



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 1, 2005

S. 1021 **Workforce Investment Act Amendments of 2005**

*As ordered reported by the Senate Committee on Health,
Education, Labor, and Pensions on May 18, 2005*

SUMMARY

S. 1021 would amend and reauthorize the Workforce Investment Act of 1998 (WIA), the Wagner-Peyser Act, the Adult Education and Family Literacy Act, and the Rehabilitation Act of 1973 (RA). These programs, which received mandatory funding of \$2.6 billion and discretionary funding of \$7.3 billion for fiscal year 2005, provide a framework for adult education, job training, and employment service assistance. Some of the affected programs are permanently authorized (most of Wagner-Peyser), but others are currently authorized through 2005.

S. 1021 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 2006-2010 period would total about \$13.6 billion. In addition, the bill would increase mandatory spending by \$5 million from 2006-2010 by requiring the Social Security Administration to reimburse Indian tribes that provide vocational rehabilitation services.

The bill would affect discretionary spending by extending authorizations for various job training, employment service, and education grants. CBO estimates that implementing S. 1021 would cost \$580 million in 2006 and \$25 billion over the 2006-2010 period, assuming appropriation of the necessary amounts.

S. 1021 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 S. 1021 is shown in the following table. The direct spending costs of this legislation would fall within function 650 (Social Security), and the discretionary costs would fall within budget function 500 (education, employment, training, and social services).

BASIS OF ESTIMATE

This estimate assumes that S. 1021 will be enacted by the end of 2005, and that the necessary sums will be appropriated for fiscal year 2006 and each subsequent fiscal year. The estimated outlays reflect historical spending patterns for the affected programs.

Direct Spending

Grants to states for vocational rehabilitation services, authorized under title I of the RA, are currently authorized through fiscal year 2005. S. 1021 would extend the authorization for the state grants through 2012 (the automatic one-year extension in the RA and the automatic one-year extension under the General Education Provisions Act (GEPA) would further extend this through 2013). 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 (created prior to 1997) with outlays in excess of \$50 million. Because S. 1021 makes no substantive changes in the funding formula for 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 2005, RA state grants were funded at \$2.6 billion; by 2010 state grants would cost an estimated \$3.0 billion. CBO estimates that outlays over the 2006-2010 period would total about \$13.6 billion (as projected in the baseline).

S. 1021 would require the Social Security Administration to reimburse the cost of vocational rehabilitation services provided by Indian tribes to certain Social Security beneficiaries. Currently this reimbursement is available only to state vocational rehabilitation (VR) agencies. Under the bill, it would be extended to governing bodies of Indian tribes that received a grant for rehabilitation services under the Rehabilitation Act.

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010

CHANGES IN DIRECT SPENDING

Title IV: Amendments to Rehabilitation

Act of 1993 (off-budget)

Estimated Budget Authority	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1

SPENDING SUBJECT TO APPROPRIATION

Discretionary Spending Under Current Law (on-budget)

Estimated Authorization Level ^a	7,294	3,324	875	891	908	925
Estimated Outlays	7,258	6,769	2,617	1,262	970	916

Proposed Changes

Title I: Amendments to the Workforce Investment Act of 1998

Estimated Authorization Level ^b	0	5,365	5,402	5,505	5,615	5,722
Estimated Outlays	0	363	3,924	5,054	5,410	5,586

Title II: Adult Education Literacy

Estimated Authorization Level	0	595	605	616	627	638
Estimated Outlays	0	18	447	573	613	624

Title III: Amendments to the Wagner-Peyser Act

Estimated Authorization Level	0	120	122	124	126	129
Estimated Outlays	0	6	48	109	122	125

Title IV: Amendments to the Rehabilitation Act of 1993

Estimated Authorization Level	0	475	482	491	500	508
Estimated Outlays	0	193	385	484	493	501

Total Changes

Estimated Authorization Level	0	6,555	6,611	6,736	6,868	6,997
Estimated Outlays	0	580	4,803	6,220	6,638	6,965

Discretionary Spending Under S. 1021 (on-budget)

Estimated Authorization Level ^a	7,294	9,879	7,485	7,627	7,776	7,922
Estimated Outlays	7,258	7,349	7,420	7,483	7,609	7,752

NOTES: Components may not sum to totals because of rounding.

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, the change in outlays over the 2006-2010 period would be about \$1 billion less.

a. The 2006 level includes advance appropriations of \$2.5 billion for job training for the program year beginning July 1, 2005.

b. Authorization levels are for program years beginning July 1, 2006, and do not assume any advance appropriations.

CBO estimates that this provision would increase federal outlays by \$1 million in fiscal year 2006 and by \$5 million over the 2006-2010 period. This estimate is based on data from the Rehabilitation Services Administration indicating that grantee tribes serve about 5,000 individuals per year and that 40 percent of these individuals receive Social Security benefits. SSA's reimbursements are available only for those individuals who would achieve a required level of employment success, which for state VR agencies historically accounts for fewer than 5 percent of Social Security beneficiaries served. Based on the experience of state vocational rehabilitation agencies, CBO does not project any growth over the 10-year period in the number of reimbursements to Indian tribes, and projects that the average reimbursement amount would grow at half the rate of inflation.

Spending Subject to Appropriation

S. 1021 would reauthorize and amend the WIA, the Adult Education and Family Literacy Act, provisions of the Wagner-Peyser Act, and the RA. Under S. 1021, authorizations for these programs would be increased by \$6.6 billion in 2006, bringing the total authorized level to \$9.9 billion in that year. Total authorizations for 2006 include \$2.5 billion already appropriated for that year, as well as \$0.8 billion in permanent authorizations.

Title I: Amendments to the Workforce Investment Act of 1998. S. 1021 would revise and reauthorize the WIA, which currently is authorized through 2005. These programs received appropriations totaling \$5.3 billion for fiscal year 2005 and \$2.5 billion for fiscal year 2006 (the 2006 amounts represent funding for program year 2005 that is made available in fiscal year 2006). The bill would maintain the basic grant structure for youth, adult and dislocated worker programs, the Job Corps, and for national activities, such as programs that serve Native American and migrant populations, and veterans, and for demonstration grants. Most of these programs would be authorized for fiscal years 2006 through 2011 under S. 1021. Some demonstration grants would be authorized only for fiscal year 2006. CBO estimates that authorizations under title I would total \$5.4 billion in fiscal year 2006 and about \$27.6 billion over the 2006-2010 period.

Grants that provide employment and training services to youth, adults, and dislocated workers would be reauthorized at "such sums as may be necessary" for fiscal years 2006 through 2011, as would the Job Corps and national activities. Based on the amounts appropriated for these programs in 2005, CBO estimates that authorization levels for 2006 would be as follows:

<u>Program</u>	<u>Estimated Authorization Fiscal Year 2006</u>
Youth Employment	\$1,003 million
Adult Job Training	\$906 million
Dislocated Worker Assistance	\$1,345 million
Job Corps	\$1,572 million
National Activities	\$491 million

In addition, the bill would authorize special demonstration grants for fiscal year 2006. These grants include projects for skill certification and for specialized training for those with limited English language proficiency, authorized at \$30 million and \$10 million, respectively. The bill also would authorize, at such sums as may be necessary, grants for fiscal year 2006 to assist the Cook Inlet Tribal Council in Alaska and the University of Hawaii at Maui. Based on recent earmarks for these programs in appropriations legislation, CBO estimates that the authorization for these grants would total \$8 million.

Title II: Adult Education and Literacy. Title II of S. 1021 would reauthorize and revise the Adult Education and Family Literacy Act, which is currently authorized through 2005. The bill would authorize the appropriation of such sums as may be necessary for fiscal years 2006 through 2011 (2012 with the GEPA extensions) for programs under title II. The bill would continue to provide formula grants to states, although it would slightly modify the allocation formula. It would reserve 1.5 percent of the total appropriated for the National Institute for Literacy (not to exceed \$10 million), 1.72 percent for incentive grants for states, and 1.5 percent for national leadership activities (not to exceed \$8 million). The bill would also add a reservation of 12 percent of the remaining funds for English Literacy and Civics Education grants that would be allocated to states by formula. Funds for these grants have been reserved in annual appropriations legislation since fiscal year 2001.

CBO estimates the authorized funding for title II for the 2006-2010 period would total about \$3.1 billion, assuming adjustments for inflation, with resulting outlays of \$2.3 billion. These programs were funded at \$585 million in 2005.

Title III: Amendments to the Wagner-Peyser Act. Most of the activities under the Wagner-Peyser Act, which establishes a national employment service, are permanently authorized. However, some portions of the Wagner-Peyser Act—largely those related to labor market information systems—currently are authorized through 2005. S. 1021 would authorize the appropriation of such sums as may be necessary for fiscal years 2006 through 2011 for these functions. Based on the amounts appropriated for 2005, CBO estimates this authorization would amount to \$120 million in fiscal year 2006 and \$620 million over the 2006-2010 period.

Title IV: Amendments to the Rehabilitation Act of 1973. S. 1021 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 the 2005 appropriations act for the Department of Education, and would be extended through 2011 under this bill. In addition, the bill would create several new programs under the RA, and would require the General Accounting Office (GAO) to undertake two studies.

Existing RA Programs. Discretionary grant programs under the RA received total funding of \$398 million in 2005. These funds support many different types of categorical grants and demonstration programs primarily aimed at training, supported employment, independent living, research, and advocacy projects. Based on the 2005 appropriation levels (adjusted for inflation), CBO estimates discretionary grant authorization levels for current RA programs to total \$402 million in 2006 and \$2.1 billion over the 2006-2010 period.

Incentive Grants Program. The incentive grant program created under S. 1021 would be designed by the Secretary of Education within 180 days of enactment and would have no federal funds matching requirement. The program would be authorized to receive appropriations of such sums as may be necessary for the 2006-2011 period. Based on discussions with committee staff, CBO expects that the program would mostly likely be similar to that proposed by the Administration in its fiscal year 2003 budget. Consequently, CBO estimates an authorized program level of \$32 million in 2006, with annual adjustments for inflation in subsequent years. Assuming the appropriation of the necessary amounts, CBO estimates outlays would total \$13 million in 2006 and \$137 million over the 2006-2010 period.

GAO Studies and Reports. Title IV also would require the GAO to conduct two new studies: one would analyze how well VR services are being coordinated with the requirements of the Ticket-to-Work and Self-Sufficiency Program established under section 1148 of the Social Security Act, while the other would assess how the VR state grant allocation formula relates to a state's delivery of VR services. Based on information from GAO, CBO estimates that the total cost of the studies would be less than \$500,000 over the 2006-2010 period.

National Assistive Technology Summit. The bill would authorize \$200,000 each year 2006 through 2011 to convene a National Assistive Technology Summit in conjunction with a national conference relating to assistive technology.

Interagency Committee Study. S. 1021 would require the Interagency Committee to conduct a new study on the assistive technology industry. Based on other similar studies, CBO estimates that the total cost of the study would be less than \$500,000 over the 2006-2010 period.

Demonstration Projects for Employment of Students with Intellectual Disabilities or Mental Illness. S. 1021 would establish a new competitive grant program to fund projects to provide supported and competitive employment experiences for students with intellectual disabilities or mental illnesses. The grants are authorized at \$5 million for 2006 and such sums as may be necessary for 2007-2011. Assuming the appropriation of the necessary amounts, CBO estimates outlays would total \$2 million in 2006 and \$22 million over the 2006-2010 period.

Demonstration Projects for Employment of Individuals Who Are Deaf and Low Functioning. S. 1021 would establish a new competitive grant program to support a model demonstration project to provide training and employment and support services for individuals who are deaf and low functioning. The grants are authorized at \$5 million for 2006 and such sums as may be necessary for 2007-2011. Assuming the appropriation of the necessary amounts, CBO estimates outlays would total \$2 million in 2006 and \$22 million over the 2006-2010 period.

Center to Promote High-Quality Employment Outcomes. S. 1021 would establish a new competitive grant to an entity to support a training and technical assistance program to promote high-quality employment outcomes for individuals receiving vocational rehabilitation services. The grants are authorized at \$500,00 each year. Assuming the appropriation of the authorized amounts, CBO estimates outlays would total \$2 million over the 2006-2010 period.

Access to Telework. S. 1021 would establish a new competitive grant to states program to pay the federal share of the cost of establishing or expanding a telework program. The grants are authorized at \$5 million for each year through 2011. Assuming the appropriation of the authorized amounts, CBO estimates outlays would total \$2 million in 2006 and \$21 million over the 2006-2010 period.

Disability Career Pathways Program. S. 1021 would establish new competitive grants to institutions of higher education to develop training and education-related programs directed toward disability studies and leadership development. The grants are authorized at \$5 million for each year through 2011. Assuming the appropriation of the authorized amounts, CBO estimates outlays would total \$2 million in 2006 and \$21 million over the 2006-2010 period.

Architectural and Transportation Barriers Compliance Board. Under S. 1021, the Architectural and Transportation Barriers Compliance Board would be reauthorized for the 2006-2011 period. The Board develops guidelines to ensure access to buildings, transportation vehicles, and telecommunications equipment for individuals with disabilities. Based on the 2005 funding level of \$6 million, CBO estimates the reauthorization would total \$33 million over the 2006-2010 period, and would result in outlays of \$31 million over the same time frame.

Helen Keller National Center. S. 1021 would reauthorize the Helen Keller National Center. The authorization for the Helen Keller National Center is estimated to total \$11 million in 2006 and \$56 million over the 2006-2010 period. The resulting outlays would be \$4 million in 2006 and \$46 million for the five-year period. The Center received \$11 million in funding for 2005.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1021 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would reauthorize numerous federal grant programs that are administered by state and local entities including programs for job training, adult education and literacy, and vocational services for youth and people with disabilities. To the extent that public entities—including institutions of higher education, libraries, tribal governments, and other state agencies—apply for and receive such grants, any costs incurred would result from complying with conditions of federal aid.

PREVIOUS CBO ESTIMATE

On February 24, 2005, the Congressional Budget Office transmitted its estimate for H.R. 27, the Job Training Improvement Act of 2005, as ordered reported by the House Committee on Education and the Workforce on February 17, 2005. CBO estimated that H.R. 27 would not increase direct spending (for the \$1 million a year in payments to Indian tribes, as in S. 1021). H.R. 27 would increase authorizations by \$34 billion over the 2006-2010 period, with resulting outlays of \$24.6 billion—in contrast to \$25.1 billion over the same period under S. 1021.

ESTIMATE PREPARED BY:

Federal Spending:

Workforce Investment Act and Wagner-Peyser: Christina Hawley Sadoti

Adult Education and National Institute for Literacy: Justin Humphrey

Rehabilitation Act: Deborah Kalcevic

Social Security: Chad Newcomb

Impact on State, Local, and Tribal Governments: Sarah Puro

Impact on the Private Sector: Ralph Smith and Nabeel Alsalam

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis