



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 8, 2003

H.R. 1261 **Workforce Reinvestment and Adult Education Act of 2003**

*As ordered reported by the House Committee on Education and the Workforce
on March 26, 2003*

SUMMARY

H.R. 1261 would make numerous changes to the Workforce Investment Act of 1998 (WIA), amend the Wagner-Peyser Act, and extend the authorization for programs under the Rehabilitation Act of 1973 (RA). These programs, which received discretionary funding of \$7.1 billion and mandatory funding of \$2.5 billion for fiscal year 2003, provide a framework for adult education, job training, and employment service assistance. Some of the affected programs are permanently authorized under Wagner-Peyser, but others are currently authorized through 2003, 2004, or 2005.

H.R. 1261 would extend, through 2011, the existing mandatory program of state grants for vocational rehabilitation services, which is currently authorized through 2005 (including automatic extensions for two years provided by law). By law, that program is assumed to be extended indefinitely in CBO's baseline, so its extension would add no costs relative to the baseline. CBO estimates that outlays for that program over the 2006-2011 period would total about \$17 billion.

CBO estimates that enacting H.R. 1261 would increase discretionary authorizations by \$5.1 billion in 2004, and by \$31.2 billion over the 2004-2008 period. Assuming appropriation of the necessary amounts, outlays would increase by \$51 million in 2004 and by \$21.3 billion over the 2004-2008 period.

H.R. 1261 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs incurred by state, local, or tribal governments would result from complying with conditions of federal aid.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1261 is shown in the following table. The costs of this legislation would fall within budget function 500 (education, employment, training, and social services).

| | By Fiscal Year, in Millions of Dollars | | | | | |
|--|--|-------|-------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| SPENDING SUBJECT TO APPROPRIATION | | | | | | |
| Authorizations Under Current Law | | | | | | |
| Estimated Authorization Level ^a | 7,083 | 4,387 | 840 | 859 | 879 | 901 |
| Estimated Outlays | 7,537 | 6,717 | 3,339 | 1,660 | 985 | 888 |
| Proposed Changes | | | | | | |
| Title I: Amendments to the Workforce Investment Act of 1998 | | | | | | |
| Estimated Authorization Level ^b | 0 | 5,917 | 6,041 | 6,172 | 6,302 | 6,450 |
| Estimated Outlays | 0 | 401 | 3,733 | 5,245 | 5,934 | 6,241 |
| Title II: Adult Education | | | | | | |
| Estimated Authorization Level | 0 | 3 | 603 | 615 | 628 | 642 |
| Estimated Outlays | 0 | * | 32 | 453 | 583 | 625 |
| Title III: Amendments to the Wagner-Peyser Act | | | | | | |
| Estimated Authorization Level | 0 | -824 | -736 | -753 | -771 | -790 |
| Estimated Outlays | 0 | -356 | -808 | -804 | -772 | -781 |
| Title IV: Amendments to the Rehabilitation Act of 1973 | | | | | | |
| Estimated Authorization Level | 0 | 8 | 416 | 425 | 434 | 443 |
| Estimated Outlays | 0 | 6 | 293 | 410 | 431 | 440 |
| Total Changes | | | | | | |
| Estimated Authorization Level | 0 | 5,105 | 6,324 | 6,459 | 6,593 | 6,744 |
| Estimated Outlays | 0 | 51 | 3,250 | 5,304 | 6,175 | 6,525 |
| Authorizations Under H.R. 1261 | | | | | | |
| Estimated Authorization Level ^a | 7,083 | 9,491 | 7,164 | 7,318 | 7,472 | 7,645 |
| Estimated Outlays | 7,537 | 6,768 | 6,589 | 6,964 | 7,160 | 7,413 |

NOTES: * = Less than \$500,000.

The estimated costs shown above assume that "such sums" authorizations increase each year for inflation. If, instead, costs were assumed to remain level over time, outlays over the 2004-2008 period would be about \$700 million less.

- a. The figure for fiscal year 2003 is the amount appropriated for that year. The 2004 level includes advance appropriations of \$2.5 billion for job training for the program year beginning July 1, 2003.
- b. Authorization levels are for program years beginning July 1 and do not assume any advance appropriations.

BASIS OF ESTIMATE

This estimate assumes enactment of H.R. 1261 during fiscal year 2003, and appropriation of the necessary sums for each subsequent fiscal year.

Direct Spending

Grants to states for vocational rehabilitation services, authorized under title I of the RA, are currently authorized through fiscal year 2005, assuming both the automatic one-year extension in the RA law and the automatic one-year extension under the General Education Provisions Act (GEPA), which provides an automatic extension for all programs in the Department of Education. H.R. 1261 would extend the authorization for the state grants through 2011, assuming the automatic extensions in law. Although the authorization for RA state grants expires, the Balanced Budget and Emergency Deficit Control Act requires that baseline spending projections assume extension of any mandatory program with outlays in excess of \$50 million. Because H.R. 1261 makes no substantive changes to RA state grants, the bill would not affect direct spending relative to the CBO's baseline.

Funding for the mandatory state grants is determined by a formula. It is set at the previous year's funding level adjusted by the year-over-year change in the consumer price index as of October 15 of the second preceding year. In fiscal year 2003, RA state grants were funded at \$2.5 billion; by 2011 state grants would cost an estimated \$3.1 billion. CBO estimates that outlays over the 2006-2011 period would total about \$17 billion.

Discretionary Spending

H.R. 1261 would reauthorize the Workforce Investment Act of 1998 and the Adult Education and Family Literacy Act, amend provisions of the Wagner-Peyser Act, and reauthorize the Rehabilitation Act of 1973. Under H.R. 1261, authorizations for these programs would be increased by \$5.1 billion, bringing the total authorized level to \$9.5 billion in 2004.

Title I: Amendments to the Workforce Investment Act. H.R. 1261 would revise and reauthorize the Workforce Investment Act of 1998, which is currently authorized through 2003. These programs, which received appropriations totaling \$5.2 billion in fiscal year 2003, would be authorized for fiscal years 2004 through 2009. CBO estimates that authorizations under title I would total \$5.9 billion in fiscal year 2004, about \$30.9 billion over the 2004-2008 period, and \$37.5 billion over the 2004-2013 period.

The bill would consolidate the funding streams for job training block grants for youth and adults into two main grants—one for youth and one for adults. The bill would authorize appropriations of \$1 billion for grants for youth activities, and \$3.1 billion for job training grants for adults. The block grant for adult training also would provide grants to states for employment service operations. Under current law, grants to states for employment service operations are funded under the Wagner-Peyser Act. Appropriations for the employment service grants total about \$0.8 billion in fiscal year 2003.

In addition, the bill would authorize such sums as may be necessary for fiscal years 2004 through 2009 for ongoing national activities including the Job Corps and job training programs for Native Americans and for migrant and seasonal workers. Based on the fiscal year 2003 appropriations for these programs (adjusted for inflation), CBO estimates that these programs would be authorized at \$1.7 billion for fiscal year 2004 and would grow to \$1.9 billion by 2009.

Finally, title I of the bill would authorize such sums as may be necessary for fiscal years 2004 through 2009 for other activities associated with workforce investment, including technical assistance grants, demonstration and pilot programs, and evaluations. Based on the appropriations for these programs in fiscal year 2003 (adjusted for inflation), CBO estimates that they would be authorized at \$102 million in fiscal year 2004 and would grow to \$114 million by 2009.

Title II: Adult Education. Title II of H.R. 1261 would revise and reauthorize the Adult Education State Grant program and the National Institute for Literacy, both of which are currently authorized through 2004 by GEPA. H.R. 1261 would authorize an additional \$3 million in 2004 (for a total of \$591 million in 2004) for programs under title II. CBO estimates the total funding for title II for the 2004-2008 period would be about \$2.5 billion, assuming adjustments for inflation, with resulting outlays of \$1.7 billion.

Adult Basic and Literacy Education State Grants. H.R. 1261 would authorize an additional appropriation of \$3 million (for a total of \$584.3 million) in 2004 for the Adult Basic and Literacy Education program and extend the authorization for the whole program at such sums as may be necessary from 2005 through 2009. The revised program would continue to provide formula grants to states but would focus more on basic literacy and math skills than the current program. The current Adult Education program is funded at \$571 million in 2003. Assuming appropriations at the authorized level for 2004, adjusted for inflation in subsequent years, CBO estimates that outlays would total \$1.7 billion over the 2004-2008 period.

The bill also would reserve a portion of the total appropriation for national activities focused on helping states and local communities address adult literacy through activities such as

technical assistance and evaluation. The National Leadership Activities program is funded at \$9.4 million in 2003.

National Institute for Literacy. H.R. 1261 would authorize \$6.7 million in 2004 and such sums as may be necessary from 2005 through 2009 for the National Institute for Literacy. The National Institute for Literacy would provide national leadership in promoting reading research, instruction, and professional development by disseminating reading research information. The program is funded at \$6.5 million in 2003. CBO estimates that additional outlays would total about \$19 million over the 2004-2008 period.

Title III: Amendments to the Wagner-Peyser Act. Title III of H.R. 1261 would repeal significant portions of the Wagner-Peyser Act, which provides permanent authority for employment service operations and work incentive grants, and authorizes provisions for compiling data on labor markets through fiscal year 2004. These activities received appropriations for fiscal year 2003 of about \$0.9 billion—\$0.8 billion for employment service operations and \$0.1 billion for work incentive grants and labor market information functions.

Title III would repeal the sections of Wagner-Peyser that authorize grants to states for employment service operations and work incentive grants, because, under title I of this bill, these functions would be funded under the WIA. The labor market information authorization, however, would remain under Wagner-Peyser authority. For that activity, H.R. 1261 would authorize such sums as may be necessary for fiscal years 2004 through 2009. CBO estimates this authorization would amount to \$102 million in fiscal year 2004, and \$532 million over the 2004-2008 period. The net effect of the amendments to the Wagner-Peyser Act would be to reduce outlays over the 2004-2008 period by about \$3.5 billion.

Title IV: Amendments to the Rehabilitation Act. H.R. 1261 would extend the current "such sums" authorizations for existing discretionary grant programs under the RA as well as for the Helen Keller National Center. Most of these programs are authorized through 2004 under GEPA and would be extended through 2010 under this bill. There are, however, a few exceptions—the authorizations for the National Council on Disability, funded in 2003 at \$3 million, and the Architectural and Transportation Barriers Compliance Board, funded in 2003 at \$5 million, expire at the end of 2003 and would be extended through 2009.

Based on appropriations for 2003 (adjusted for inflation), discretionary grant authorization levels are estimated to total \$407 million in 2005 and \$1.7 billion over the 2005-2008 period. In addition, the authorization for the Helen Keller National Center is estimated to total \$9 million in 2005 and \$57 million over the authorization period. Estimated outlays reflect the current program spending patterns and total \$1.6 billion through 2008.

EFFECTS ON DIRECT SPENDING AND REVENUES

H.R. 1261 would not affect estimated direct spending or receipts because the reauthorization of the mandatory state grants under RA is already assumed in the CBO baseline.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1261 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would reauthorize funding for adult and youth job training and literacy activities administered by state and local agencies. Along with the conditions of federal aid, states' job training programs would be guaranteed minimum allotments for subsequent fiscal years that equal fiscal year 2003 funding, subject to the availability of appropriations. Any costs incurred by state, local, and tribal governments would result from complying with conditions of federal aid, and would thus be voluntary.

ESTIMATE PREPARED BY:

Federal Spending:

Workforce Investment Act and Wagner-Peyser: Christina Hawley Sadoti (226-2820)

Adult Education and National Institute for Literacy: Donna Wong (226-2820)

Rehabilitation Act: Deborah Kalcevic (226-2820)

Impact on State, Local, and Tribal Governments: Greg Waring (225-3220)

Impact on the Private Sector: Ralph Smith (226-2659)

ESTIMATE APPROVED BY:

Robert A. Sunshine

Assistant Director for Budget Analysis