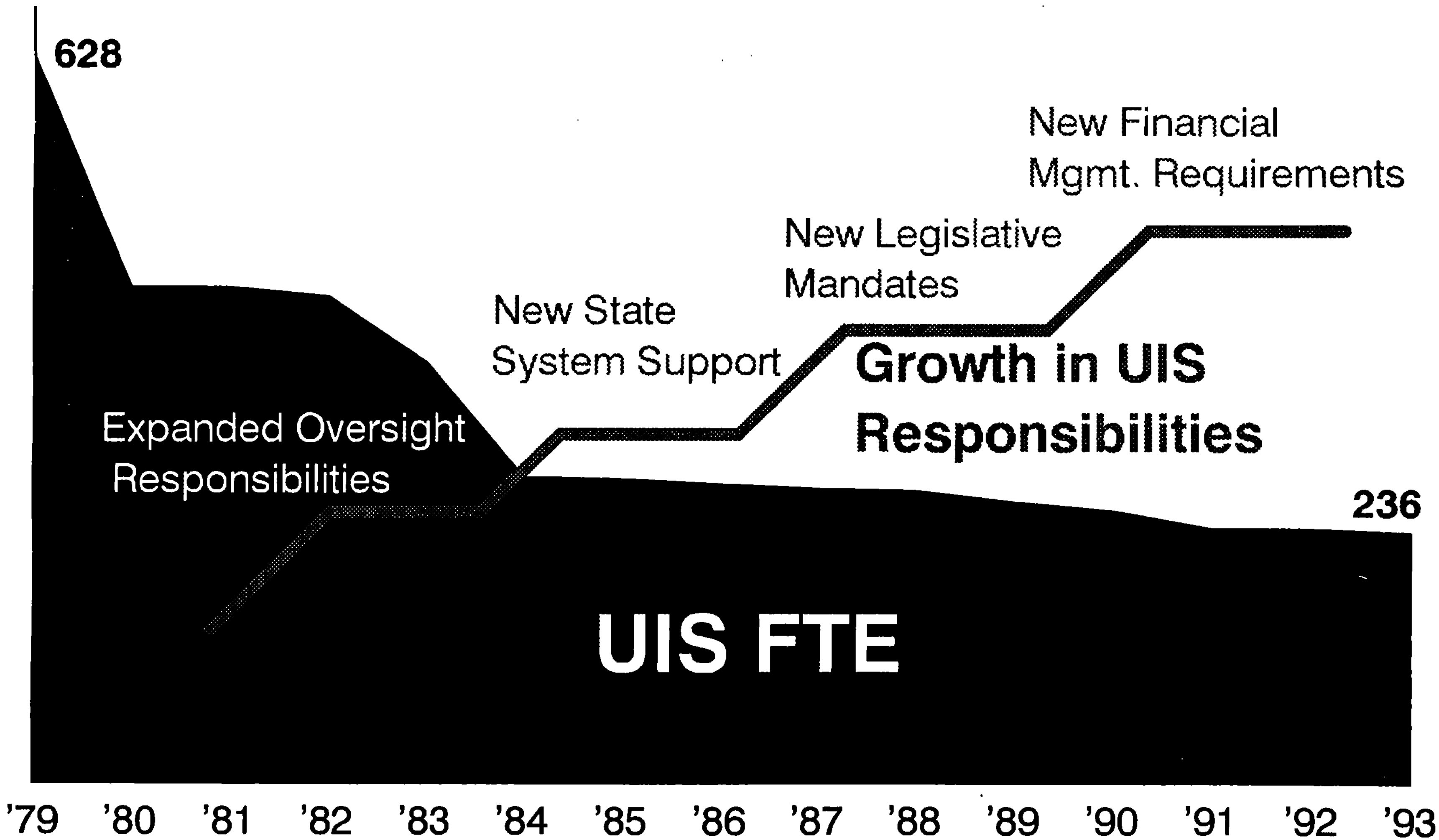


Table 9

OSHA Coverage

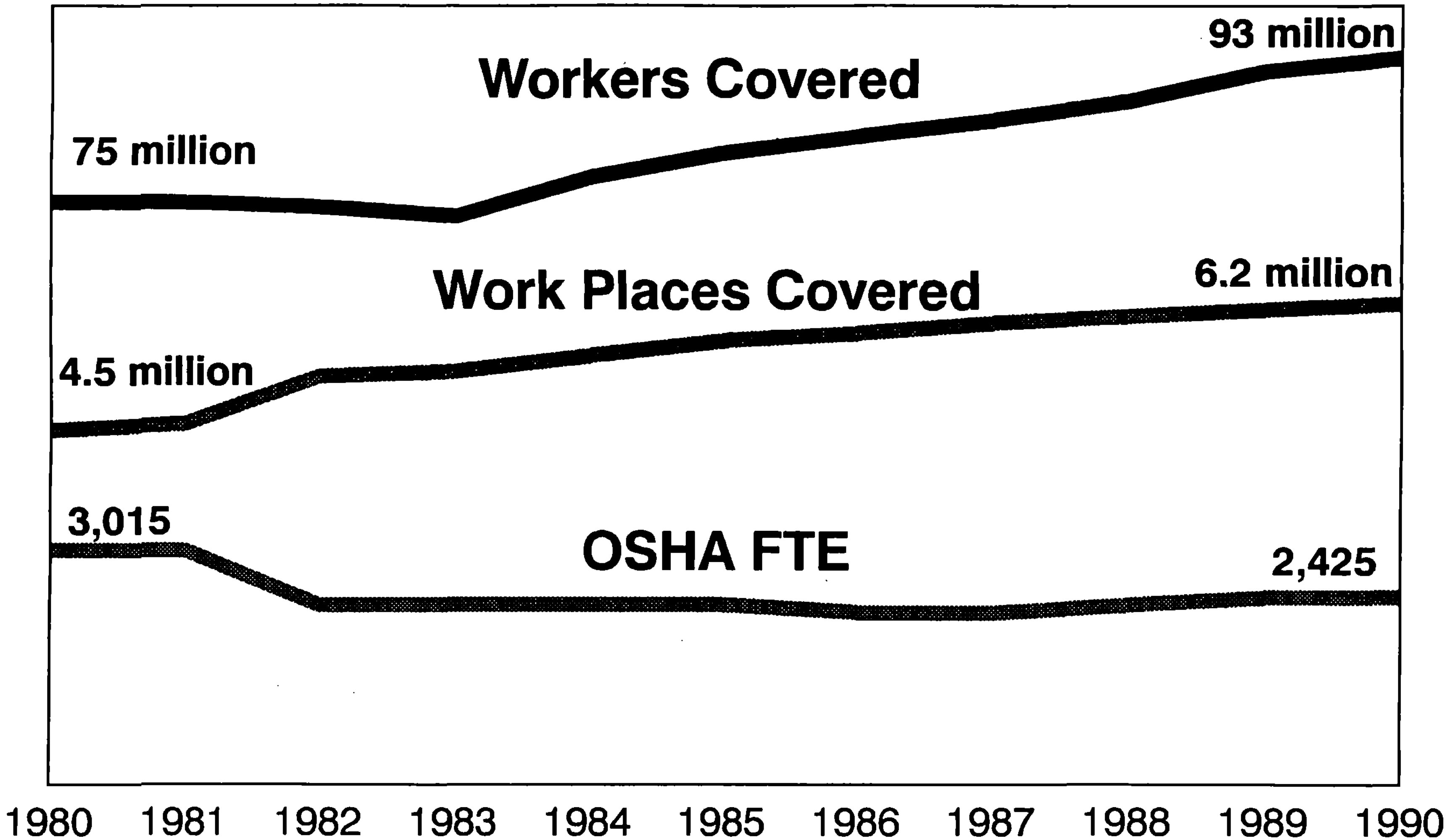


Table 10