

The President's FY 2013 Labor Department Budget:

Keeping the Focus on America's Workers

By: Rebecca Dixon and Mike Evangelist

Summary

- The President's FY 2013 Budget proposal allocates \$12 billion in discretionary funding for the United States Department of Labor.
- The Budget revives many of the policy proposals from the FY 2012 Budget and modifies proposals from the American Jobs Act of 2011.
- Some of its proposals, such as short time compensation and reemployment assistance were enacted in last month's the Middle Class Tax Relief and Job Creation Act of 2012.
- The budget provides more than \$50 billion in investments to help unemployed workers return to work or upgrade their skills for high-demand jobs.

Introduction

With 23.5 million Americans currently unemployed or underemployed, the number one job for Congress and the President remains putting them back to work. The [President's Budget Proposal](#) released last month highlighted his priorities for getting these workers back to work. While this briefing paper will mainly focus on his FY 2013 budget for the United States Department of Labor (USDOL), it is important to understand the context in which the President has laid out these priorities. Despite restrictive appropriations caps for FY 2013 set by last summer's [Budget Control Act](#), P. L. 112-25, the President's budget for USDOL still invests in workforce training and re-employment services while improving protections for workers on the job. It does so by reviving many of the policy proposals from his FY 2012 budget and building on last year's [American Jobs Act of 2011](#).

The budget included \$25 billion¹ targeted to subsidized employment opportunities for jobless workers and to providing workforce training in high-demand, high-growth industries. This \$25 billion was part of a broader set of job creation measures such as tax cuts, infrastructure investments and funds to support jobs for teachers and first responders totaling \$350 billion. The majority of these investments would be rolled out in the next year and a half. The Economic Policy Institute (EPI) estimates that these investments would create 1.5 million jobs in FY 2012 and another 1.3 million jobs in FY 2013.² In addition, to investing in job creation, the Administration's budget includes a mix of new tax revenue and program savings to achieve significant deficit reduction over the next ten years.

In stark contrast, House Budget Committee chairman, Representative Paul Ryan of Wisconsin has proposed a [FY 2013 budget](#) that makes deep cuts to important safety net programs, such as health care and nutritional assistance that millions of Americans, including families of the unemployed rely on for their basic needs. Worse still, rather than being used to reduce the deficit, these cuts are used to finance bigger tax cuts for the wealthy. The Ryan budget proposes a total FY 2013 spending limit that is nearly \$20 billion below the restrictive caps set by the Budget Control Act. Although the Ryan budget does not give detailed information about cuts to the USDOL's budget, it does propose to cut \$16.4 billion out of a category described as "education, training, employment, and social service programs". Additionally, it targets workforce programs for consolidation and suggests that Pell grants be restricted. Rather than leading to job growth, EPI estimates the Ryan budget cuts would result in the loss of 1.3 million jobs in 2013 and 2.8 million jobs in 2014.³

Recent jobs gains coupled with continued long-term unemployment underscore the important role the Department of Labor plays enforcing job quality standards for those with jobs and helping the unemployed re-enter the labor market. This briefing paper analyzes the key Administration proposals that affect the Unemployment Insurance (UI) program, the Trade Adjustment Assistance (TAA) program, workforce development funding and the Wage and Hour Division (WHD).

The President's FY 2013 Budget proposal allocates **\$12 billion** in discretionary funding for the United States Department of Labor (USDOL), a nearly 5 percent decrease from the \$12.6 billion that was enacted in FY 2012. Despite being a net decrease, this amount represents additional investments in some areas offset by cuts in others. This approach takes into account the discretionary funding limits set by last summer's debt limit deal, the Budget Control Act of 2011.

¹ This \$25 billion does not include the Universal Dislocated Worker Program which would provide \$28 billion beginning in FY 2014, more details about this program were recently released and can be found on page 7 of this briefing paper.

² Andrew Fieldhouse and Ethan Pollack, The President's Jobs Package Would Indeed Create Jobs, The Economic Policy Institute Blog, February 16, 2012, available at <http://www.epi.org/blog/presidents-jobs-package-create-jobs/>

³ Ethan Pollack, Ryan's Budget Cuts Would Cost Jobs, The Economic Policy Institute Blog, March 21, 2012, available at <http://www.epi.org/blog/paul-ryan-budget-discretionary-cuts-cost-jobs/>.

Unemployment Insurance

- State Administrative Funding:** Each state receives a federal administrative grant, taken from the federal UI taxes that employers pay, intended to cover the cost of paying unemployment benefits to claimants and the cost of collecting unemployment taxes from employers. In the FY 2013 budget, UI State Administration suffers a decrease of **\$235 million** below FY 2012 enacted levels. The nearly \$3.2 billion requested is intended to provide states with the resources to process state and federal UI benefit payments for **10.4 million** eligible workers and to collect the **\$51.4 billion** in tax payments that the states need to pay for the benefits workers receive. Additionally, the budget request maintains the authority to provide additional funds to cover unexpected increases in the claims workload. Included in the Administrative funding request is **\$10 million** to pay performance bonuses to states that are most effective at detecting and prosecuting employers who avoid paying their UI taxes by **misclassifying employees as independent contractors**.

Table 1. State Unemployment Insurance and Employment Services Operations FY 2013 Budget Request (thousands of dollars)

State Unemployment Insurance Operations	FY 2012 Enacted	FY 2013 Request	Change
Unemployment Insurance	3,236,314	3,016,209	-220,105
State Administration	3,165,142	2,292,912	-235,230
Reemployment Eligibility Assessments ⁴	59,906	75,000	15,094
National Activities	11,266	11,297	31

Source: U.S. Department of Labor, FY 2013 Budget in Brief, <http://www.dol.gov/dol/budget/2013/PDF/CBJ-2013-V1-09.pdf>

- Solvency:** Twenty-eight states currently owe the federal government nearly **\$40 billion** (total) because their state UI trust funds are insolvent. Twenty- nine states paid **\$1.2 billion** in interest payments on this debt last year and 21 states experienced automatic federal employer tax increases to repay the principle. These pressures threaten both the program’s effectiveness and our burgeoning economic recovery.

Although benefit levels have little or nothing to do with the current insolvency of so many funds⁵, history shows us that state legislators will be under tremendous pressure to cut already inadequate UI benefits and make the programs more restrictive. Indeed, last year ten states reduced benefits or tightened eligibility rules and such measures are currently under consideration in many other states. Cutting benefits is counterproductive and not the answer because it ignores both the real cause of the solvency crisis, poor financing decisions by the states

⁴ The Middle Class Tax Relief and Job Creation Act of 2012, P.L. 112- 96, was signed into law on February 22, 2012. It extended emergency jobless benefits and the Social Security payroll tax cut through the end of the year. The law includes \$446 million in new funding to states for Reemployment Services and Reemployment and Eligibility Assessment Activities.

⁵ Unemployment Insurance Trust Funds: Long-standing State Financing Policies Have Increased Risk of Insolvency, Unites States Government Accountability Office, GAO-10-440, April 2010, available at <http://www.gao.gov/new.items/d10440.pdf>

during good times, and the fact that UI benefits have such a stimulative affect, producing an economic boost of \$2 for every \$1 of benefits paid during this Recession⁶. Equally important, the mandatory federal tax increases and likely state tax assessments levied on employers might slow job growth and cause the recovery to stall.

In light of these continued risks, the Administration's FY 2013 budget proposal includes many of the same solvency measures proposed for FY 2012. This year's proposal reiterates the President's intent to strengthen the UI safety net by providing short term relief both to states facing interest payments on the loans they have taken out, and to employers in states where they are facing mandatory federal tax increases in order to pay back the principle of the loans. The plan also includes measures intended to help those states pay off their debts.

The President's proposal would give states and employers some breathing room by suspending interest accrual on their trust fund loans for FY 2012 and FY 2013. It would also suspend debts and automatic Federal unemployment tax increases for calendar years 2012 and 2013. This delay would allow employers to focus on job creation and would help relieve some of the pressure states may feel to cut benefits and restrict benefit eligibility.

The proposal would improve state solvency by raising the taxable wage base (TWB), the minimum level of wages subject to unemployment taxes, from **\$7,000 to \$15,000** beginning the year **2015** and thereafter index it keep pace with future wage growth. In addition, the proposal would reduce the federal tax rate on this higher taxable wage base because the main goal of the increase in the TWB is to raise state UI revenue. The resulting increase in state UI tax revenues would give states the ability repay their debt and rebuild their trust funds, but this increase would not take effect until the recovery is much further along than it is now.

Workforce Development Programs

- **Pathways Back to Work:** The President's [American Jobs Act](#) [S.1549], introduced in September 2011 proposed the creation of the **\$5 billion** Pathways Back to Work Fund to help create jobs for low-income and unemployed youth and adults. Included was a \$2 billion set-aside specifically for subsidized employment for low-income adults that was modeled after the TANF Emergency Fund program which was created by the Recovery Act that generated nearly 260,000 jobs in 39 states and the District of Columbia. In addition, Pathways Back to Work would support summer and year-round jobs for youth as well as local efforts to implement work-based strategies and to provide training opportunities.

⁶ Wayne Vroman, The Role of Unemployment Insurance As an Automatic Stabilizer During a Recession, July 2010, available at http://wdr.doleta.gov/research/FullText_Documents/ETAOP2010-10.pdf

At this time, the American Jobs Act is stalled in Congress, but the FY 2013 Budget proposes to fund the new Pathways Back to Work initiative at **\$12.5 billion** of which \$3.475 billion would be allocated to FY 2012 and \$8.4 billion would be allocated to FY 2013.⁷

- **Community College to Career Fund:** Prior to the Budget’s release, President Obama announced his proposal to create an **\$8 billion** fund co-administered by the Department of Labor and Department of Education. The fund would “help forge new partnerships between community colleges and businesses to train two million workers for good-paying jobs in high-growth and high-demand industries,” such as health care, transportation, and advanced manufacturing. Partnerships will emphasize credentialing and “pay for performance strategies” to provide financial incentives to training providers, community colleges, and local workforce agencies that help trainees find permanent jobs. The Department of Labor and Department of Education would each receive \$1.3 billion in fiscal years 2012, 2013, and 2014.

Funding for the Community College to Career program is in addition to the **Trade Adjustment Assistance Community College and Career Training** grant program, which is already funded at **\$500 million** per year for fiscal years 2011 to 2014 and designed to help community colleges prepare adults for high-wage occupations through the attainment of skills and credentials.

- **Reemployment NOW Fund:** The **\$4 billion** Reemployment NOW Fund was also included in the [American Jobs Act](#). A modified version of the President’s proposal, allowing a limited number of states to operate demonstration projects in which they can divert UI funds to create wage subsidy programs, was adopted as part of the new federal UI law, [The Middle Class Tax Relief and Job Creation Act of 2012](#), P.L. 112- 96. These funds would be available to states that adopt reemployment programs targeting the long-term unemployed who are collecting or have exhausted extended federal unemployment insurance benefits. To qualify for funding, states would have to submit a proposal based on any of the following four reemployment measures:
 - **Bridge to Work:** Workers voluntarily engage in short-term jobs, lasting up to eight weeks and paying at least the minimum wage for 25 to 38 hours a week.
 - **Wage Insurance:** For workers who are over age 50, states could applicable only to workers who are over the age of 50, make payments of up to 50 percent of the difference between the worker’s reemployment wages in a full-time job and the wages earned on the individual’s last job before being laid off.
 - **Self-Employment Programs**⁸: States pay the equivalent of a weekly unemployment insurance check each week to workers who are starting their own businesses

⁷Budget of the United States Government, Fiscal Year 2013, Summary Tables (Table S–9. Mandatory and Receipt Proposals), <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/tables.pdf>.

⁸ The Middle Class Tax Relief and Job Creation Act of 2012 also included \$30 million in grants to states to support self-employment assistance programs for the long-term unemployed.

- Enhanced Reemployment Strategies: Services, including one-on-one counseling, reemployment assessments, and case management are targeted at long-term unemployed workers. (Does not include funding for training or intensive services.)

NELP supports enhanced reemployment strategies, including personal attention, referrals and placement in job openings, and counseling on work search plans, all strategies that have proven effective in getting workers back to work as quickly as possible.⁹ However, NELP has serious concerns related to the effectiveness of Bridge to Work and similar programs that are outlined in our [summary of the American Jobs Act](#).

- **Trade Adjustment Assistance**: In October 2011, Congress reauthorized Trade Adjustment Assistance (TAA) through December 31, 2013, while maintaining many reforms that were first passed in 2009. For example, service workers will continue to be covered while most income supports were retained, albeit at reduced levels.¹⁰

The FY 2013 budget maintains funding at **\$575 million** for states to provide training for workers harmed by trade and increases funding for wage insurance and reemployment services by **\$7 million**. Under TAA, workers who are enrolled in training are eligible for additional weeks of unemployment insurance benefits. However, over the last several years, workers enrolled in TAA training received federal Emergency Unemployment Compensation in lieu of TAA benefits. A **\$313 million** increase in TAA benefits in FY 2013 is the result of federal Emergency Unemployment Compensation Funding phasing out.

Table 1. Trade Adjustment Assistance (TAA): Fiscal Year 2013 Budget Proposal

(thousands of dollars)

	FY 2011	FY 2012	Request FY 2013	Change from FY 2012
TAA Benefits	\$250,000	\$482,100	\$796,000	\$313,900
TAA Training	\$426,312	\$575,000	\$575,000	\$0
Alternative/Reemployment TAA	\$45,000	\$43,000	\$50,000	\$7,000
Total Budget Authority	\$721,312	\$1,100,100	\$1,421,000	\$320,900

Source: U.S. Department of Labor, FY 2013 Budget in Brief, <http://www.dol.gov/dol/budget/2013/PDF/FY2013BIB.pdf>.

⁹ Paul Decker, Robert Olsen, Lance Freeman and Daniel Klepinger, "Assisting UI Claimants: The Long-Term Impacts of Job Search Assistance Demonstration," USDOL Occasional Paper 2000-02, (2000), <http://wdr.doleta.gov/owsdrr/00-2/00-02.pdf>; Stephen Woodbury, "Long Term Effects of the Work Test and Job Search Assistance: Reexamining the Washington Alternative Work Search Experiment" (2001), http://econ.as.nyu.edu/docs/IO/14690/Woodbury_20100412.pdf.

¹⁰ For more information see NELP's Overview of the 2011 Trade Adjustment Assistance Reauthorization available at http://www.nelp.org/page/-/EDI/2011/TAA_2011_Leg_Update_FINAL.pdf.

- **Universal Dislocated Worker Program:** The FY 2013 Budget outlines a general framework for reforming and streamlining the nation’s job training system beginning in FY 2014. The Universal Dislocated Worker Program would replace the existing WIA Dislocated Worker and Trade Adjustment Assistance programs and, according to the U.S. Department of Labor, represents **\$28 billion** of new spending on workforce development initiatives. Since the budget was released, President Obama has provided more details on the proposed program, including the following initiatives¹¹:

- Reemployment services for every displaced worker
- Training voucher of \$4,000 per year for up to two years
- A weekly stipend of up to \$300 for 78 weeks to cover childcare, transportation and other expenses while workers are in training
- Job search and relocation allowances of up to \$1,250 each
- Wage insurance for workers age 50 or older

The President’s proposal is an important first step toward improving the nation’s workforce development system to better serve workers and employers. However, it is unclear at this time that the proposal would provide adequate funding to deliver promised outcomes. It should also be noted that the training voucher is substantially less than the amount currently available to unemployed workers in many states through the Trade Adjustment Assistance program.

- **Training and Employment Services:** Training and Employment Services (TES) accounts for **\$3.2 billion** of the U.S. Department of Labor’s nearly \$12 billion discretionary budget. TES is comprised primarily of Workforce Investment Act programs that provide job training, income supports, and employment services aimed at youth, disadvantaged adults, and experienced workers harmed by layoffs.

The TES funding proposal is up **\$39 million** from FY 2012 but remains far below FY 2005 levels (nearly \$3.8 billion). Even though funding has generally declined, the number of people served by the Employment and Training Administration (excluding unemployment insurance and Employment Services) increased from just over 2 million in FY 2006 to almost 10 million in both FY 2010 and FY 2011.¹²

Total funding for the three primary WIA programs serving adults, dislocated workers, and youth is nearly flat compared with FY 2010 and FY 2011 (see table). And, as in FY 2011 and FY 2012, the governor’s set-aside for statewide activities is limited to 5 percent of Adult, Youth, and Dislocated

¹¹ (Table S–9. Mandatory and Receipt Proposals—Continued) page 231 <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/tables.pdf>

¹² U.S. Department of Labor, FY 2013 Congressional Budget Justification: Employment and Training Administration, 14, <http://www.dol.gov/dol/budget/2013/PDF/CBJ-2013-V1-03.pdf>.

Worker funds. Prior to FY 2011, the governor's set-aside was 15 percent. The Department of Labor estimates that the proposed funding level will enable the three program areas to serve nearly **5.3 million** participants

Compared to the last year, the FY 2013 Budget requests an additional **\$5 million** for the Reintegration of Ex-Offenders which will enable the program to serve an additional 2,860 participants than last fiscal year. The funding request for employment programs targeted at Native Americans is also up **\$5 million** versus FY 2012.

- **Women in Apprenticeship:** FY 2012 program terminations include the elimination of the \$996 million Women in Apprenticeship program. Apprenticeship opportunities for women will be continued through the Office of Apprenticeship.
- **Research and Evaluation:** The line items for Pilots, Demonstrations and Research (\$6.6 billion) as well as Program Evaluation (\$9.6 billion) would be consolidated into a single request for a 0.5 percent set-aside from the Department of Labor's major program appropriations. The set-aside would fund "comprehensive, rigorous, and robust research and evaluations" related to WIA, Job Corps, and the Employment Service Operations.
- **Workforce Innovation Fund:** The budget proposal would double support for the Workforce Innovation Fund (WIF) to \$100 million in FY 2013 with additional \$25 million allocated to the Department of Education. Originally funded in FY 2011, WIF awards competitive grants to states and broad partnerships for projects that implement structural reforms with an emphasis on evidence-based practices. In December 2011, the U.S. Department of Labor released the first solicitation for grant proposals with approximately \$98.5 million available.
- **Wagner-Peyser Employment Services:** The FY 2013 proposal would increase Employment Services (ES) grants to states by over \$30 million to \$751,794,000. ES began as state-administered employment offices that have since been integrated with state One-Stop Career Centers. ES ensures that unemployed workers have access to public labor exchanges, jobs search assistance, and job referrals as well as other core and intensive services. In FY 2010, over 22 million workers were served by the ES system. The additional funding requested for FY 2013 would go toward improving services targeted at workers receiving unemployment insurance, allowing states to serve an additional 186,161 workers compared to the program year 2012 target.

Table 2. Training and Employment Services FY 2013 Budget Request

(thousands of dollars)

Training and Employment Services	FY 2011	FY 2012	Request	
			FY 2013	Change
Adult Employment and Training Activities	\$769,576	\$770,811	\$769,465	-\$1,346
Dislocated Workers Employment and Training Activities	\$1,285,541	\$1,232,217	\$1,230,214	-\$2,003
Formula Grants	\$1,061,807	\$1,008,151	\$1,006,526	-\$1,625
National Reserve	\$223,734	\$224,066	\$223,688	-\$378
Youth Activities	\$825,914	\$824,353	\$824,353	\$0
Other	\$460,117	\$365,311	\$407,780	\$42,469
Workforce Innovation Fund	\$124,750	\$49,906	\$100,000	\$50,094
Reintegration of Ex-Offenders	\$85,390	\$80,238	\$85,238	\$5,000
Migrant and Seasonal Farmworkers	\$84,451	\$84,291	\$84,291	\$0
YouthBuild	\$79,840	\$79,689	\$79,689	\$0
Indian and Native American Programs	\$52,652	\$47,562	\$52,562	\$5,000
Workforce Data Quality Initiative	\$12,475	\$6,463	\$6,000	-\$463
Pilots, Demonstrations and Research	\$9,980	\$6,603	\$0	-\$6,603
Evaluation	\$9,581	\$9,563	\$0	-\$9,563
Women in Apprenticeship	\$998	\$996	\$0	-\$996
Total Budget Authority	\$3,341,148	\$3,192,692	\$3,231,812	\$39,120

Source: U.S. Department of Labor, FY 2013 Budget in Brief,
<http://www.dol.gov/dol/budget/2013/PDF/FY2013BIB.pdf>.

Worker Rights Enforcement

The President's budget provides **\$1.8 billion** for the Department of Labor's worker protection agencies. This amount represents a slight increase from FY 2012 and is consistent with prior increases in funding that seek to return the enforcement capacity of the agencies to 2001 funding levels, after years of decline. Within the confines of the budget cap from the Budget Control Act the **\$18 million** increase over FY 2012 enacted levels includes targeted increases to improve mine safety, bolster worker health and safety whistleblower protections, and enhance state and federal capacity to detect and deter the misclassification of workers as independent contractors.

- **Wage and Hour Enforcement:** Department of Labor's Wage and Hour Division (WHD) administers and enforces a broad range of federal labor laws on matters, such as the minimum wage, overtime pay, recordkeeping, family and medical leave, migrant workers, worker protections in certain temporary worker programs, and the prevailing wages for government service and construction contracts. The Division's reach encompasses nearly all private and state and local government employment. The President's Budget proposes a budget of **\$238 million** for the Division including an increase of **\$6 million** for increased enforcement of the Fair Labor Standards Act and the Family Medical Leave Act.

- **Misclassification of Employees as Independent Contractors:** Scaling back its proposal from last year to address worker misclassification, the Administration's FY 2013 Budget includes **\$14 million** for the initiative. Of the \$14 million, \$4 million would allow WHD to add **35 investigators** that will perform targeted investigations in industries found to have higher rates of misclassification such as construction, transportation, child care, home health care, janitorial, and meat processing. The remaining \$10 million would be used for state grants to support detection of misclassification and recoupment of unpaid taxes.

State Paid Family and Medical Leave Fund

In recognition of the challenges families face in meeting their concurrent work and family responsibilities, the Administration's budget proposal includes **\$5 million** to create a State Paid Leave Fund within USDOL. Currently, three states have enacted paid family leave programs that provide up to six weeks of state-managed insurance to cover employees for reasons included in the Family and Medical Leave Act, such as caring for a seriously ill family member or newborn. The Paid Leave Fund would provide technical assistance and support to states where these programs are under consideration. This is a scaled down version of the \$23 million competitive grant proposal from the FY 2012 budget.

Conclusion

Last August the Budget Control Act substantially cut funding for non-defense discretionary spending including the Department of Labor. Despite these cuts, the President's budget adds revenue and seeks out savings to pay for vital investments that will put Americans back to work. Although many of the proposals in the President's Budget proposal will likely not be enacted by Congress, it still signals his priorities as Congress considers two very different paths for Americans' prosperity.

The cuts in the FY 2013 Ryan Budget would not only wipe out all of these investments, but would lead to levels of job loss that could plunge us back into recession. If enacted the Congressional Budget Office estimates that the Chairman's budget would virtually do away with most federal programs, including USDOL in the coming decades. Essentially, his long term cuts are so massive that no federal program would be left aside from Social Security, health care and defense.

About the National Employment Law Project

The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. For more than 40 years, NELP has sought to ensure that work is an anchor of economic security and a ladder of economic opportunity for working families across America. In partnership with grassroots and national allies, NELP promotes policies to create good jobs, enforce hard-won workplace rights, and help unemployed workers regain their economic footing. For more about NELP, please visit www.nelp.org.