

February 16, 2011

To: Organizations Interested in Workforce Development

**Fm: Ray Uhalde, VP, Workforce & Education Policy Group, Jobs for the Future
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Re: What H.R. 1 Would Mean for the Workforce Investment System

There continues to be a lot of confusion regarding the funding cuts proposed for the WIA system in the House "Fiscal Year 2011 Continuing Resolution," H.R. 1.

To put it simply, **H.R. 1 completely zeroes out all new funding for WIA's (title I) Adult, Dislocated Workers and Youth formula grant programs in Program Year 2011.** In addition, it eliminates nearly all funding for WIA's national discretionary grants and rescinds \$175 million in unobligated Dislocated Worker Reserve and Emergency Grant funding.

In documents published by the House Appropriations Committee, the Committee seems to imply that the workforce system can be sustained through next year with current year funding and carryover. In their summary of the Fiscal Year 2011 Continuing Resolution, the Committee states that "These programs have significant carryover balances from prior year appropriations and have already received \$1.5 billion in advance funding available for the current fiscal year."

Regarding the "advance funding" – this is the \$1.5 billion in funding that was appropriated in the FY 2010 appropriations bill for this Program Year 2010, and was made available to the WIA system for the final 3 quarters of this PY, from October 2010 through June 2011. (See the explanation of "advance funding" in the attached description of the appropriations process.) **What this means is that as of July 1, 2011 there would be no new WIA grants to States and local workforce areas under H.R. 1.**

Regarding carryover or unexpended funds – DOL reports that the WIA system carried over \$1.1 billion from PY 2009 to PY 2010. This represents a 28% carryover of the total available in PY 2009. However the local carryover rate is much lower than that of the States – with local areas carrying over or "not expending" 21% of funds available in PY 2009 – or about \$600 million out of \$2.8 billion. **And it must be noted that much of this "carryover" is not really available though it shows as "unexpended" as it is either obligated or encumbered, particularly at this time of increased demand for training services.** This compares to the States' carryover from PY 2009 to 2010 of 45%, about \$500 million out of \$1.1 billion available in PY 2009.

Lesson Learned from Prior Rescission - In the FY 2008 appropriation, when the WIA system lost \$250 million through the rescission of "unexpended funds," \$114 million (or nearly half – 45%) of the \$250 million rescission came out of PY 2007 current year funds. The amount of the rescission was based upon the notion that unexpended balances from PY 2005 and PY 2006 carried into PY 2007 would cover the rescission. This assumption was wrong. The carryover that appropriators point to now, carried into PY 2010, is about the same amount that was carried into PY 2007 -- \$1.1 billion. This argues that the

carryover or “unexpended balances” that appropriators argue will carry the system, are not real, especially with the overwhelming increase in demand for services and the increased demand for training. When rescinding a lower amount of \$250 million in PY 2007, the system had to cover 45% of the rescission with current year funding. H.R. 1 would eliminate \$3.6 billion (including national discretionary grants) for the entire Program Year 2011. Those States and local areas that have had high demand for services and have provided services aggressively would likely have very little true carryover to provide services for next year.

Following is a more detailed description of the WIA appropriation for State and local formula grants in the current Program Year 2010 -- and its relation to HR 1.

In December 2009, Congress passed and the President signed an appropriation bill for Fiscal Year 2010 funding the Federal government from October 1, 2009 through September 30, 2010. As has been the practice for several years, the WIA appropriation for FY2010 consisted of two parts: current year appropriations and advance appropriations. The FY2010 bill made available for WIA grants to states \$2,969,449,000, of which:

- \$1,397,449,000 was made available for the period July 1, 2010 through June 30, 2011; and
- \$1,572,000,000 was made available for the period October 1, 2010 through June 30, 2011 (an "advance" on FY2011).

The total of these FY2010 appropriations fund WIA's state and local activities for PY2010 (July 1, 2010-June 30, 2011). States have three years to spend these funds. States and locals also had available, in July 2010, an estimated \$1.1 billion from carry over of prior year funds to expend on WIA activities. So as of July 2010, states and locals had a total of about \$4.1 billion available for WIA activities, of which about \$1.1 billion or 28% was from carry over of prior year funds.

If states and locals expend at the historical rate during PY2010, they will carry in to PY2011, starting July 2011, about \$1 billion. But we know that a large percentage of those funds are encumbered by commitments to support multi-semester training plans for participants and, therefore are not available to serve new enrollees. Because we also know that 45% of the last rescission of \$250 million in carry-over money was ultimately paid back from current year funds, we can safely assume that no more than about \$550 million in WIA funds will remain available in July 2011 to enroll new participants and fund program operations. Again, States and local areas that have provided increased levels of services to meet demand, will likely have very little true carryover, if any, to provide services for PY 2011 if these cuts are enacted.