

United States
Department
of
Labor

Transition
Briefing
Book

December 23, 1996

MEMORANDUM FOR THE RECORD

RE: UNITED STATES DEPARTMENT OF LABOR TRANSITION BRIEFING BOOK,
DECEMBER 23, 1996

This binder is a document from among the files of Todd Stern when he was Staff Secretary.

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*This note was attached to the binder
charged to Todd Stern April 20, 1999*

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DEPARTMENT OF LABOR TRANSITION BRIEFING

This briefing book is an internal, confidential communication designed to assist the Secretary-designate in assuming her responsibilities in the Department of Labor. It contains materials that would not otherwise be disclosed to the public under the Freedom of Information and Privacy Acts. Release of these materials could significantly impede the transition process in the Department. Consequently, the contents of this book are labeled "~~Confidential~~" and no additional copies should be made except those needed to assist the incoming Secretary.

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December 23, 1996

MEMORANDUM FOR SECRETARY-DESIGNATE ALEXIS M. HERMAN

FROM SECRETARY ROBERT B. REICH

REGARDING TRANSITION ISSUES AND MATERIALS

I want to reiterate my willingness to help you with your transition in the days and months ahead. Cynthia and I both stand ready to provide you with whatever information you want about the Department. To give you a preliminary picture of the Department's accomplishments and issues which face the Department, we have prepared the following set of materials. This book is intended to be an introductory overview.

This memorandum is divided into four sections. The first section offers a few general observations about my experiences leading the Labor Department over the last four years. The second section offers a summary overview of the Department's accomplishments during the last four years along with potential next steps which flow from and build on accomplishments during the first term. The third segment discusses legislative and regulatory issues that are likely to arise in your first one hundred days as Secretary of Labor. The final section describes the materials which are included in this book.

I. OBSERVATIONS

As you know, the Department of Labor contains agencies with a variety of statutory obligations. The next section of this book describes these statutory roles. One of the foundations to our success in the first term has been departmental leadership from the Offices of the Secretary and the Deputy Secretary to craft these disparate responsibilities into a unified whole. We have used cross cutting themes to capture the work of the department to create a sense of a singular mission rather than a federation of independent entities. You will see these themes in this memo and in the section of the notebook on appropriations and budget.

Many of our initiatives have been "driven" from either the Office of the Chief of Staff, the Office of the Deputy Secretary, or the Office of the Assistant Secretary for Policy. A good illustration has been our campaign against sweatshops in the garment industry. This issue involved the Wage and Hour Administration, the International Labor Affairs Bureau, the Office of Congressional and Intergovernmental Affairs, the Office of Public Affairs, the Office of the Assistant Secretary for Policy, and the Solicitor's Office. The Office of the Secretary brought these line agencies together, each with their own policies, programs, and recommendations, into a coordinated team effort. The garment campaign has won national recognition as well as the Ford Foundation/John F. Kennedy School of Government's Innovation in Government Award.

II. FIRST TERM ACCOMPLISHMENTS AND POSSIBLE NEXT STEPS FOR THE SECOND TERM

As you know, this Department has been central to the President's agenda during the first term and he has indicated by his statements and the decisions on our FY 1998 budget request that the work of the Department remains key to his Presidency. We found that our chances of success were enhanced by pursuing a multi-faceted, multi-year strategy, particularly during those times when the Department has been under attack. Each year we have:

- ◇ assessed our progress from the past year;
- ◇ analyzed the needs of our constituents and the environment;
- ◇ identified and developed ongoing or potential Presidential policy or legislative initiatives, many of which involved interagency coordination and the participation of the White House and other Cabinet departments;
- ◇ created performance agreements between each agency and the Secretary which identified commitments for the upcoming year which were, in turn, reflected in my performance agreement with the President; and
- ◇ built a budget for the year ahead which reflects all of the above.

Over the past months the agency heads and I have discussed the Department's accomplishments and the tasks ahead. Much of the immediate work ahead is contained in the agency specific sections of this book and grows out of the Department's FY 1997 appropriations.

I thought it would be useful to provide some context for a potential second-term agenda by giving a brief list of the department's accomplishments in the first term. I also offer some possible next steps to build on these accomplishments. You will see that we have been successful in many arenas: legislative action, changes in regulations or policies, enforcement actions, and public education efforts, among others.

RETIREMENT SECURITY

First Term Accomplishments

- ✓ Enacted the **Retirement Protection Act** to redress massive under funding of "defined-benefit" pension plans, thereby protecting pensions for 20 million workers;
- ✓ enacted **pension simplification and portability** legislation to make it easier for small businesses to offer retirement plans and for workers to build their retirement savings;
- ✓ launched a nationwide **pension education** program to urge workers to save for their retirement;

- ✓ stepped up **enforcement to recover 401(k) pension** money wrongfully diverted from pension plans, and conducted an “amnesty” payback period in which employers voluntarily restored such money;
- ✓ imposed a new requirement that shortens the amount of time within which employers must **deposit their workers’ 401(k)** contribution (from 90 days to 15 days after start of month); and
- ✓ **blocked pension reversion** legislation that would have allowed employers to raid over funded pension plans.

Possible Next Steps

- Propose legislation requiring that all large pension plans be **fully audited** (such plans now contain \$950 billion in assets covering 22 million workers, and are not adequately protected);
- propose legislation that would adopt the remaining provision of the President’s Retirement Safety and Security Act, including a provision which would require that **employers make at least a 1% of payroll contribution** on behalf of every worker; and
- propose legislation protecting against **inadequate diversification** by 401(k) plans which now concentrate their assets in real estate or in the plan sponsor’s own stock.

HEALTH SECURITY FOR WORKING PEOPLE

First Term Accomplishments

- ✓ Stepped up enforcement against **fraudulent health-care** schemes; and
- ✓ litigated against companies that unilaterally **terminated the health benefits they promised** their employees.

Possible Next Steps

- Propose legislation expanding **health insurance** coverage for the temporarily **unemployed**; and
- increase enforcement against **health care fraud among multiple employers welfare** arrangements (MEWAs).

READINESS FOR THE FIRST JOB

First Term Accomplishments

- ✓ Enacted the **School-to-Work Opportunities Act**, in which 150,000 companies and over a half million high school juniors and seniors are now involved; and
- ✓ created the **National Skills Standards Board**, which is now developing skill standards for a wide range of industries and occupations.

Possible Next Steps

- Increase funding to **give high-school dropouts minimally adequate skills** to get jobs, and to obtain their GED high school equivalency;
- **expand the Work Opportunity Tax Credit** to target people moving from welfare to work; and
- utilize the **current authority of JTPA Title IIA** (adult training) and our **Welfare-to-Work \$3 billion Challenge proposal** (40 percent of JTPA IIA job training already goes to welfare recipients) to move people from welfare to work.

TRANSITION TO THE NEXT JOB

First Term Accomplishments

- ✓ Implemented a **re-employment system** requiring that all people receiving unemployment insurance be screened immediately to determine whether they were permanently laid off, and if so, provided with available job training and job-search assistance;
- ✓ created **One-Stop Career Centers** in more than half the states, providing a full range of re-employment services behind the same door: unemployment insurance, job search, job counseling, and access to job training;
- ✓ established "**America's Job Bank**" on the Internet -- an on-line, full-service job search and job listing for dislocated workers -- which now lists more than a half million job openings and receives more than 7.5 million "hits" per month; and
- ✓ enacted the **Work Opportunities Tax Credit**, which expanded and reformed the old Targeted Jobs Tax Credit for hiring the disadvantaged.

Possible Next Steps

- **Consolidate all federal job training programs into vouchers** paying up to \$2,600 in skill-grants, which dislocated workers can use at a local community college to upgrade their skills;
- alternatively, expand Pell Grants to include dislocated workers in non-degree programs;
- expand the use of one-stop career centers to include **welfare recipients** looking for work and poor teenagers seeking their first jobs;
- enable all workers with only a high school education to obtain **at least two years of post-secondary education** through a \$1,500 tax credit -- even if they can attend only part time (if the credit is non-refundable, expand Pell Grants to cover disadvantaged adults seeking higher education);
- enable workers of any age to qualify for up to a **\$10,000 tax deduction** per year for their own or their families' post-secondary education and training; and
- ensure that people who lose their jobs have a minimally-adequate income support (so they don't have to go on welfare) by **expanding unemployment insurance so more than the 35 percent of newly-unemployed workers now deemed eligible** receive it.

SAFETY ON THE JOB

First Term Accomplishments

- ✓ Offered employers a choice between establishing their own voluntary health and safety systems to prevent safety hazards (in cooperation with their employees) or being subject to regular inspections and citations;
- ✓ **changed the measure of success** for OSHA inspectors from numbers of inspections and citations to reductions in deaths and injuries; and
- ✓ blocked legislation and appropriations riders that would have reduced OSHA's authority.

Possible Next Steps

- Establish “**ergonomics**” **guidelines and standards** in industries and occupations where repetitive stress injuries are mounting;
- encourage or induce all employers to establish workplace health and safety systems;
- address problems associated with **violence in the workplace**, especially against women (particularly vulnerable in certain industries and occupations such as sales clerks in all-night convenience stores); and
- work with constituencies of OSHA, particularly organized labor and small businesses, to get greater appreciation and understanding of the best ways to leverage scare resources to ensure that workplaces are safe and healthy.

CORE LABOR PROTECTIONS: DOMESTIC

First Term Accomplishments

- ✓ **Launched the “No Sweat” campaign against sweatshops**, informing consumers about which major retailers or manufacturers were contracting with domestic “sweatshops” paying below minimum wage and subjecting workers to unsafe working conditions;
- ✓ **barred such sweatshops from shipping** their goods in interstate commerce (an additional inducement to getting major retailers and manufacturers involved in solving the problem); and
- ✓ cracked down on abuses of **farm workers**.

Possible Next Steps

- Support legislation requiring that garments (produced either internationally or domestically) be **labeled** so that consumers can be assured that they are not unwittingly purchasing items produced in sweatshops; and
- expand the “**No Sweat**” initiative to other industries where we have found abusive labor practices, such as poultry processing.

CORE LABOR STANDARDS: INTERNATIONAL

First Term Accomplishments

- ✓ Negotiated and implemented the North American Agreement on Labor Cooperation (the **NAFTA labor side agreement**), the first international agreement to link trade objectives with labor law enforcement;
- ✓ participated in efforts to **eradicate child labor** in the rug and soccer-ball manufacturing industries in South Asia -- two epicenters of child labor -- by encouraging the use of labels which assure customers that their goods were not made by children; and
- ✓ issued two precedent-setting reports documenting exploitation of children around the world.

Possible Next Steps

- Put “**core**” **labor standards** (against slave labor, forced labor, the employment of very young children) on the agenda of the World Trade Organization, and seek to include them in other trade treaties, decisions over renewal of GSP, et al.; and
- work with the International Labor Organization on a new **convention on exploitative child labor**.

A LIVING WAGE

First Term Accomplishments

- ✓ Expanded the **Earned Income Tax Credit**;
- ✓ enacted and implemented a raise in the **minimum wage** for roughly 10 million workers (restoring its purchasing power to the level it was in 1989); and
- ✓ stepped up enforcement of the minimum wage law in low-wage industries like garment, agriculture, and janitorial services.

WORK AND FAMILY

First Term Accomplishments

- ✓ Enacted and implemented the **Family and Medical Leave Act** (producing user-friendly regulations in record time after enactment); and
- ✓ launched the **Working Women Count!** Survey and Honor Roll which committed more than 1,000 businesses to improve women's pay and benefits, and make workplaces more family friendly.

Possible Next Steps

- Propose legislation to **expand the FMLA** to, at a minimum, provide 24 additional hours for workers to attend parent-teacher conferences and tend to routine family medical care;
- propose legislation to **allow workers to take payment for overtime in extra time off** rather than additional wages, as long as the legislation guarantees that workers, not employers, retain the power to choose;
- propose legislation to **lower the threshold of coverage** so more workers benefit from the FMLA; and
- establish a hotline so that working families can easily learn their rights under the FMLA and learn how to file complaints if their rights are being violated.

IMPROVED MANAGEMENT-LABOR RELATIONS

First Term Accomplishments

- ✓ Conducted many regional conferences and a national **Conference on the Future of the American Workplace** to highlight the best labor-management cooperative practices;
- ✓ founded the **Commission on the Future of Worker-Management Relations** (also known as the Dunlop Commission) which issued reports in late 1994 and early 1995;

III. LIKELY ISSUES FOR THE FIRST 100 DAYS

I have divided the issues that could require your attention and action within the first one hundred days into two categories: legislative actions and regulatory/administrative actions. They are not in any order of priority or immediacy. They are listed alphabetically. More detailed information on each issue appears in other sections of this book and, of course, will be provided as you prepare for confirmation. Many of these issues do not involve the Department's statutory responsibilities. The Department plays a leadership role on many issues affecting working families.

LEGISLATIVE ACTIONS

Beck - Campaign Finance Reform

- The issue of whether unions can collect and use dues money for activities that do not relate to collective bargaining activities will arise in the upcoming congressional debate over campaign finance reform.
- The debate will almost certainly occur early in 1997. Employer groups want to see the Supreme Court's decision in *Beck v. Communications Workers of America* expanded. This decision essentially stated that union members could obtain a refund on any dues that would be used for political purposes to which they objected.
- The majority leadership in both houses of Congress will avidly pursue action early in the 105th Congress. Extensive hearings are also likely.
- The Department does not have administrative or enforcement responsibility in this area (the NLRB does), but takes the lead on labor issues of this sort for the Administration.

Compensatory Leave

- The President proposed his own compensatory leave proposal (entitled "flextime") at the end of the last Congress. It would allow private employees to choose extra time off instead of overtime pay in certain circumstances, and it would expand the FMLA to provide 24 additional hours of unpaid leave (beyond the 12 weeks already in the FMLA) for certain additional purposes.
- Compensatory time is going to be one of the first labor issues raised in the 105th Congress, especially in the House. The Secretary will be called to

testify at committee hearings that will most likely be held as early as February and March .

- The Department's Wage & Hour Division will enforce and administer any comp time or FILA expansion legislation. The Department will also be the principal staff agency supporting the Administration's legislative efforts.

Health Care for the Unemployed

- There are a number of health care initiatives that the Administration will be pursuing in the near term. The President has proposed to give subsidies to unemployed workers to help pay for the cost of their health insurance.
- The Administration's revised version of the health care for the unemployed proposal will likely be included in the President's FY 1998 budget. It is also expected that Senator Kennedy will introduce similar legislation in this session of Congress.
- The White House has not decided whether HHS or the Department will administer this program. Regardless, the Department will play an important role in the legislative effort because this proposal is closely linked to the implementation of Kennedy-Kassebaum and the unemployment insurance system.

Immigration

- Senator Kennedy is committed to fixing the system for admitting foreign workers permanently and temporarily to the U.S. He has indicated that he would also like to bolster worksite enforcement against illegal immigration by providing an increased number of Wage and Hour inspectors and additional enforcement powers to the Department. The Secretary will have to determine how the Department wants to address the Senator's concerns and influence the shape of reforms to employment-based immigration programs.
- The Secretary will most likely be questioned on this topic during the confirmation process.
- The Department's Employment and Training Administration administers the permanent and temporary employment-based immigration programs. The Wage & Hour Division enforces workers protection in these programs and protections against illegal immigration. The Department has a leading role in legislative efforts on these issues in cooperation with the INS and the Justice Department.

Inclusion of Labor Standards in Fast Track Trade Negotiating Authority

- Renewal of “fast track” trade negotiating authority is expected to be an early legislative priority for the Administration. This legislation is necessary for the President to pursue trade negotiating commitments, such as Chile’s accession to the NAFTA or a Free Trade Agreement of the Americas.
- In 1994, an attempt to pass such legislation collapsed because of disagreement between Congress and the Administration over including labor standards. The USTR will develop this legislative proposal, but the Secretary will have an opportunity to play a role in influencing the outcome of labor related issues through the Department’s participation in the NEC.
- The Department houses the office that administers the NAFTA labor side agreement. In addition, the Department is the principal advocate for international labor standards in Administration discussions of trade and international economic policy.

Job Training Consolidation

- We expect that workforce development legislation will be introduced in the 105th Congress that would include job training reform. We also expect that the Administration will submit a new proposal that will include many features contained in the GI Bill on which there was a bipartisan consensus. The Secretary will play a substantial role in any job training consolidation proposal put forth by either the Administration or Congress.
- The 104th Congress considered the consolidation of job training programs and reform of the nation’s employment and training system, but failed to pass any reform legislation.
- ETA administers the large majority of federal government worker training programs.

OSHA Reform

- The 105th Congress has signaled that it may introduce legislative proposals dealing with OSHA reform, cost-benefit analysis, or the periodic review and sun setting of regulations. The Secretary will be asked to testify on any OSHA legislation that the labor committees intend to move sometime before March or April 1997.

- A small area of agreement exists between the Administration and the majority on the committees about acceptable changes in the law, but not about the need for change. The Secretary will need to consider whether the Department should propose reforms limited to the few areas of agreement.

Pensions

- Senator Daschle is expected to introduce an omnibus pension bill as one of his top five bills in the first few weeks of the 105th Congress. The legislation will include many provisions from the President's Retirement Savings and Security Act proposal of April 1996 that were not included in the Small Business Job Protection Act -- including the audit bill and a provision to increase multi-employer PBGC guarantees. The goal of the President's proposal is to help make workers pensions more portable, more available and more secure.
- The Secretary may be called upon to testify and then help in securing the passage of components of the Daschle legislation.
- The Pension and Welfare Benefits Administration and the Pension Benefits Guaranty Corporation, in cooperation with the Treasury Department, would administer the changes contained in this legislation. The Department will take the lead in advancing this legislation from within the Administration.

Reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA)

- The Department has weighed in with a letter to the Director of OMB to ensure that the necessary labor standards and employee protections are included in ISTEA (i.e., Davis-Bacon, Section 13(c), and affirmative action rules and regulations).
- The Secretary or another department official may be called upon to become more involved in internal Administration discussion and negotiations on the final legislative proposal. The Secretary may also be called upon to testify at congressional hearings on this legislation as to the labor standards and employee protection issues.
- The votes on this issue could be a bellwether on the support for Davis-Bacon in Congress and whether the Department should consider supporting reform legislation.

- The Employment Standards Administration enforces the Davis-Bacon Act, Section 13(c), and affirmative action programs for federal contractors. The department will play only a supporting role in the ISTEA debate, but the lead role on worker protections issues.

Revision of the Consumer Price Index (CPI)

- Congressional interest in revising the CPI has grown as Congress and the President have focused their efforts on reducing the federal budget deficit. The widespread use of the CPI for escalation purposes -- particularly for Social Security benefits and income tax brackets--has resulted in intense interest in seeking to revise the method by which the CPI is measured.
- A Commission, headed by Michael Boskin recently issued a report that included short term and long term recommendations to BLS. Some of the recommendations concern activities that BLS already has underway while others are not justifiable from the Bureau's perspective. There will be an intensive and lively debate on this issue and the Secretary will most likely be drawn into the center of the debate.

TEAM Act

- The TEAM Act would amend the National Labor Relations Act to allow employers to set up and dominate labor organizations as long as they do not attempt to bargain collectively. Some employers argue that they are confused about the lawfulness of employee involvement in their workplaces. Some others want the ability to thwart union organizing drives by establishing sham unions or employee organizations that they can control while offering a facade of sharing decision-making with the employees.
- In the 104th Congress, the TEAM Act was passed by both the House and Senate. The President vetoed it pursuant to a standing commitment to veto any legislation that weakens Section 8(a)(2). The reintroduction of the TEAM Act is high on the agenda for both congressional labor committees. The Secretary will likely be called upon to testify on the TEAM Act early in the 105th session of Congress.
- The Department would not have responsibility for administering or enforcing the TEAM Act (the NLRB would), but takes the lead on labor issues for the Administration.

Welfare to Jobs Initiative/Challenge

- The President announced a Welfare-to-Work Jobs Initiative that would provide \$3 billion over three years to help communities move one million of the hardest-to-employ welfare recipients into jobs by the year 2000. While it has not yet been determined whether the Department of Health and Human Services (HHS) or Labor would administer this initiative, both departments have been working closely with OMB to develop the proposal. Obviously, we believe that building off the overall training and skill development programs of the Department makes sense.
- The Department is also assessing how the worker protection statutes it enforces will function under welfare reform. Under the leadership of the Office of the Assistant Secretary for Policy, the involved enforcement agencies are assembling information which the Department could provide to the states as technical assistance. The goal of this effort is to assure that former welfare recipients moved into work activities under the states' welfare reform plans get good jobs at fair wages.

REGULATORY/ADMINISTRATIVE ACTIONS

Advisory Commission on Consumer Protection and Quality in the Health Care Industry

- The Secretary of Labor will co-chair the Commission along with the Secretary of Health and Human Services. The Commission, which was created last fall, will address consumer-related issues in the private and public health care system. The President should announce his appointments to the Advisory Commission in the near future.
- The PWBA has prepared a set of recommended policy issues as the Department's priorities for the commission. These issues include disclosure by insurers and service providers of certain data related to quality measures.

Davis-Bacon Reform

- Some members of the congressional majority have attacked the methodology used to determine the prevailing wage under the Davis-Bacon Act and others have sought repeal of the program. The Department received more than \$3 million in our FY 1997 appropriations to study methods for improving the prevailing wage survey itself. The Wage and Hour Division has developed several reform options and begun briefing congressional staff and constituents.

- Several proposals have sparked an outcry from constituency groups. The Department is reviewing the reform options to ascertain which are the most likely candidates for further development and the expenditure of funds. In addition, the department has received oversight inquiries from our House authorizing committee regarding the status of the FY 1997 appropriations. Wage and Hour plans to consult with stakeholders and reevaluate the proposals before it decides in February on best to use the money.

Ergonomics

- Eliminating repetitive stress injuries (RSIs) through ergonomic redesign of jobs, work sites, and tasks is an OSHA priority. This major safety and health problem has prompted OSHA to initiate an ergonomics rulemaking, which the last Congress had specifically prohibited but has now been removed.
- As a way to build public support for addressing this problem, OSHA and NIOSH will convene a conference in early January with participation from business and labor. The conference will provide a forum to share practical experience and workplace ergonomics programs.

Garment - Apparel Industry Partnership

- The Apparel Industry Partnership, announced at the White House on August 2, 1996, includes representatives from all sides of the garment industry. This task force has been meeting regularly since its formation and is expected to make its recommendations to the industry and the public at large in February 1997 about how to assure and tell consumers that goods are not made under sweatshop conditions sometime.
- The Secretary can expect to be involved in this announcement as the Department is the Administration's principal representative to the partnership. The partnership arose out of the department's "No Sweat" campaign.

Implementation of Kennedy-Kassebaum

- Last year, the Congress passed the Kennedy/Kassebaum health reform bill, which ensures that workers who switch jobs or lose their jobs do not lose access to health insurance because of pre-existing illness. It also includes requirements for minimum hospital stays for newborns and mothers and parity of benefits for mental health.

- DOL, together with HHS and Treasury, is working on implementation of this law. DOL has responsibility under ERISA to enforce the law for employer plans, and is expected to publish the first installment of regulations in early 1997.

Implementation/Promotion of the Work Opportunity Tax Credit (WOTC)

- This new program went into effect on October 1, 1996, which provides a tax credit to employers who hire members of certain targeted groups, including qualified welfare and Food Stamp recipients. The program only has a one-year authorization that is set to expire on September 30, 1997.
- An offshoot of the program (the Welfare to Work Tax Credit) is likely to be part of the Administration's welfare to work proposal that will be unveiled as part of the President's FY 1998 budget. The Secretary will play a role in advocating for the passage of a new tax credit proposal if it is included in the FY 98 budget.

NAFTA Issues

- The Department's International Labor Affairs Bureau (ILAB) has received and is reviewing several submissions under the North American Agreement on Labor Cooperation (NAALC) alleging the non-enforcement of labor laws in Mexico. The Secretary may need to decide questions related to these submissions in early 1997.
- Concerns about truck safety and the enforcement of certain labor standards as truck traffic enters the U.S. from Mexico under NAFTA led the Administration to delay opening the border to Mexican trucks in December 1995. Discussions are underway that could lead to opening the borders with a variety of protections for Mexican and U.S. workers. Discussions are also occurring with affected unions, particularly the Teamsters.

Workplace Violence Non-Regulatory Guidelines

- OSHA has proposed workplace violence guidelines for night retail establishments to educate employers about "best practices." The guidelines do not create requirements for business and are not enforceable as standards.
- Many businesses are opposed to the voluntary guidelines, fearing their existence could help victims in tort cases, and force them into more

expensive practices. The Secretary will need to decide whether to proceed with issuing these guidelines early in 1997. The Secretary will also have to decide whether to develop similar sets of guidelines for other sectors.

IV. MATERIALS

The materials which follow are organized to give you picture of the issues you will face from a variety of vantage points. The materials also give you a sense of the breadth of responsibilities of the Secretary. After the overview of the Department, we describe three entities which exist to support the Secretary and to assist in actualizing these priorities. Next, from a departmental focus we have given you the legislative environment and the current status of our budget request. Many of the substantive battles of the Department have been fought as part of the appropriations process. You will see overlap in these sections.

The next sections focus on the various agencies and entities of the Department. Again, issues will be repeated. The last sections present the roles which come along with being the Secretary of Labor.

Again, we stand ready to provide you with whatever information you need in the coming weeks as you prepare for your confirmation.

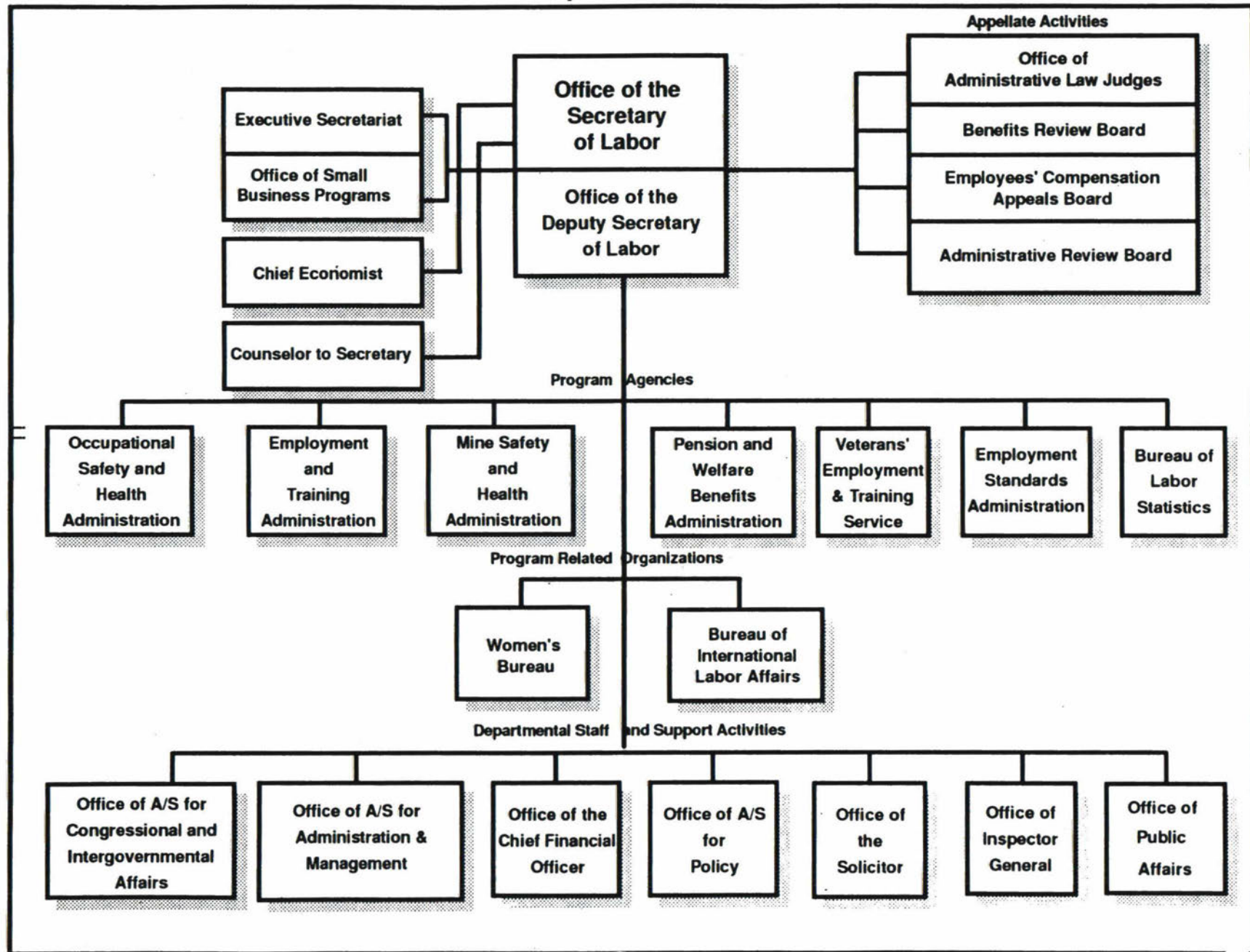
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U.S. Department of Labor



U.S. DEPARTMENT OF LABOR BENEFIT/GRANT PROGRAMS

FY 1997

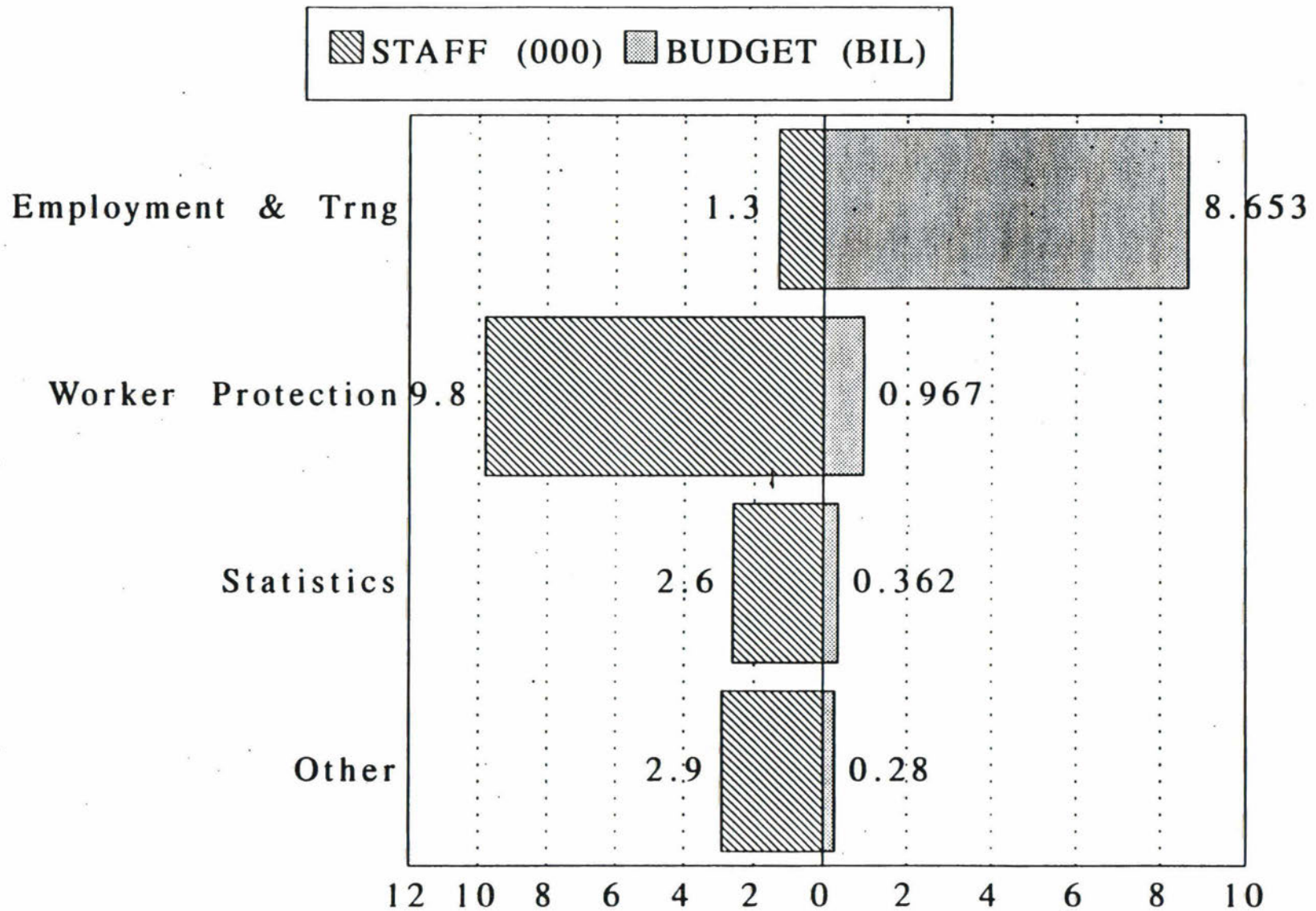
Agency/Law	BA (\$000)	FTE
- Employment and Training Administration - Job Training Partnership Act - School-to-Work Opportunities Act - The National Skills Standards Act of 1994 - Women in Apprenticeship and Nontraditional Occupations Act - Displaced Homemakers Self-Sufficiency Assistance Act - Older Americans Act of 1965 - Trade Act of 1974 - Social Security Act - The Wagner-Peyser Act of 1933 - Internal Revenue Code of 1954 - National Apprenticeship Act of 1937	33,732,549	1,328
- Pension Benefit Guaranty Corporation - Employee Retirement Income Security Act of 1974 - Pension Protection Act - Retirement Protection Act	135,720	731
- Employment Standards Administration - Federal Employees' Compensation Act - Longshore and Harbor Workers' Compensation Act - Federal Coal Mine Health and Safety Act of 1969 - War Hazards Compensation Act of 1942 - War Claims Act of 1948 - Black Lung Benefits Revenue Act of 1977	1,461,110	1,319
- Bureau of Labor Statistics - The Wagner-Peyser Act of 1933	52,053	0
- Veterans Employment and Training - Veterans' Compensation, Education, and Employ Amendments of 1982 - Service Members Occupational Conversion and Training Act of 1992 - Stewart B. McKinney Homeless Assistance Act of 1987 - Veterans Employment , Training and Counseling Amendments of 1987 - The Wagner-Peyser Act of 1933	180,949	250
TOTAL	35,562,381	3,628

**U.S. DEPARTMENT OF LABOR
WORKER PROTECTION / STATISTICS PROGRAMS**

FY 1997

Agency/Law	BA (\$000)	FTE
- Employment and Training Administration - Immigration and Nationality Act	7,944	0
- Pension Welfare and Benefit Administration - Employee Income Security Act of 1974 - Federal Employees' Retirement System Act of 1986	77,083	652
- Employment Standards Administration - Fair Labor Standards Act of 1938 - Walsh-Healey Public Contracts Act - Consumer Credit Protection Act - Contract Work Hours and Safety Standards Act - Service Contract Act - Davis-Bacon Act - Migrant and Seasonal Agricultural Worker Protection Act - Immigration and Nationality Act - Employee Polygraph Protection Act of 1988 - Immigration Nursing Relief Act of 1989 - Immigration Act of 1980 - Family and Medical Leave Act of 1993 - Rehabilitation Act of 1973 - Vietnam Era Veterans' Readjustment Assistance Act of 1974 - Executive Order 11246 - Americans With Disabilities Act - Labor-Management Reporting and Disclosure Act of 1959 - Civil Service Reform act of 1978 - Urban Mass Transportation Act of 1964 - Rail Passenger Service Act of 1970 - Airline Deregulation Act of 1978	214,712	2,623
- Occupational Safety and Health Administration - Occupational Safety and Health Act of 1970	325,734	2,241
- Mine Safety and Health Administration - Federal Mine Safety and Health Act of 1977	197,810	2,198
- Departmental Management - OASAM - Civil Rights Act of 1964	4,535	52
- Veterans Employment and Training - Uniformed Services Employment and Reemploy Rights Act of 1994	1,000	10
SUBTOTAL - WORKER PROTECTION	828,818	7,776
- Bureau of Labor Statistics - An Act to Establish the Bureau of Labor, 1884	309,647	2,552
TOTAL	1,138,465	10,328

STAFFING VERSUS BUDGET



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Divider Title: _____ **A**

**Office of the Chief Economist
FY '97 Management Plan**

MISSION

The Office of the Chief Economist serves as the primary economic advisor to the Secretary of Labor and provides economic analysis of general labor market developments, current Labor Department programs, and new initiatives under consideration by the Administration. In particular, the Office of the Chief Economist provides economic advice to the Secretary related to the Secretary's role as a member of the National Economic Council.

MAJOR ACTIVITIES

The Office of the Chief Economist is staffed by the Chief Economist, two special assistants to the Chief Economist and one administrative staff. We have a wide range of activities that include the following:

- Provide technical assistance and policy advice both within the department and in interagency forum on a wide array of issues including minimum wages, welfare reform, health care reform, pension reform, climate change negotiations, foreign offsets, sweatshops, education and training, urban initiatives and the budget.
- Supervise the preparation of briefings for the Secretary on economic indicators such as the monthly employment report, inflation rates, wage and compensation patterns, poverty rates, income inequality, social security, GDP growth, trade, and productivity.
- Work closely with OPA and ASP to prepare background materials for the Secretary's speaking appearances and press interviews.
- Track and report to the Secretary new academic research that is related to policy activities of the Department. Prepare reports documenting these trends.
- Participate in policy reviews of new initiatives under consideration by the Administration, especially within the NEC. Act when appropriate as the Secretary's deputy on NEC issues.
- Represent the Labor Department in the inter agency coordination process on economic message and work with my counterparts at other departments on cross department issues (e.g. School to Work, Welfare).
- Prepare special reports on current labor market issues (see below).
- Assist OCIA with data requests from Congress on issues such as training, FMLA, minimum wages, and occupational and employment projections.

- Coordinate the Department of Labor review of the annual Economic Report of the President.
- Provide technical assistance as appropriate to other agencies that assist the Secretary and Department in its mission. Examples of intra agency issues we have been involved in include Davis Bacon and the ETA/BLS employer-employee training studies.
- Meet with representatives from the OECD, the World Bank and the EU as well as ministers from governments such as Sweden, Denmark, Belgium, France, Japan, Germany and South Africa on U.S. labor market policy.

ACCOMPLISHMENTS

In the past year the Office of the Chief Economist has produced a series of reports that have been used by the Secretary and other policy makers. These reports include:

- 1.) *Making Work Pay*, March, 1996. This is a report on the status of minimum wage workers in the U.S.
- 2.) *Job Creation and Employment Opportunities: The U.S. Labor Market 1993-96*, April, 1996. This is a joint paper with the Joseph Stiglitz of the Council of Economic Advisors on the nature of job creation.
- 3.) *Dynamic Change in the Garment Industry: How Firms and Workers Can Survive and Thrive*, July 1996. This background report analyzes the U.S. garment industry and was prepared for our Fashion Industry Forum that examined the use of sweatshop labor in the garment industry.
- 4.) *A Look at Employers' Costs of Providing Health Benefits*, July 1996. This report analyzes the sharp decline in employer health costs over the past two years and possible sources for this decline.
- 5.) *Generating Productivity growth: A Review of the Role of Workplace Practices and Computers*, September 1996. This report summarizes recent findings on the impact on labor productivity of investments in education and skills development of workers, the use of new workplace practices such as teams and profit sharing, and the introduction of computers into the workplace.
- 6.) *How to Compete: The Impact of Workplace Practices and Information Technology on Productivity*, September 1996. This 29 page working paper uses new data from the EQW National Employers' Survey to examine the impact of training, education, high performance workplace practices such as TQM, teams, and profits sharing, and computers on labor productivity for a nationally representative sample of businesses in the manufacturing sector.

In addition to the technical reports prepared by this office, we have also developed a "chart book" that summarizes the general state of the economy, provides an historical overview of what has happened to the income of workers and shows the impact of education and training investments, the minimum wage and the EITC on the economic well being of American families.

The Office of the Chief Economist has been very active in providing technical assistance and policy advice on the minimum wage legislation that was passed this year, the Work Opportunities Tax Credit, the proposed training tax credit for small businesses and permanent extension of Section 127 (non taxation of employer provided tuition reimbursement), proposed extensions of FMLA, proposed Hope Scholarship tax credit, and welfare-to-work.

Finally, our office worked together with ILAB on the background preparation for and I attended the G-7 meeting on Jobs in Lille, France. I was also a keynote speaker along with former Secretary of Labor Ray Marshall at a conference in Bonn, Germany in June on U.S./German Labor markets.

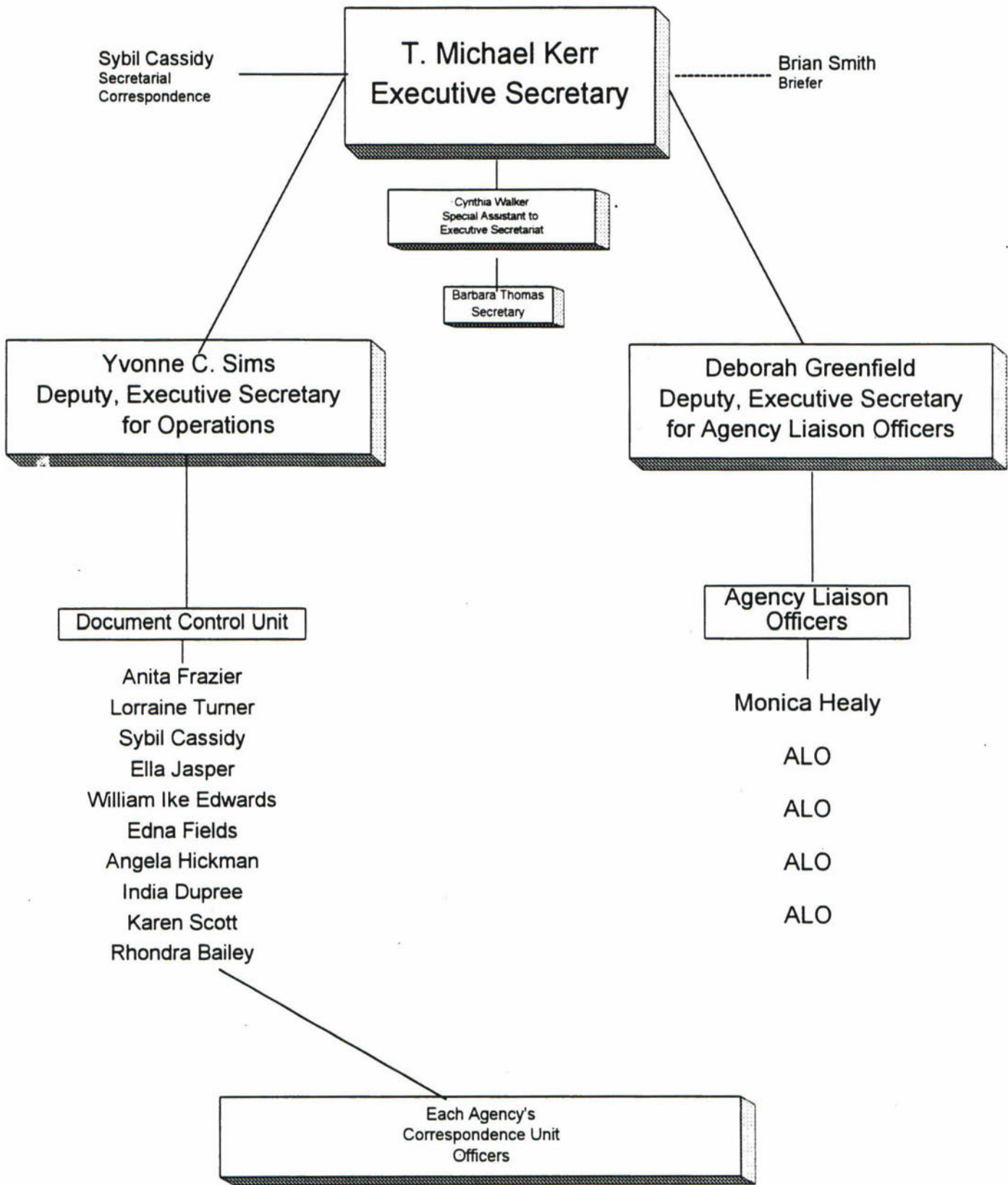
FUTURE GOALS AND ACTIVITIES

In addition to providing the daily support to the Secretary and the Department as outlined above the following are some of the policy issues likely to be the focus of activities of the Office of the Chief Economist:

- Assist the Secretary on discussions related to the Consumer Price Index.
- Continue to work on the GI Bill to expand training opportunities for dislocated workers. More generally work on initiatives to expand skill investments for all American workers, including incumbent workers.
- Assist the Secretary on policy issues associated with Social Security reform.
- Coordinate a statistical update of the impact of the Family Medical Leave Act for the White House and prepare a summary report on research on the impact of the FMLA for presentation in the Spring of 1997.
- Follow up on inter-agency discussions of implementation of the Welfare-to-Work initiative.
- Work on the 2nd round of EZ-ECs.

Divider Title: **B**

EXECUTIVE SECRETARIAT



The Executive Secretariat serves as the staff office to the Secretary of Labor, Deputy Secretary and Chief of Staff and reviews and analyzes all outgoing documents prepared for the signature of these officers. The Executive Secretariat is unique in that it provides the Secretary with an independent perspective on agency initiatives and actions as well as resolves interagency policy conflicts before issues reach the office of the secretary for decision making.

The Executive Secretariat also serves as the focal point and primary source of information within the Department in providing assistance and guidance in preparing correspondence for the signature of the Secretary, Deputy Secretary and Chief of Staff, to ensure conformity of personal style and format [of correspondence]. All executive correspondence must be submitted to the Executive Secretariat for review and transmittal to the Secretary, Deputy Secretary or Chief of Staff for signature.

The Executive Secretariat consists of two components: professional and support staff. The professional staff is comprised of the Deputy, Executive Secretary for Operations (DESO), the Deputy, Secretary for Agency Liaison (DESAL), as well as individuals who serve as Agency Liaison Officer (ALO's).

The Deputy, Executive Secretary for Operations manages the budget of Executive Secretariat; develops training programs; maintains central files of the Office of the Secretary; handles administrative and personnel actions; develops performance standards and is responsible for the day to day operation of the Document Control Unit (DCU). The DCU ensures that correspondence and documents on a wide range of issues having national significance are handled accurately and in a timely manner.

The DESO prepares a weekly mail sampling report for the Secretary, thereby keeping the Secretary's Office up-to-date on the status of all correspondence, serves as the Department's liaison with the White House concerning all secretarial correspondence or material referred to the Department for reply, and develops form letters for the Secretary's signature to handle special pattern mail generated by issues or matters of current concern to the Department.

The Deputy, Executive Secretary for Agency Liaison assists the Executive Secretary in matters requiring involvement in substantive policies and programs, as well as manages Agency Liaison Officers. The DESLA monitors politically complex matters to ensure that the secretary's philosophies and goals are reflected in the programs developed by the department's top officials, and are communicated accurately to the dol executive staff, the executive office of the president, and the congress. The DESAL also reviews sensitive letters, memoranda, and reports for the same purposes.

An Agency Liaison Officer (ALO) serves as staff to the Secretary, Deputy Secretary and Chief of Staff. ALO's ensure that positions, policies and actions of all agency staff and operating divisions are consistent with the Secretary's views and policies; ensure that adequate and complete staff work is done; acts as an authoritative, accessible source of information on the Secretary's policies; and carries out special projects as directed. Both the deputy for operations and for agency liaison have also responsibilities also.

The support staff of Executive Secretariat reviews outgoing executive correspondence, analyzes document content for consistency with DOL policy; reviews document format and structure for conformance with procedures set forth by the Secretary and Deputy Secretary of Labor; reviews and obtains necessary concurrences to assure that all interested DOL agencies have reviewed and concurred in the document content.

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Divider Title: _____ **C**

Office of the Counselor
FY '97 Management Plan

MISSION

Upon initiation of the present Counselor's office, two central mission elements were identified:

- ◆ Stimulate, expand and enhance corporate citizenship as part of a larger strategy to address the problems facing workers, families and communities.
- ◆ Enhance employee voice and participation in the workplace.

MAJOR ACTIVITIES

To fulfill this mission, several core activities were selected as priorities:

- ◆ Increase the scope and diversity of corporate citizenship activities by both creating and seizing innovative opportunities.
- ◆ Expand public education and information activities connected to corporate citizenship.
- ◆ Reach out to America's corporate leaders, labor officials, religious and community groups to enhance our understanding of corporate citizenship.
- ◆ Design and promote public policy proposals -- and stimulate appropriate public dialogue -- to enhance corporate citizenship principles and elements.

ACCOMPLISHMENTS

The Counselor's office effectively began operation under its present mission in March of 1996 with just two full time, one part time and one administrative staff. Eight months later, we have compiled a significant list of accomplishments in addition to the day-to-day matters, requests, questions and developmental activities.

Corporate responsibility hit the TV screens and newspapers of America with an intensity rarely seen for public policy debates. Indeed, this office was an integral part of the President's and Secretary's effort to encourage America's corporate leaders to recognize the value of their workers and the connection to a better bottom line. The issue of corporate citizenship remains vibrant and dynamic. Though perhaps no longer white hot, it's hardly ice cold. In fact, there is so much activity out there -- and so much media interest in elements of corporate citizenship -- that we would be happy if every DOL activity could enjoy such energy. Here are some examples:

- Polling shows a consistent 60 to 70% of the American public wants corporations to act more responsibly and holds corporate leaders directly accountable for their actions.
- CEOs in public forums repeatedly -- and recently -- say that they are "no Al Dunlap" and remain concerned about the issues surrounding corporate citizenship even though it's off the front pages.
- Recent cover stories in national outlets -- like Business Week -- have examined corporate citizenship elements. In fact, national media stories in the preceding months include four Business Week, four Newsweek, eight USA Today, nine New York Times and eight Los Angeles Times items, to list just a few.
- Public "hits" on the Department's Corporate Citizenship Resource Center website have been rising, indicating growing interest in the topic (and making it DOL's third most popular site). Likewise, a recent survey by this office produced dozens of regional corporate citizenship events in the next two months.

Helping to set this course, the Counselor's office has, among other accomplishments:

- ◆ Organized and managed key elements of the President's White House Conference on Corporate Citizenship, attended by some 115 CEOs, labor leaders and community activists. Accordingly, we identified, researched and analyzed more than 200 potential corporate participants; in fact, DOL recommendations comprised 10 of the 13 corporations featured in the public session. The conference captured public coverage in every major national TV, print and radio outlet and countless regional outlets for a total of more than 150 stories and received uniformly positive editorial comment.
- ◆ Created the Corporate Citizenship Resource Center, DOL's third most frequently visited Internet website (despite no public announcement from the Department). Receiving at least 8,500 hits per month (rising to 10,000-plus in September), the CCRC includes detailed descriptions of 100 exemplary corporate citizens (each of whom has agreed to respond to information and guidance requests from website visitors); 105 nonprofit organizations with corporate citizenship expertise; abstracts of 20 significant research articles and books; major speeches by the President and the Secretary of Labor; useful public statements and quotes supporting corporate citizenship, and other pertinent information.
- ◆ Built a library of 580 files on major corporations and innovative companies across the nation. As a major resource for all types of corporate citizenship information, the Office of the Counselor handles numerous requests each week for information, referrals and guidance.
- ◆ Drafted briefing papers and policy recommendations to guide the NEC working group on profit sharing and worker ownership. DOL recommendations represent approximately 75% of the policy options currently under review.

- ◆ Organized a dozen sessions with the Secretary of Labor and leading CEOs, including five Secretarial trips to visit innovative companies, generating in depth research on at least 35 companies as a result.
- ◆ Established working relationships with more than 75 organizations connected with corporate citizenship, including business, religious, labor, and community groups. Also, expanded interaction between the investment community and the Department.
- ◆ Garnered commitment from Institutional Investor magazine -- a major resource for Wall Street money managers and executives -- to host a conference on "patient capital."
- ◆ Provided research support and vetting services for other DOL and government agencies for more than 10 corporate citizenship related events (conferences, site visits, media events, etc).

FUTURE GOALS AND ACTIVITIES

Beyond these accomplishments, and looking ahead for the coming fiscal year, the Office of the Counselor expects a number of projects to produce concrete results. Particularly promising is the nexus of interests between corporate executives, labor leaders, religious and social investors and shareholders to reduce the Wall Street pressure for short term gains at the expense of long term benefits. There's a growing call for more reasoned investment strategies that permit both corporations and their employees to prosper: the Department of Labor can expand its role in this area. Following are some of our major priorities, along with specific outcome measures and goals we expect to meet.

Corporate Citizenship Resource Center

Goal: Enhance the quality, availability and external recognition of the CCRC to expand participation in corporate citizenship.

Outcomes:

- ▶ Increase monthly hits to 10,000.
- ▶ Add 50 companies to the database.
- ▶ Double the number of abstracts available for review.
- ▶ Incorporate at least two new features.
- ▶ Expand to 750 the library files of innovative corporate citizenship activities.

Patient Capital

Goal: Strengthen our grasp of the dynamics of capital markets, especially how major investors such as pension plans and mutual funds determine where, when and why to invest, with the aim of promoting longer term views and deeper concern about investment in workers. With mounting evidence that Wall Street stock churning in turn drives corporate short-termism, this issue becomes an essential component of any strategy to promote corporate citizenship. And with growing numbers of CEOs, labor leaders, religious figures, pension and shareholder activists all expressing frustration with Wall Street's short-term focus, we have a major opportunity to expand support for our activities.

Outcomes:

- ▶ Prepare and organize a major speech opportunity for the Secretary.
- ▶ Publish an analysis of investment behavior, especially regarding institutional investors and short-term "churning," with its public policy implications.
- ▶ Sponsor and organize a national, public colloquium (or a series of public meetings) on "patient capital" obstacles, opportunities and strategies. Participants would include CEOs, labor leaders, investment bankers, and Wall Street money managers, among others. Like the High Performance Workplace conference in 1993, this would be aimed at generating significant public attention to an issue presently left largely unaddressed and unknown except among a small group of elites.

Shareholder Initiatives

Goal: Expand the rights of shareholders to raise, debate and influence corporate citizenship. Already, for example, we have played a central role in elevating sweatshop and EEO issues.

Outcomes:

- ▶ Develop and place public education pieces in key media outlets.
- ▶ Revise SEC rules to permit proxy votes on employment-related matters such as sweatshops, child labor, EEO or high performance workplaces.

Outreach

Goal: Expand relationships with leading CEOs, labor and religious figures, experts and commentators, and others engaged in promoting the principles and practices of corporate citizenship.

Outcomes:

- ▶ Produce at least 10 Secretarial meetings with CEOs and industry leaders.
- ▶ Organize a strategy and policy session involving the Secretary and influential investors to discuss patient capital and its role in promoting corporate citizenship, in anticipation of a larger public forum (see above). Discussants could include major investors like Warren Buffett; pension fund leaders like Calpers, NYCERS and the Teamsters; academics and commentators like Felix Rohatyn and Michael Porter; Wall Street economists such as Steve Roach or Steve Rattner.
- ▶ Double the number of working relationships with corporate citizenship leaders.

Industry Initiatives

Goal: Identify industries with significant public education and enforcement potential to highlight corporate citizenship issues and worker protection, such as the poultry processing industry, nursing homes and child care facilities. This would build on DOL's highly effective garment industry strategy that demonstrably enhanced the public grasp of corporate citizenship responsibilities and obligations.

Outcomes:

- ▶ Design and highlight an effective enforcement strategy that focusses on egregious violators and, where feasible, offers a "high road" option.
- ▶ Produce a report for public release on conditions facing workers in selected industries such as poultry processing and nursing homes. For example, preliminary evidence indicates that poultry processing is one of the most dangerous occupations, effectively creating a class of "disposable workers" permanently out of work due to disabling injuries. Likewise, the quality of nursing home care -- of great concern to a growing number of American families -- remains highly dependent on the skills and commitment of the workers employed within these facilities. In both cases, the opportunities and protections available to employees is critical both to the employee and the consumer.
- ▶ Organize Secretarial tour of exemplary employers and roundtable sessions with industry workers.

Focus on Small and Medium-size Employers

Goal: Extend corporate citizenship principles, such as investment in workers, training and employee voice, to small and medium-size companies that employ the bulk of American workers yet tend to underinvest in human capital.

Outcomes:

- ▶ Develop joint program with the Department of Commerce's Manufacturing Extension Program (now operating in 50 states and stably funded) to focus on employee investment, voice and welfare as integral elements of promoting more productive and profitable companies. Initial priorities would include training for incumbent workers and worker ownership and participation. In contrast, the MEP presently focusses on technology and financial mechanisms to boost profitability despite evidence that these measures are more effective when linked to employee-centered activities such as training. Importantly, though, the MEP program has successfully reached out to smaller employers, establishing credibility and rapport.

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LEGISLATIVE MEMORANDA

The Office of Congressional and Intergovernmental Affairs is engaged in the process of becoming familiar with the 105th Congress -- profiling new Members, fleshing out Leadership and Committee membership and assignments and projecting -- to the extent possible -- the legislative environment and issue agenda as it affects the Department of Labor in the Senate and House.

Included in this section are two memoranda -- the first will provide you with the 105th's organization at this time, a snapshot of the overall legislative environment, and the agenda to date while the second, the Congressional and Intergovernmental Transition Report, will provide a narrative of the legislative issues which are on the agenda of the 105th Congress.

105th Congress: Organization and Issues Agenda

INTRODUCTION

In general, the composition of Congress has changed little since the last reconfiguration. However, while one would expect the agendas to be similar as well, much has changed. As opposed to the 104th Congress, what can realistically be expected in the 105th is the lack of clear, overarching legislative agendas -- both on the part of the Majority and Minority. In general, early signs indicate that the 105th Congress will scale back on the introduction of major legislation and initiatives, instead preferring to take an incremental approach. As a result, the discretion to set legislative priorities in the 105th will rest to a large degree with the committee chairs. Thus, committee organization is even more crucial. In preparation for the 105th, OCIA has prepared a synopsis of the latest organization of the Senate and House in the 105th Congress and the issue priorities in each to date.

SENATE

The composition of the Senate is now official. The Majority increased its hold by two seats so as to retain the Senate by ten seats (55-45).

As expected, the Senate leadership did not change. Majority Leader Lott and Minority Leader Daschle will remain in their respective leadership roles. For the Majority, Majority Whip Don Nickles, Policy Committee Chairman Larry Craig, and President Pro Tempore Strom Thurmond were reelected. Senator Paul Coverdell defeated Senator Conrad Burns for GOP Conference Secretary. In addition, Senator Connie Mack was elected Conference Chairman and Senator Mitch McConnell was elected National Republican Senatorial Committee Chairman. For the Minority, Minority Whip Wendell Ford and Conference Secretary Barbara Mikulski were reelected. Chief Deputy Whip John Breaux was reappointed and Senators Dorgan, Reid, Rockefeller and Kerry were placed in charge of leadership committees.

Senator Jim Jeffords from Vermont will become the new chair of the Senate Labor Committee. He has announced the formation of two new subcommittees -- a Public Health and Safety Subcommittee to be chaired by Senator Bill Frist and a Labor and Training Subcommittee to be chaired by Senator Mike DeWine. Ranking members for the subcommittees have not been designated yet. The Labor Committee will increase in size by two seats -- going from a 9-7 to a 10-8 ratio. The Majority will have five new members as Senators Slade Gorton, John Ashcroft and Lauch Faircloth all left the Committee. Senators Mitch McConnell, John Warner, Mike Enzi, Tim Hutchinson, and Susan Collins will fill the Majority openings. Senators Jack Reed, Jeff Bingaman and Patty Murray will fill the Minority vacancies.

With respect to the Senate Finance Committee, Senator Roth will remain chairman and Senator Moynihan will remain as ranking member. The ratio remains the same at 11-9. There were two Majority openings and two Minority openings. Senator Jeffords and Senator Mack have filled the two Majority slots. By doing so, Jeffords and Mack will be leaving the Appropriations Committee. Senator Bryan and Senator Kerrey have filled the two Minority slots.

Other changes to note are on the Appropriations and Budget Committees. On Appropriations, which will retain its 15-13 ratio, Senator Stevens will replace Senator Hatfield as Chairman. Senator Byrd will remain ranking member. Senators Larry Craig, Lauch Faircloth, and Kay Bailey Hutchison will be the Majority's new Appropriations members. Senators Byron Dorgan and Barbara Boxer will be the new Minority members. On the Labor/HHS Subcommittee, there will be no changes which will leave Senator Specter as Chair and Senator Harkin as ranking member. On the Budget Committee, Senator Domenici will remain Chairman while Senator Lautenberg will replace Senator Exxon as ranking member.

Once the formal committee selection process has been completed in early January, the committees will set forth their issue priorities. However, while the provision of a formal priorities list may take several more weeks, much of the initial agenda in the Senate is already apparent.

Themes

As mentioned above, the Majority has indicated that this Congress will focus on implementing existing legislation, primarily through oversight and use of the budget process. Much of the early legislative activity can be expected to be driven by two vehicles -- a campaign finance reform package and the budget and reconciliation process. While the scope of the campaign finance reform efforts is unclear at this point, both parties have identified campaign reform as the top priority. Most importantly for the Department, majority staff have indicated that any campaign reform package is likely to include *Beck* legislation.

The President has stated that his number one priority during his second term is to enact a balanced budget plan which reflects his priorities. This drive to achieve a balanced budget deal and the likely revisitation of the balanced budget constitutional amendment proposal will undoubtedly impact early legislation.

Congress plans to take up the balanced budget constitutional amendment early this session -- most likely in February or March. The amendment failed by only one vote in the Senate last session, and should have an easier route in that body this time. This year the House is likely to be the key battleground. Since there is bipartisan agreement and White House agreement on passing a balanced budget plan this year, the majority wants to ensure it and set the tone for the negotiations by first passing the balanced budget amendment. On the

other hand, the White House wants to quickly move ahead on a real budget agreement to show that a constitutional amendment is not necessary.

Majority Priorities

Senator Lott has identified two sets of priorities for the 105th Congress. The first set of priorities, the "legislative" list, includes CAREERS, disabilities, FLSA, FDA, the gag rule, higher education, infants with disabilities, ADA, NIH, OSHA, TEAM, and FMLA. The "political" priorities list includes a balanced budget constitutional amendment, an economic growth plan, an education plan (school choice & vouchers), a crime bill, a partial birth abortion ban and a teen drug abuse initiative. On January 21st, Senator Lott will announce a list of the bills that the Majority will try to get passed before the Easter recess.

With respect to labor legislation priorities in the Senate, Senator Jeffords has indicated that he expects to revisit many of the same labor issues that were addressed in the 104th -- primarily comp time, the TEAM Act and job training. He has also expressed interest in a variety of pension issues. Most of the labor issues will most likely be driven by what comes out of the House. And, as mentioned above, *Beck* will come up early during the campaign finance reform debate.

Minority Priorities

Senate Minority leadership have identified five priorities -- campaign finance, crime, children's healthcare, pensions, and education -- where legislation can be expected early in the 105th. At this point, campaign finance is expected to be the top priority -- it is expected to be the first bill. Senator Daschle intends for his pension package, the Retirement and Security Act (RSA), to follow as one of the first five bills introduced.

Items from the Families First Agenda -- centered around core principles of security, opportunity and responsibility -- can also be expected to play a vital role in subsequent legislative efforts by the Minority. The Families First Agenda touches upon many Department-related legislation and initiatives. The Minority has not yet made final decisions on where other White House and Department-related initiatives, such as Health Care for the Unemployed, fit. With respect to welfare reform, Senator Daschle has said that he hopes the President will use his executive power to cope with problems arising from last session's bill rather than leaving them to Congress. Latest reports indicate that the President is likely to propose his welfare law "fixes" as part of his budget plan.

HOUSE

In the 105th Congress, the Majority will hold a 227-207 lead (plus one independent) in the House, nine seats fewer than in the 104th.

The House has completed its informal organization of the new House leadership and committees. (See attached House Leadership and Committee lists) The House Majority leadership made only two changes while the House Minority left its top organization intact. Formal elections are scheduled for January 7. It is expected that Newt Gingrich will be officially reelected Speaker of the House and Dick Armey chosen as Majority Leader. Speaker Gingrich's role will most likely be diminished as ethics investigations are expected to continue during the early part of the 105th. Across the aisle, it is expected that Dick Gephardt will retain his position as Minority Leader and David Bonior as Minority Whip.

During the committee organization, Gephardt exerted pressure to expand Democratic representation on committees to reflect electoral gains. This was, in part, a response to pressure from minority moderates, to assure that both wings of the party are represented in committee memberships. Meanwhile, the Majority leadership faced pressure from its own members to shrink the size of several committees. Under an informal agreement worked out between the parties, approximately half the panels will increase in size slightly, and the Minority will gain an additional seat on three panels to reflect the closer Majority-Minority ratio in the 105th. Note that the committee sizes and ratios must be approved by the House in January before the committees can start organizing themselves.

There is a great deal of discussion regarding "governing from center" and the power of the moderate wings of both parties. In addition to the Majority's moderate Lunch Bunch and the Minority's Blue Dogs, the key swing voters, a new group call the New Democratic Coalition has formed to maximize the influence of moderates in the party. The moderates won a key battle in electing Rep. John Spratt (D-SC) over Rep. Louise Slaughter (D-NY) as the ranking member on the House Budget Committee.

Key House Committees

Representative Bill Goodling will remain as the head of the Economic and Educational Opportunities Committee. However, the Committees' composition has changed dramatically. The Majority and Minority each gained a seat so that the ratio is now 25-20. Out of this total of forty-five members, thirteen will be new. Three of the seven Majority vacancies have been filled -- Reps.-elect Ron Paul (TX), John Peterson (PA), and Robert Schaffer (CO). The six new Minority members are Reps.-elect Ruben Hinojosa (TX), Carolyn McCarthy (NY), John Tierney (MA), Ronald Kind (WI), Loretta Sanchez (CA), and Harold Ford (TN). Representative Earl Blumenauer (OR) has also moved to the Committee. Rep. Xavier Becerra (CA) moved to Ways & Means while Reps. Gene Green (TX) and Tom Sawyer (OH) moved to Commerce. This departure of key leaders on the Committee will mean earlier education efforts on our part.

On the Appropriations Committee, Representative Bob Livingston will remain Chairman. The Majority has filled its five slots -- Reps. Randy (Duke) Cunningham (CA), Todd Tiahrt (KS), Zach Wamp (TN), and Tom Latham (IA), Rep.-elect Anne Northup (KY), and Rep.-elect Robert Aderholt (AL). Representatives Rosa DeLauro (CT), Jim Moran

(VA), John Olver (MA), Ed Pastor (AZ), Carrie Meek (FL), and David Price (NC) have been recommended by Steering and Policy to fill six of the seven vacant Minority slots -- all have previously served on the committee. Additionally, Representative Chet Edwards (TX) was recommended to fill the newly proposed spot.

With respect to constituency leadership, the Congressional Black Caucus chose Rep. Maxine Waters (CA) to serve as its chairman, replacing Rep. Donald Payne (NJ). Rep. Xavier Becerra (CA) is expected to be reelected chairman of the Hispanic Caucus in January.

Majority Priorities

During the organizational meetings in late November, the Majority Leadership revealed that there will be a major change in agenda-setting in the 105th Congress. Recognizing the Majority's narrowed margin in the House, Speaker Gingrich and Majority Leader Armey stated that they would back away from setting forth a "top down" priorities list, choosing instead to leave priority setting to the committees.

Speaker Gingrich noted in his acceptance speech that whereas the last Congress was one of confrontation, the 105th would be one of Congress of implementation. Unlike the era of the Contract with America where the First Hundred Days were presidential in aspiration, he put aside the notion of the First Hundred Days as having any significance. There is little talk of a new list of initiatives. Rather, it is fine-tuning of the previous agenda with an emphasis on "implementation" as another way of talking about legislative oversight of executive branch operations and regulatory activity. Again, much of the early legislation is expected to be driven by either campaign finance reform or the budget process.

With respect to labor legislation, the Majority has expressed its intent to resurrect the wide range of labor issues raised in the 104th, including compensatory time, the TEAM Act, *Beck*, Davis-Bacon, job training, and OSHA reform. Chairman Goodling has said that he will first tackle comp time and he has already indicated that any FMLA expansion will not be part of such legislation. Goodling ranks the TEAM Act as his second priority. Thirdly, he identified the multiple-employer welfare arrangements (MEWA) legislation which was part of last year's House health care reform bill that was not included in the Senate. The proposal would have allowed small employers to band together in associations across state lines to buy health insurance. Rep. Fawell, who stands to remain chair of the Employer-Employee Relations Subcommittee, stated that he plans to reintroduce MEWA legislation similar to last year's version as soon as possible.

Other labor issues which Goodling said can be expected to arise early in the 105th include *Beck*, which will arise in the context of campaign finance reform, job training, Davis-Bacon reform and OSHA reform. Goodling recently met with the Republican Governors to discuss a job training measure, similar to CAREERS but not exactly the same, for next year. Chairman Goodling and Rep. McKeon signalled that they would hold several job training hearings when the 105th convenes with the hopes of introducing a bill by mid-

Spring. Goodling has also said that the Committee will look at the FLSA to see which areas need to be improved, changed or eliminated.

Little legislative action is expected until March. On the resurrected labor issues, the majority has acknowledged that they laid insufficient groundwork on these adversarial issues to overcome the opposition. This is where strategic oversight can be a foundation for later legislative activity. Further, the new requirements of legislative review of major regulatory initiatives will provide a new venue for legislative action and scrutiny.

Congressional Oversight of Departmental Activities and Programs

Both the House and Senate Majority Leadership have indicated that they intend to conduct aggressive oversight of Administration departments and programs in the 105th Congress. It is expected that the Department of Labor will receive extensive scrutiny. This effort will be a continuation of Congressional oversight of the Department which began in the 104th Congress. In the 104th, the Department received 125 separate oversight inquiries which ranged from both inquiries about individuals and programs at the Department. In November and December, we received several new oversight inquiries from Congressional committees dealing with substantive issues such as the Davis Bacon survey process and Service Contract Act application on wage rates for airline pilots. It is also expected that oversight hearings on OSHA regulations will be scheduled early next session.

This aggressive oversight activity of the Department is being driven by the desire of the Majority in Congress to conduct detailed reviews of implementation of many of the Department's programs, some of which they seek to fundamentally change or repeal. To date, most of the oversight inquiries have been generated by the House majority. It is notable that Senate Majority Leader Lott has said that they might consider adding an oversight subcommittee on each committee which would be responsible for monitoring programs and Departments under that committee's jurisdiction.

Minority Priorities

The House minority leadership will use the Families First Agenda as its top priority list. Campaign Finance Reform will not be on the list per se, but will be a defensive priority. Other considerations for the second tier of issues are freestanding FMLA expansion and Welfare to Work. Job Training Consolidation is in the third tier of issues thus far.

With respect to healthcare for the unemployed, the House minority has made an initial decision to work with children's healthcare only. There are also continuing discussions on which version of FMLA expansion to introduce and how to avoid the linkage with compensatory time where there is a split in the caucuses as well as with the Administration.

CONCLUSION

The 105th Congress promises to be a mixed bag in terms of Departmental legislative achievements. From all accounts, the 105th will be a Congress of incremental and not major legislative initiatives. Success can be expected where the legislation is seen as an "incremental step" in achieving the desired result, such as with further pension simplification, or where there is a significant degree of bipartisan support, such as job training consolidation.

However, as in the 104th Congress, much of the Department's legislative activity can be expected to be defensive in nature. The TEAM Act, *Beck*, Davis-Bacon reform, and comp time will all be revisited early in the session. Adding to the Department's defensive role this time around are the extensive hearings on Departmental programs that can be expected from the new "implementation Congress".

For most of the Department-related initiatives, reconciliation will provide the main legislative vehicle. At this point, many of the proposed White House and DOL initiatives, such as Welfare-to-Work and Health Care for the Unemployed, still have to be assessed before we can determine where they "fit". This process will be aided in the upcoming weeks as Senate Committee priorities are fleshed out. OCIA will keep you informed of the latest developments and how they impact DOL initiatives.

ATTACHMENTS

1. Senate Leadership List
2. Senate Committees: Chairs and Ranking Members
3. Senate Labor and Human Resources Committee Changes
4. House Leadership List
5. House Committees: Chairs and Ranking Members
6. Committee on Economic and Educational Opportunities Changes
7. Families First Agenda

SENATE LEADERSHIP

Majority

President Pro Tempore	Strom Thurmond
Majority Leader	Trent Lott
Majority Whip	Don Nickles
Conference Chairman	Connie Mack
Conference Secretary	Paul Coverdell
National Republican Senatorial Committee Chairman	Mitch McConnell
Policy Committee Chairman	Larry Craig
Chief Deputy Whip	Vacant
Committee on Committees Chairman	Slade Gorton

Minority

Minority Leader	Tom Daschle
Minority Whip	Wendell Ford
Conference Chairman	Tom Daschle
Conference Secretary	Barbara Mikulski
Democratic Senatorial Campaign Committee Chairman	Vacant
Chief Deputy Whip	John Breaux
Assistant Floor Leader	Byron Dorgan
Policy Committee Chairman	Tom Daschle
Steering Committee Chairman	John Kerry
Policy Committee Co-Chairman	Harry Reid

Major Senate Committee Rosters

ate Republicans and Democrats last week unofficially the rosters on the 12 so-called major committees, generally leaving them the same size they were in the 104th Congress, with a few minor changes to reflect the Republicans' gain of two seats. For example, Republicans increased their margins on the Armed Services, Commerce, and Governmental Affairs panel from one seat to two seats.

Vacancies on the other committees may be filled this week. All of the rosters are subject to official ratification when the Senate convenes in January.

Chairmen and the ranking Democrats were not officially designated, but announcements by key senators last week leave little doubt that the leadership will be as listed below.

In the rosters that follow, new members of the committee are listed in **bold**.

Agriculture, Nutrition and Forestry

(10 Republicans; 8 Democrats)

Republican Members

Richard G. Lugar, Ind., chairman
Jesse Helms, N.C.
Thad Cochran, Miss.
Mitch McConnell, Ky.
Paul Coverdell, Ga.
Rick Santorum, Pa.
Pat Roberts, Kan.
Charles E. Grassley, Iowa
Phil Gramm, Texas
Larry E. Craig, Idaho

Democratic Members

Tom Harkin, Iowa, ranking
Patrick J. Leahy, Vt.
Kent Conrad, N.D.
Tom Daschle, S.D.
Max Baucus, Mont.
Bob Kerrey, Neb.
Mary L. Landrieu, La.
Tim Johnson, S.D.

Appropriations

(15 Republicans; 13 Democrats)

Republican Members

Ted Stevens, Alaska, chairman
Thad Cochran, Miss.
Arlen Specter, Pa.
Pete V. Domenici, N.M.
Christopher S. Bond, Mo.
Slade Gorton, Wash.
Mitch McConnell, Ky.
Conrad Burns, Mont.
Richard C. Shelby, Ala.
Judd Gregg, N.H.
Robert F. Bennett, Utah
Ben Nighthorse Campbell, Colo.
Larry E. Craig, Idaho
Lauch Faircloth, N.C.
Kay Bailey Hutchison, Texas

Democratic Members

Robert C. Byrd, W.Va., ranking
Daniel K. Inouye, Hawaii
Ernest F. Hollings, S.C.
Patrick J. Leahy, Vt.
Dale Bumpers, Ark.
Frank R. Lautenberg, N.J.
Tom Harkin, Iowa
Barbara A. Mikulski, Md.
Harry Reid, Nev.
Herb Kohl, Wis.
Patty Murray, Wash.
Byron L. Dorgan, N.D.
Barbara Boxer, Calif.

Armed Services

(10 Republicans; 8 Democrats)

Republican Members

Strom Thurmond, S.C., chairman
John W. Warner, Va.
John McCain, Ariz.
Daniel R. Coats, Ind.
Robert C. Smith, N.H.
Dirk Kempthorne, Idaho
James M. Inhofe, Okla.
Rick Santorum, Pa.
Olympia J. Snowe, Maine
Pat Roberts, Kan.

Democratic Members

Carl Levin, Mich., ranking
Edward M. Kennedy, Mass.
Jeff Bingaman, N.M.
John Glenn, Ohio
Robert C. Byrd, W.Va.
Charles S. Robb, Va.
Joseph I. Lieberman, Conn.
Max Cleland, Ga.

Banking, Housing and Urban Affairs

(10 Republicans; 8 Democrats)

Republican Members

Alfonse M. D'Amato, N.Y., chairman
Phil Gramm, Texas
Richard C. Shelby, Ala.
Connie Mack, Fla.
Lauch Faircloth, N.C.
Robert F. Bennett, Utah
Rod Grams, Minn.
Wayne Allard, Colo.
Mike Enzi, Wyo.
Chuck Hagel, Neb.

Democratic Members

Paul S. Sarbanes, Md., ranking
Christopher J. Dodd, Conn.
John Kerry, Mass.
Richard H. Bryan, Nev.
Barbara Boxer, Calif.
Carol Moseley-Braun, Ill.
Tim Johnson, S.D.
Jack Reed, R.I.

Commerce, Science and Transportation

(11 Republicans; 9 Democrats)

Republican Members

John McCain, Ariz., chairman
Ted Stevens, Alaska
Conrad Burns, Mont.
Slade Gorton, Wash.
Trent Lott, Miss.
Kay Bailey Hutchison, Texas
Olympia J. Snowe, Maine
John Ashcroft, Mo.
Bill Frist, Tenn.
Spencer Abraham, Mich.
Sam Brownback, Kan.

Democratic Members

Ernest F. Hollings, S.C., ranking
Daniel K. Inouye, Hawaii
Wendell H. Ford, Ky.
John D. Rockefeller IV, W.Va.
John Kerry, Mass.
John B. Breaux, La.
Richard H. Bryan, Nev.
Byron L. Dorgan, N.D.
Ron Wyden, Ore.

Energy and Natural Resources

(11 Republicans; 9 Democrats)

Republican Members

Frank H. Murkowski, Alaska, chairman
Pete V. Domenici, N.M.
Don Nickles, Okla.
Larry E. Craig, Idaho
Ben Nighthorse Campbell, Colo.
Craig Thomas, Wyo.
Jon Kyl, Ariz.
Rod Grams, Minn.
Gordon Smith, Ore.
Slade Gorton, Wash.
Conrad Burns, Mont.

Democratic Members

Dale Bumpers, Ark., ranking
Wendell H. Ford, Ky.
Jeff Bingaman, N.M.
Daniel K. Akaka, Hawaii
Byron L. Dorgan, N.D.
Bob Graham, Fla.
Ron Wyden, Ore.
Tim Johnson, S.D.
Mary L. Landrieu, La.

Environment and Public Works

(10 Republicans; 8 Democrats)

Republican Members

John H. Chafee, R.I., chairman
John W. Warner, Va.
Robert C. Smith, N.H.
Dirk Kempthorne, Idaho
James M. Inhofe, Okla.
Craig Thomas, Wyo.
Christopher S. Bond, Mo.
Tim Hutchinson, Ark.
Wayne Allard, Colo.
Jeff Sessions, Ala.

Democratic Members

Max Baucus, Mont., ranking
Daniel Patrick Moynihan, N.Y.
Frank R. Lautenberg, N.J.
Harry Reid, Nev.
Bob Graham, Fla.
Joseph I. Lieberman, Conn.
Barbara Boxer, Calif.
Ron Wyden, Ore.

Finance

(11 Republicans; 9 Democrats)

Republican Members

William V. Roth Jr., Del., chairman
John H. Chafee, R.I.
Charles E. Grassley, Iowa
Omn G. Hatch, Utah
Alfonse M. D'Amato, N.Y.
Frank H. Murkowski, Alaska
Don Nickles, Okla.
Phil Gramm, Texas
Trent Lott, Miss.
James M. Jeffords, Vt.
Connie Mack, Fla.

Democratic Members

Daniel Patrick Moynihan, N.Y., ranking
Max Baucus, Mont.
John D. Rockefeller IV, W.Va.
John B. Breaux, La.
Kent Conrad, N.D.
Bob Graham, Fla.
Carol Moseley-Braun, Ill.
Richard H. Bryan, Nev.
Bob Kerrey, Neb.

Foreign Relations

(10 Republicans; 8 Democrats)

Republican Members

Jesse Helms, N.C., chairman
Richard G. Lugar, Ind.
Paul Coverdell, Ga.
Chuck Hagel, Neb.
Gordon Smith, Ore.
Craig Thomas, Wyo.
John Ashcroft, Mo.
Rod Grams, Minn.
Bill Frist, Tenn.

Democratic Members

Joseph R. Biden Jr., Del., ranking
Paul S. Sarbanes, Md.
Christopher J. Dodd, Conn.
John Kerry, Mass.
Charles S. Robb, Va.
Russell D. Feingold, Wis.
Dianne Feinstein, Calif.
Paul Wellstone, Minn.

Governmental Affairs

(9 Republicans; 7 Democrats)

Republican Members

Fred Thompson, Tenn., chairman
Ted Stevens, Alaska

Democratic Members

John Glenn, Ohio, ranking
Carl Levin, Mich.

William V. Roth Jr., Del.
Susan Collins, Maine
Sam Brownback, Kan.
Pete V. Domenici, N.M.
Thad Cochran, Miss.
Don Nickles, Okla.
Arlen Specter, Pa.

Joseph I. Lieberman, Conn.
Daniel K. Akaka, Hawaii
Richard J. Durbin, Ill.
Robert G. Torricelli, N.J.
Max Cleland, Ga.

Judiciary

(10 Republicans; 8 Democrats)

Republican Members

Orrin G. Hatch, Utah, chairman
Strom Thurmond, S.C.
Charles E. Grassley, Iowa
Arlen Specter, Pa.
Fred Thompson, Tenn.
Jon Kyl, Ariz.
Mike DeWine, Ohio
Spencer Abraham, Mich.
John Ashcroft, Mo.
Jeff Sessions, Ala.

Democratic Members

Patrick J. Leahy, Vt., ranking
Edward M. Kennedy, Mass.
Joseph R. Biden, Del.
Herb Kohl, Wis.
Dianne Feinstein, Calif.
Russell D. Feingold, Wis.
Richard J. Durbin, Ill.
Robert G. Torricelli, N.J.

Labor and Human Resources

(10 Republicans; 8 Democrats)

Republican Members

James M. Jeffords, Vt., chairman
Daniel R. Coats, Ind.
Judd Gregg, N.H.
Bill Frist, Tenn.
Mike DeWine, Ohio
Mike Enzi, Wyo.
Tim Hutchinson, Ark.
Susan Collins, Maine
John W. Warner, Va.
Mitch McConnell, Ky.

Democratic Members

Edward M. Kennedy, Mass., ranking
Christopher J. Dodd, Conn.
Tom Harkin, Iowa
Barbara A. Mikulski, Md.
Jeff Bingaman, N.M.
Paul Wellstone, Minn.
Patty Murray, Wash.
Jack Reed, R.I.

House Committee Rosters

Although the final membership roster of the House has not been determined — there are three elections tomorrow in Texas — House party organizations have generally completed their work of filling committee assignments for next year.

Three committee rosters have yet to be named. All three — ethics, House Oversight and Select Intelligence — are appointed by House leaders. Speaker Newt Gingrich, Ga., will appoint the Republicans to the latter two but has delegated his authority to choose ethics committee members to Majority Leader Dick Armey, Texas, because the panel is investigating Gingrich. Minority Leader Richard A. Gephardt, Mo., will appoint the Democratic members of all three panels. Committee members are expected to be named before Congress reconvenes in January.

Congress then will make final all committee rosters. Democrats have yet to sign off on Republican proposals to cut the size of certain committees, namely the Science panel. Democrats appointed 21 members, although Republicans say they are entitled to only 18 slots. Democrats are expected to appeal for more seats given the fact that eight of their new members want spots on the panel.

For candidates in tomorrow's Texas elections, Democrats reserved committee spots for Ken Bentsen and Nick Lampson while the GOP reserved spots for Steve Stockman. Bentsen, who will be a sophomore if he defeats Republican Dolly Madison McKenna for the 25th District seat, would be on the Budget and Banking panels while Lampson, who is challenging Stockman, would get a seat on the Science Committee. Stockman, who would be a sophomore if he defeats Lampson, would keep his seats on the Banking and Science panels. The GOP did not save spots for Republicans Kevin Brady and Gene Fontenot, who are in a runoff in the 3rd District, but the winner could still receive seats on several committees that have vacancies.

An unofficial list of panel rosters begins on the next page.

House Party Ratios — 105th Congress

Committee	104th Congress*		105th Congress	
	GOP	Dem.	GOP	Dem.
Agriculture	27	22	27	23
Appropriations	33	25	34	26
Banking †	28	23	29	24
Budget	24	18	24	19
Commerce	27	22	28	23
Econ. & Educ. Opp.	24	19	25	20
Gov't. Reform †	28	23	24	19
House Oversight	7	5	?	?
Int'l Relations	25	20	25	20
Judiciary	20	15	20	15
National Security	30	25	30	25
Resources	27	22	27	23
Rules	9	4	9	4
Science	27	23	22	18
Select Intelligence	9	7	?	?
Small Business	23	20	19	16
Ethics	5	5	?	?
Transportation	35	29	36	30
Veterans' Affairs	18	15	18	15
Ways and Means	23	16	23	16

* Ratios are those in effect at the end of the 104th Congress.
† An independent also serves on the committee.

COMMITTEE ON LABOR AND HUMAN RESOURCES, 105TH CONGRESS

Membership (10 Republicans, 8 Democrats)

James M. Jeffords, VT, Chairman

Dan Coats, IN

Tim Hutchinson, AR

Judd Gregg, NH

Susan Collins, ME

Bill Frist, TN

John Warner, VA

Mike DeWine, OH

Mitch McConnell, KY

Mike Enzi, WY

Edward M. Kennedy, MA, Ranking Minority Member

Christopher J. Dodd, CT

Paul Wellstone, MN

Tom Harkin, IA

Patty Murray, WA

Barbara A. Mikulski, MD

Jack Reed, RI

Jeff Bingaman, NM

December 5, 1996

105th House Leadership

Majority:

Speaker of the House	Newt Gingrich
Majority Leader	Dick Armey
Majority Whip	Tom DeLay
Conference Chairman	John Boehner
Conference Vice-Chairman	Susan Molinari
Conference Secretary	Jennifer Dunn
Chief Deputy Whip	Dennis Hastert
Policy Committee Chairman	Christopher Cox
Steering Committee Chairman	Newt Gingrich
Nat'l Republican Congressional Committee Chairman	John Linder

Minority:

Minority Leader	Dick Gephardt
Minority Whip	David Bonior
Caucus Chairman	Vic Fazio
Caucus Vice-Chairman	Barbara Kennelly
Chief Deputy Whips	Rosa DeLauro
	Chet Edwards
	John Lewis
	Bill Richardson
Steering Committee Chairman	Dick Gephardt
Democratic Congressional Campaign Committee Chairman	Martin Frost

Key Committee Posts

House members met in party caucuses the week of Nov. 15 to organize for the 105th Congress, including the election of chairmen and ranking members of House committees.

The Republican caucus decided to allow Rep. Robert L. Livingston of Louisiana to remain as chairman of the Appropriations Committee. The choice of Livingston over Joseph M. McDade of Pennsylvania for the post settled the central open question in the GOP's committee lineup. As the most senior member of the committee, McDade was in line to assume the post in 1994 but was passed over pending the

result of a federal investigation of him on bribery charges. McDade was acquitted in August, raising the possibility that he would gain the powerful chairmanship.

On the Democratic side, Henry B. Gonzalez of Texas beat back two challengers, Bruce F. Vento of Minnesota and John J. LaFalce of New York, to remain the Banking Committee's senior Democrat, while Louise M. Slaughter of New York lost her bid to be the ranking member on the Budget Committee to John M. Spratt Jr., S.C.

Following is a list of the key committee posts:

Committee

Agriculture
Appropriations
Banking
Budget
Commerce
Economic and Educational Opportunities
Government Reform and Oversight
House Oversight
International Relations
Judiciary
National Security
Resources
Rules
Science
Small Business
Transportation and Infrastructure
Ways and Means
Veterans Affairs

Chairman

Bob Smith, R-Ore.
Robert L. Livingston, R-La.
Jim Leach, R-Iowa
John R. Kasich, R-Ohio
Thomas J. Bliley Jr., R-Va.
Bill Goodling, R-Pa.
Dan Burton, R-Ind.
Bill Thomas, R-Calif.
Benjamin A. Gilman, R-N.Y.
Henry J. Hyde, R-Ill.
Floyd D. Spence, R-S.C.
Don Young, R-Alaska
Gerald B. H. Solomon, R-N.Y.
F. James Sensenbrenner Jr., R-Wis.
James M. Talent, R-Mo.
Bud Shuster, R-Pa.
Bill Archer, R-Texas
Bob Stump, R-Ariz.

Ranking Member

Charles W. Stenholm, D-Texas
David R. Obey, D-Wis.
Henry B. Gonzalez, D-Texas
John M. Spratt Jr., D-S.C.
John D. Dingell, D-Mich.
William L. Clay, D-Mo.
Henry A. Waxman, D-Calif.
Sam Gejdenson, D-Conn.
Lee H. Hamilton, D-Ind.
John Conyers Jr., D-Mich.
Ronald V. Dellums, D-Calif.
George Miller, D-Calif.
Joe Moakley, D-Mass.
George E. Brown Jr., D-Calif.
John J. LaFalce, D-N.Y.
James L. Oberstar, D-Minn.
Charles B. Rangel, D-N.Y.
Lane Evans, D-Ill.

House Appropriations Subcommittee Chairmen

Agriculture, Rural Development, FDA, and Related Agencies
Commerce, Justice, State, and Judiciary
District of Columbia
Energy and Water Development
Foreign Operations, Export Financing, and Related Programs
Interior
Labor, Health and Human Services, and Education
Legislative Branch
Military Construction
National Security
Transportation
Treasury Postal
Veterans Affairs, Housing and Urban Development, and Independent Agencies

Joe Skeen, R-N.M.
Harold Rogers, R-Ky.
Charles H. Taylor, R-N.C.
Joseph M. McDade, R-Pa.
Sonny Callahan, R-Ala.
Ralph Regula, R-Ohio
John Edward Porter, R-Ill.
James T. Walsh, R-N.Y.
Ron Packard, R-Calif.
C. W. Bill Young, R-Fla.
Frank R. Wolf, R-Va.
Jim Kolbe, R-Ariz.
Jerry Lewis, R-Calif.

COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES

(105th Congress)

MAJORITY MEMBERS

William Goodling (PA)
Thomas Petri (WI)
Marge Roukema (NJ)
Harris Fawell (IL)
Cass Ballenger (NC)
Bill Barrett (NE)
Peter Hoekstra (MI)
Buck McKeon (CA)
Michael Castle (DE)
Sam Johnson (TX)
James Talent (MO)
Jim Greenwood (PA)
Joe Knollenberg (MI)
Frank Riggs (CA)
Lindsey Graham (SC)
Mark Souder (IN)
David McIntosh (IN)
Charlie Norwood (GA)
*Ron Paul (TX)
*John Peterson (PA)
*Robert Schaffer (CO)
*(FOUR VACANCIES)

MAJORITY MEMBERS LEAVING EEO COMMITTEE:

Gunderson (WI)
Cunningham (CA)
Meyers (KA)
Hutchinson, Tim (AR)
Weldon (FL)
Funderburk (NC)

MINORITY MEMBERS

Bill Clay (MO)
George Miller (CA)
Dale Kildee (MI)
Matthew Martinez (CA)
Major Owens (NY)
Donald Payne (NJ)
Patsy Mink (HI)

FAMILIES FIRST AGENDA--DEMOC. THEMES FOR 105th Congress

SECURITY

paycheck security

- pay equity
- child & dependent care
- ban on imports made with child labor

health security

- mandates insurance companies cover children

retirement security

- pension reform--gephardt/daschle bill

personal security

- COPS
- drug enforcement
- after school safe-havens

OPPORTUNITY

educational opportunity

- HOPE tax credit
- \$10,000 deduction for educ. & training
- student loan deductions

economic opportunity

- state infrastructure banks
- small business initiatives

RESPONSIBILITY

government responsibility

- balance budget
- (themes--not legislative ideas)
- welfare reform
- (themes--again)

personal responsibility

- deadbeat dads
- teen pregnancy

corporate responsibility

- repeal tax breaks for shipping jobs overseas
- pension reversions
- environmental protections including safe drinking etc..

Rob Andrews (NJ)
Tim Roemer (IN)
Eliot Engel (NY)
Bobby Scott (VA)
Lynn Woolsey (CA)
Carlos Romero-Barcelo (P.R.)
Chaka Fattah (PA)
*Ruben Hinojosa (TX)
*Carolyn McCarthy (NY)
*John Tierney (MA)
*Ronald Kind (WI)
*Loretta Sanchez (CA)
*Harold Ford, Jr. (TN)

MINORITY MEMBERS LEAVING EEO COMMITTEE:

Williams (MT)
Sawyer (OH)
Reed (RI)
Becerra (CA)
Green (TX)
*(denotes new member)

CONGRESSIONAL AND INTERGOVERNMENTAL TRANSITION REPORT

As the commencement of the 105th Congress is fast approaching, OCIA has prepared a report describing the status of significant legislative issues and key initiatives in light of the expected legislative environment of the 105th Congress. For each issue, we have prepared a status update, a paragraph on what is driving the action, a paragraph on Secretary options and a paragraph on the timing of any action. The issues have been divided into 6 major issue categories -- job training, wage and hour, labor law, OSHA, Pensions/Health and Budget. In addition, an outline of our continued efforts to reach out and educate our state and local partners as well as a general overview of their priorities in the coming year is included.

JOB TRAINING ISSUES

The consolidation of job training programs, especially in light of expected initiatives to develop a jobs component to complement welfare reform, stands out on the list of legislative issues related to employment and training. OCIA still believes that the opportunity for much of the reform that needs to occur around E & T will be early in the legislative session, quite possibly in the first 6 months. In fact Congressmen Goodling and McKeon, in an appearance before the Republican Governors recently said they expect to hold a series of hearings early in the 105th Congress and to have a bill through committee by spring. McKeon said he expects to use the framework of CAREERS as a basis for the new bill.

The balanced budget that the President will present will dictate much of the early committee work in the Congress. Reconciliation remains an attractive vehicle for consensus legislation to move.

Consolidation

Status: The likely approach will be to concentrate on the broad issues where there was consensus from the REA/GI Bill/CAREERS experiences over the last four years. This would likely include an adult program for disadvantaged and dislocated workers and a youth title which incorporates summer jobs and a year-round program for youth. Skill grants would be the exclusive means of providing training for dislocated workers.

Action Forcing Event: Reform is needed in the job training system and it is occurring in the states through one-stop and STW implementation grants despite the fact that legislation has not emerged from the Congress. A welfare to work Presidential initiative will make job training reform even more important in order comprehensively attack the problem.

Welfare to Work

Status: A welfare to work jobs initiative is being developed by the Administration. It is likely to provide \$1 billion a year for 3 years to state and localities to help move the welfare population from welfare to work. The question of where the initiative will be housed remains unanswered.

Action Forcing Event: Congressional leaders and state and local elected officials are extremely worried about the upcoming work participation requirements of the new welfare reform law which begin kicking in on October 1, 1997. The political pressure to provide jobs program money will likely escalate as the first session moves toward October.

WOTC Implementation

Status: The new program went into effect on October 1, 1996. Implementation has been slowed by process related issues. Forms and guidance from the employment service will be going to the states this week. Training for CESA's will occur in December. Take up rates for the program are likely to dramatically increase after the first of the year.

Action Forcing Event: It will be critical for DOL to properly implement WOTC. Though the program only has a 1 year authorization that is set to expire on September 30, 1997, an offshoot of the program is likely to be part of the Administration's welfare to work proposal which will be unveiled as part of the President's FY '98 budget, though the size of the program could present offset problems.

TAA And NAFTA/TAA Reauthorization

Status: Both programs are set to expire on September 30, 1998. DOL must make its' recommendations on proposed legislative changes to the Congress by June 30, 1997. We would undoubtedly want to make some technical changes to the programs, but bringing back the idea of combining dislocated worker programs similar to REA would not fly politically.

Action Forcing Event: Of greater concern is whether the Congress will decide to combine the two programs or in the extreme case to eliminate them by saying we've taken care of the workers affected by trade related dislocations. The degree that workers use waivers to avoid entering a training program will also be an issue of contention. These programs could certainly be used by the new Secretary as an important way DOL and the Administration continue to protect American workers affected by federal policies.

Employment Based Immigration/Alien Labor Certification

Status: Experts agree that the promise of a job remains the principal magnet for illegal immigration. Unfortunately, the Congress did not address the issue of worksite enforcement when it passed its' illegal immigration this fall. Nor did it tackle the myriad of issues

associated with legal employment based immigration. This despite the fact that our OIG issued a scathing report this summer on the current labor certification program that DOL oversees, calling it a sham.

Action Forcing Event: Senator Kennedy remains committed to fixing the alien labor certification program. Though designed to provide Americans with opportunities to apply for available and identifiable employment, the system serves as a means for employers to hire foreigners at lower wages. Under the temporary H-1B program, workers are essentially indentured to the employer because they desperately want to eventually convert to permanent status in order to remain in this country.

Timing: It is difficult to imagine the Congress having an early and great desire to tackle this issue, especially after having wrestled with illegal immigration this past Congress. Yet it is unwise to underestimate Senator Kennedy's desire to bolster worksite enforcement through an increased number of wage and hour inspectors and granting other additional powers, while also reforming the permanent program.

Health Care for the Unemployed

Status: The President has publically committed to pursuing legislation to provide health insurance to previously covered workers who find themselves on the Unemployment Insurance rolls during a time of job transition. This "Worker Transition Insurance Program" (WTIP) is a natural next step to last year's Kennedy-Kassebaum bill in that it closes yet another gap which could cause American workers to lose health insurance. The eligible population for coverage would be those workers who had health insurance from their previous employer and are not eligible to pick up coverage through a spouse, Medicare, or Medicaid; are collecting UI; and have a family income below 240 percent of poverty.

The final details of the proposal have yet to be worked out, and the cost of any modifications to expand the eligible population will likely limit our ability to expand the program beyond what was in the President's FY 1996 budget. Discussions with HHS over program design and the roles of the two Departments in administering the new program continue, as do discussions with the staff of Senator Edward Kennedy, who plans to re-introduce legislation he filed on this subject at the end of the last Congress.

WAGE AND HOUR ISSUES

Compensatory Leave

Status: The FLSA requires employers to pay employees at least one and one half times their regular pay for each hour they work in excess of 40 hours a week. This requirement is intended to discourage overtime and to spread employment among a greater number of workers. The House passed legislation in the 104th Congress that would permit employers to offer compensatory leave to their employees as an alternative to earning premium pay for

overtime hours. Almost unanimously, House Democrats opposed the bill as a disguised attempt to allow companies to cut the pay of their workers. The AFL-CIO also strongly opposed the legislation, arguing that employees -- especially in low-wage industries -- would have no control over the decision to take compensatory leave instead of premium pay.

Action Forcing Event: The President transmitted his own compensatory leave bill, the "Family Friendly Workplace Act," to Congress at the end of the 104th Congress, but it was not introduced. The FFWA authorizes employers to offer compensatory leave as an alternative to premium overtime pay, but provides better protections against coercion than the Republican bill and mandates that employers provide at least 24 hours a year of unpaid family leave for parents to attend school activities or to take children or elderly parents to routine medical exams. The comp time authorization in the FFWA sunsets after four years, and a commission would report to Congress on its effects.

Timing: Comp time is likely to be one of the first labor issues raised in the 105th Congress, especially in the House. The Secretary will be invited to testify at committee hearings, which may begin as early as February or March.

Family and Medical Leave Act Expansion

Status: The current threshold for FMLA coverage of a business is 50 employees, which leaves about 40% of the workforce without coverage. Sen. Chris Dodd has proposed legislation to lower the threshold to 25 employees, which much of the business community strongly opposes. In addition, as part of the Family Friendly Workplace Act, the President has proposed expanding the covered leave to include 24 hours a year for the purpose of engaging in school activities or accompanying a child or elderly parent to routine medical exams.

Timing: This issue will probably be raised first in the context of compensatory leave legislation, which the committees may take up as early as February or March.

Garment Sweatshop Legislation

Status: Sen. Kennedy and Cong. Bill Clay introduced legislation in the 104th Congress to extend liability for the wage and hour violations of a subcontractor to the manufacturer or "retailer acting as a manufacturer" that contracts with the subcontractor. The bill creates a strong economic incentive for the manufacturer to police the conduct of its subcontractors and increases the likelihood that garment workers will receive back wages owed by a sweatshop contractor.

Action Forcing Event: The legislation has the enthusiastic backing of the needle trades union, UNITE, but the Administration took no position on it in the 104th congress. Kennedy and Clay intend to reintroduce the bill, and the Secretary will have the option to endorse it or to remain non-committal.

Davis-Bacon

Status: Opponents of the Davis-Bacon Act have been unsuccessful in attempts to repeal the act. During the 104th Congress, Sen Mark Hatfield and Rep. Curt Weldon introduced legislation, with the support of the building and construction trades unions and pro-Davis-Bacon contractors to reform the law. Among the proposed changes was to raise the current \$2,000 threshold to \$100,000 for new construction and to \$25,000 for repair work. The bill also clarifies when the act applies and sets statutory rules governing the use of apprentices, trainees and helpers and increases the ability of workers to recover wages owed.

Action Forcing Event: It is currently unclear whether the trades will seek to have the legislation introduced during the 105th Congress. The Secretary's options include endorsing the legislation should it be reintroduced or to continue to take a more distant stance from the legislation, allowing its supporters to garner support on the Hill. There could be key test votes on Davis-Bacon early in the Congress as the federal highway reauthorization legislation begins to move through the committee process. These votes could be a bellweather on the support for the act in Congress and whether the Department should consider support reform legislation.

Also the Wage and Hour Division is considering changing the methodology for Davis-Bacon wage surveys. The department is currently considering briefing the building trades and contractor associations on what changes are being contemplated. The options for the Secretary are to consult with the building trades and continue with exploring new methods or wait until interested parties come back with a critique of the department's thinking or their own ideas. This will be an important issue into 1997.

The Department has proposed suspending the Davis-Bacon helper regulations, which because of court actions have only been in effect for several months, since their promulgation in 1982. The building trades have opposed the regulations arguing that the use of lower paid helpers displaces apprentices and trainees and also supplants the use of semi-skilled laborers. Contractor groups have favored the use of helpers arguing that they are used in large segments of the construction industry already.

After the Wage and Hour Division reviews comments on the proposed suspension, there are several options available. One is to permit the regulations to go into effect which may cause confusion among contracting agencies and contractors since the department has not developed wage rates for helpers and substantial period of time is needed for implementation. Another is to continue the suspension and engage in substantive rulemaking to amend the helper regulations based on current practices in the construction industry.

Prison Labor

Status: The Fair Labor Standards Act requires payment of the minimum wage to employees by their employer. In certain rare instances, a prison inmate may be found to be an

employee, either of the state or of another person. For example, in a work release program, an inmate working for a private construction contractor could be an employee entitled to minimum wage. Sen. Graham and Sen. Reid offered an amendment to the Labor-HHS appropriation bill that would have exempted inmates from FLSA coverage even in situations where they were employed by private contractors selling goods and services in interstate commerce. At the Administration's insistence, the amendment was dropped from the Labor-HHS bill.

Action Forcing Event: Because there is a growing prison population nationwide and a consensus that inmates are easier to manage when they are working, prison systems are expanding the number and kinds of prison work programs. Prisoners have filed numerous suits against state and local prison systems and jails for back wages, but only one or two have been successful. Nevertheless, in order to prevent the filing of such suits and the need to defend against them, state prisons are seeking amendment of the FLSA.

Timing: This issue should not arise until the appropriations hearings in the Spring.

Teen Drivers

Status: The Department's rules concerning occupational driving for minors permit 16 and 17 year olds to drive with a limited exception under specific conditions and on an "occasional and incidental" basis. The Department has interpreted this to mean driving that involves emergency-type situations. There has been a move in Congress to change this standard to allow for more occupational driving by 16 and 17 year olds.

Action Forcing Event: The action is being driven by the National Automobile Dealers Association. In particular, the Washington state auto dealers have been interested in changing the law in this area since the Wage and Hour Division found many auto dealers in that state in violation of the law during a series of investigations a couple of years ago. Washington congressmen, Rep. Randy Tate and Sen. Slade Gorton, introduced legislation that would allow minors to drive as long as driving was not their primary duty. A hearing was held on Rep. Tate's legislation at the end of the last Congress and there was some bipartisan movement. Similarly, riders have been attached to various appropriations bills that would prohibit DOL from enforcing our current rules relating to teen driving.

LABOR LAW ISSUES

"Beck"

Status: In 1988, in *CWA v. Beck*, the Supreme Court held that employees covered by a union security agreement who are not union members cannot be forced to pay union dues or an agency fee greater than their proportionate share of the cost of negotiating, servicing and defending the collective bargaining agreement. Employer groups want to further limit the

right of unions to collect dues from non-members and want to extend the right to avoid paying full dues to union members, as well. Majority sponsored bills in the 104th Congress to limit the right of unions to enforce the dues obligations of bargaining unit members, and will pursue this legislation even more avidly in the 105th.

Action Driving Event: Majority/employer hostility to unions is driving the effort. The AFL-CIO's efforts during the 1996 election campaign intensified the feeling of the Majority and their allies that they need to reduce the influence of unions in American politics.

TEAM Act

Status: The National Labor Relations Act protects the right of employees to be represented by independent organizations that they have freely chosen. Section 8(a)(2) furthers this goal by prohibiting employers from dominating or assisting any labor organization. Employers have argued that they should be free to establish employee organizations or joint labor-management organizations to find cooperative solutions to workplace problems, including issues relating to hours of work and compensation. The TEAM Act would rewrite section 8(a)(2) to give employers the right to set up and dominate labor organizations as long as they do not attempt to bargain collectively. The House and Senate both passed the TEAM Act in the 104th Congress, but President Clinton vetoed it.

Action Driving Event: Some employers are genuinely confused about the lawfulness of employee involvement programs in their workplaces and want clarification of the law. Others want the ability to thwart union organizing drives by establishing sham unions or employee organizations that they can control while offering a facade of sharing decision-making with the employees.

Timing: The Secretary may be called upon to testify on the TEAM Act in the first 100 days. It will be high on the agenda of both Congressional labor committees.

OSHA ISSUES

OSHA Reform

Status: The labor committees worked on legislation in both Houses in the 104th Congress that would have weakened OSHA's ability to issue workplace safety and health standards and enforce them. House and Senate Republican leaders have announced their intention to pursue OSHA 'reform' legislation again early in the 105th.

Action Forcing Event: The business community, and especially small business groups such as the NFIB, the National Roofing Contractors, and the Associated General Contractors want to weaken OSHA and reduce the likelihood that they will be subject to inspections and fines.

Timing: This issue will probably not require Secretarial involvement before March or April, the earliest that hearings on OSHA are likely to begin.

Ergonomics

Status: Since 1992, OSHA has been developing a standard to control musculoskeletal disorders (MSDs), the most prevalent disabling on-the-job injury. In 1995, Congress passed a rider that blocked OSHA from issuing a proposed rule or guidelines, but the restriction expired in October 1996 and was not renewed.

Action Forcing Event: The AFL-CIO and many of its member unions, various public health organizations, and some Members of Congress want OSHA to issue a standard to protect workers from MSDs. 2.7 million workers suffer MSDs each year, at a cost of \$20 billion in worker's compensation. Many MSDs are preventable, and the OSH Act gives the Secretary the authority and responsibility to set standards to prevent them.

Timing: Supporters of a standard and opponents will both want a signal from the new Secretary about his intentions at the earliest opportunity, but no later than the appropriations hearings in the Spring. Following OSHA's current, tentative schedule, no proposed rule on MSDs would be issued until early in 1998.

Regulatory Reform

Status: In the 104th Congress, legislation emanating from the Contract With America would have fundamentally revised the regulatory rulemaking process in the federal government. The House approved this wide-reaching legislation, but it failed to gain enough momentum in the Senate to force cloture, which was necessary to procedurally move forward to a final vote. While the Administration continued to entertain reasonable regulatory reform options, strong Administration opposition was maintained against Congressional proposals which would have negatively impacted the decisional criteria used to develop a regulation, greatly expanded the options for judicial review of agency decisions, authorized a new petition process for reviewing existing regulations that would have tied the hands of agencies like DOL and made it almost impossible to develop new regulations, and which would have greatly expanded the requirement for steps in the risk assessment process associated with development of a new regulation. This effort at regulatory reform is likely to continue in the 105th Congress, but may manifest itself in a statute by statute application instead of an across the board omnibus bill. For the Department of Labor, this could have the most serious implications if OSHA Reform legislation moves forward with these objectionable regulatory changes.

Action Forcing Event: This legislative movement is clearly being driven by the business community who have regulatory reform high on their priority list.

PENSIONS/HEALTH

PENSIONS

The Retirement Security Act

Status: The Administration has worked closely with Senate Minority Leaders's office over the past few months in developing an omnibus pension reform bill, known as the Retirement Security Act (RSA), which will expand pension coverage, portability and security.

During the 104th Congress, President Clinton proposed a new simplified pension plan, known as the NEST, which was intended to address the problem of low pension coverage rates among small businesses. The President also proposed a new 401(k) plan that utilized "safe harbors" to measure the benefits provided under the plan. A key design feature of the NEST and the 401(k) "safe harbor" was that each employer sponsoring the plan would contribute 1% of compensation to each eligible worker's account to assure fair treatment of rank and file workers. Instead, the 104th Congress enacted a different small business plan, known as the SIMPLE and a different 401(k) "safe harbor" as part of the Small Business Jobs Protection Act (SBJPA). Neither plan included the 1% contribution. The RSA would restore the 1% minimum contribution to both the SIMPLE and the 401(k) "safe harbor."

In addition, the President sought to encourage employers to sponsor a NEST by limiting the employer's fiduciary liability under Title I of ERISA. The SIMPLE enacted by Congress, however, totally eliminated any fiduciary liability that financial institutions holding SIMPLE accounts would otherwise bear for these assets. The RSA would restore to non-employer fiduciaries the obligations they bear with respect to other types of ERISA plan assets.

The RSA also includes provisions intended to improve pension portability, make it easier for unions to sponsor "multiemployer" plans and enhance ERISA enforcement. The enforcement provisions of the RSA include the ERISA Audit Improvement Act which is discussed in Issue 2 below.

Action Forcing Event: Half of the full-time workforce does not have a pension. The lack of pension coverage hurts women, especially divorced women, in particular. Many workers who have a pension leave employment before they fully vest in the benefit. Workers, especially those nearing retirement age, are anxious over the security of their pension.

Although a number of significant pension simplification reforms were enacted as part of the SBJPA, there are weaknesses in the SIMPLE and the 401(k) "safe harbor" which should be addressed. In addition, the President has proposed additional pension reforms that will help expand pension coverage, portability and enforcement that were not included as part of the SBJPA.

Timing: This issue should be resolved before the first day of the 105th Congress. The Minority Leader intends for this bill, known as the Retirement Security Act (RSA), to be one of the first five bills introduced in the 105th Congress. The RSA will be a "message" document to the extent that it sets general direction for pension reform, but at the same time, the Minority Leader's strategy will be to advance incremental portions of the bill as amendments during the course of the 105th Congress.

ERISA Audit Improvement Act

Status: The Department's pension enforcement proposal, the ERISA Audit Improvement Act, is included as part of the Retirement Security Act. The Department also needs to advance this proposal as a stand-alone bill. The proposal would: (1) eliminate the so-called limited scope audit; (2) require direct reporting by ERISA accountants of criminal activity uncovered during the course of an audit, and (3) require peer review for ERISA accountants. The bill also contains ancillary provisions which would give the Secretary flexibility in applying one of ERISA's civil penalties and a provision clarifying the Department's authority to offset a breaching fiduciary's pension benefits.

Action Forcing Event: The Department, along with the General Accounting Office and the DOL Inspector General, have called for these necessary audit reforms since 1990. The so-called "limited scope" audit means that about \$950 billion in plan assets are not subject to a meaningful audit. Crimes detected during the course of a pension audit may not be reported to the Department until up to 210 days after the end of the plan year. Finally, twenty-two years after the enactment of ERISA, the Department continues to detect substandard auditing work.

Unlike pension coverage and portability, the issue of ERISA enforcement falls solely within the jurisdiction of the Labor Secretary. ERISA charges the Labor Secretary with the responsibility of "detecting and investigating civil and criminal violations of ERISA." Audits of employee benefit plans are the Department's primary enforcement tool.

During the 104th Congress, the employer community expressed vigorous opposition to the audit bill, especially the direct reporting provisions. The elimination of the limited scope audit and the peer review provisions were not quite as controversial among employers. However, when a provision that would have eliminated the limited scope audit passed the Senate as part of the FAA Reauthorization bill, it was stopped in Conference in response to pressure from the employer and financial services community. The Secretary has the option of pursuing either the original ERISA audit package, or a modified version of the bill that does not contain the direct reporting provisions.

Timing: A version of the ERISA Audit Improvement Act will be included as part of the RSA. Decisions with respect to the bill should be made before the first day of the 105th Congress.

ProSave Accounts

Status: Senators Bingaman (D-NM) and the next Labor Committee Chairman Jeffords (R-VT) introduced legislation in the 104th Congress that would have created the Pension ProSave program. We understand that Senator Bingaman's staff has also begun working with Senator Kennedy on this proposal.

Similar to the NEST/SIMPLE, ProSave Accounts are intended to provide a simple way for employers to provide portable pension benefits to workers. Under the proposal, once a ProSave account was established for an employee, the employer would forward contributions based on a percentage of salary to the employee's account at the time of each paycheck. The employee may also contribute tax-free an amount up to twice the amount contributed by the employer.

The ProSave proposal differs from the SIMPLE in two key areas. First, ProSave Accounts use a "reverse match." Employers sponsoring a Prosave Account would make a contribution to the plan and workers would then contribute a "reverse match" up to twice the employer's contribution. Note that under the SIMPLE, the worker makes the initial contribution to the plan and the employer's match applies to the amount the worker contributes. If the worker does not or cannot contribute to the plan, then there is no employer matching contribution. Under the "reverse match" concept contained in the ProSave proposal, the employer makes the first contribution. The "reverse match" concept will help assure that rank and file workers receive meaningful pension benefits.

Finally, unlike the NEST/SIMPLE, ProSave accounts would be centrally administered via a portability clearinghouse. The clearinghouse would be a government-chartered corporation with a Presidentially appointed Board of Directors. NEST/SIMPLE accounts are not centrally administered but instead use IRAs.

Action Forcing Event: Only about half of the full-time workforce is covered under a private pension plan. In addition, many workers who switch jobs lose their pensions because they do not fully vest in the benefit. Also, many people believe that 401(k) plans, which rely on participant contributions and employer matching contributions to fund the benefit, are unfair to low wage workers. The ProSave proposal is intended to address the problem of low pension coverage rates and portability losses by creating a portable pension system that is fair to low wage workers. The next Chairman of the Senate Labor Committee, Senator Jeffords, as well as Senators Kennedy and Bingaman are very much interested in advancing ProSave Accounts.

The Administration has not yet articulated a position on ProSave Accounts. The argument has been made that there are already enough pension vehicles -- the SIMPLE, IRAs, traditional 401(k) plans, newly created 401(k) "safe harbor" plans, Simplified Employee Pensions (SEPs), traditional defined benefit plans -- and that yet another savings vehicle will only add to the confusion and will not encourage savings. On the other hand, there are advantages to the "reverse match" concept embodied in the ProSave account which requires the employer to make the first contribution to the plan. The Secretary has the option of

working to advance the ProSave proposal, requesting that a study be commissioned on the concept, or not supporting the proposal.

Retirement Income Commission

Status: During the 104th Congress, three bills were introduced that called for the establishment of a national commission to study retirement income policy. In the Senate, the next Chairman of the Senate Committee, Senator Jeffords (R-VT), introduced a bill which established a commission to study and report on trends in retirement savings, existing federal incentives and programs to encourage savings, and new federal incentives for purposes of encouraging and protecting savings. In the House, Representatives Pomeroy (D-ND) and Johnson (R-CT) introduced legislation calling for the creation of a retirement income commission. The Pomeroy/Johnson bill had 24 minority co-sponsors and 17 majority co-sponsors. Rep. Pomeroy is believed to be reconsidering his views on the advisability of creating such a commission. The Senate Appropriations Committee added \$2 million to pay for a retirement commission but that was eliminated as part of the final appropriations package.

The 1996 ERISA Advisory Council has issued a report which also calls for the creation of a national commission on retirement policy to study private pension and benefit issues.

Action Forcing Event: The fact that many Members of Congress, including the next Senate Labor Committee Chairman, as well as the ERISA Advisory Council, have called for the creation of a commission.

The Administration has not supported creation of a retirement commission and is not likely to do so. There are numerous other councils, commissions and groups making recommendations in this area already and there is concern regarding the breath of such a commission's work, specifically in regard to the issue of Social Security privatization which the Administration feels strongly should not be addressed in this kind of forum.

Timing: OCIA expects that the issue of a retirement income commission will arise early in the 105th Congress.

401(k) Protection Act

Status: Senator Boxer (D-CA) has introduced legislation which would establish a 10% limit on the amount of participant contributions to a 401(k) plan that can be invested in employer securities and employer real property. ERISA already prohibits defined benefit plans from making investments in employer real property or securities greater than 10% of plan assets.

The "Boxer" bill was largely a response to the Color Tile bankruptcy. Color Tile is a national retailer with stores in 48 states. In January, 1995, Color Tile filed for bankruptcy protection from its creditors. A large percentage of Color Tile's 401(k) plan assets were

legally invested in the real property of 44 Color Tile stores. This investment was done pursuant to the so-called "Qualified Employer Real Property" exception to ERISA's diversification rules. Senator Boxer's legislation would impose a 10% limit on such investments.

The Minority Leader's omnibus pension bill, the RSA, includes a version of the "Boxer" bill. This version of the bill would not apply the 10% limit to the employer's matching contribution. Also, the bill would not apply to 401(k) plans that permit employees to direct the investment of their contributions.

Action Forcing Event: An estimated 23 million workers are covered under 140,000 401(k) plans. Because of the popularity of these retirement plans, there is considerable concern over the security of 401(k) plan assets. Senator Boxer's proposal will be advanced as part of the RSA but may also be offered as an amendment to any appropriate vehicle. A Democratic caucus hearing was already held on the issue during the 104th Congress.

The Labor Secretary has the option of continuing to support this provision as part of the Retirement Security Act or as a stand-alone measure. The Administration has already sent a letter to Senator Boxer indicating support in principle for this legislative change. The advantage of advancing the "Boxer" bill as a stand-alone measure is that 401(k) plans are very popular and many workers are concerned about the security of 401(k) plan assets. The disadvantage of pursuing this bill on a stand-alone basis is that relatively few 401(k) plans invest their assets primarily in the assets of the employer like Color Tile. In addition, this issue probably "belongs" to Senator Boxer.

Timing: The "Boxer" bill has been included as part of the Minority Leader's Retirement Security Act. A decision with respect to this issue should be made by the first day of the 105th Congress.

Plan Asset Regulation: Participant Contributions to 401(k) Plans

Status: The Department finalized its new plan asset regulation on August 7, 1996. The new regulation amends an existing regulation, adopted in 1988, which stated a general rule that contributions become plan assets on the earliest date they can reasonably be segregated from the employer's general assets. The 1988 regulation gave employers an outside limit of 90 days after the participant contribution was withheld from wages before they would be considered a plan asset. Under the final regulation, the outer limit, for pension plans only, has been reduced to 15 business days after the month in which the participant contribution was withheld or received by the employer.

After the final regulation was published, a "National Opinion Ballot" has been sent to a number of Members of Congress asking if the plan asset regulation should be allowed to stand. OCIA and PWBA have received many calls from Members of Congress in response to the ballot.

Action Forcing Event: Members of Congress who believe that the new regulation creates undue hardship for businesses, especially small businesses.

Opposition to the regulation is likely to come from conservative Members of Congress representing the interests of small employers. OCIA does not expect that sufficient support exists to rescind the plan asset regulation. However, in the event there is major opposition to the final regulation, the Secretary will need to defend the regulation.

Timing: This issue would only arise if Members of Congress were to advance legislation affecting the Department's regulation. The final regulation becomes effective on February 7, 1996.

HEALTH CARE

Health Insurance Portability and Accountability Act: Technical Corrections.

Status: The 104th Congress enacted legislation, the Health Insurance Portability and Accountability Act (known as the Kennedy-Kassebaum bill or the HIPA), which will make health benefits more portable and incrementally expands employer-based coverage.

HIPA limits the ability of employers who offer health coverage to deny coverage to individuals based on a preexisting condition. In addition, the bill guarantees the availability of individual coverage to "eligible" individuals who have had employment-based health coverage for at least 18 months, who are ineligible for or have exhausted their COBRA coverage, and who are ineligible for coverage under any other group plan. In addition, HIPA creates new COBRA rules relating to disability and adoption and includes a demonstration project to test the impact of Medical Savings Accounts (MSAs).

The 104th Congress also enacted the Newborns' and Mothers' Health Protection Act which creates minimum hospital stay requirements for childbirth, as well as the Mental Health Parity Act which requires that ERISA plans provide comparable levels of coverage for mental illness.

It is expected that there will be a technical corrections bill to fix certain problems with HIPA. The Administration transmitted a package of technical corrections to the Congress towards the end of the 104th Congress but no legislative action was taken.

Action Forcing Event: The new law becomes generally effective on June 30, 1997. Ideally, a technical corrections bill would be signed into law before that date to avoid confusion.

Timing: The HIPA generally becomes effective on June 30, 1997.

Multiple Employer Welfare Arrangements (MEWAs)

Status: Small businesses and small business advocacy groups (NFIB, Chamber of Commerce) believe that ERISA should be changed to allow small businesses to form self-insured purchasing groups, known as Multiple Employer Welfare Arrangements (MEWAs). The idea is that groups of small employers can create a larger entity with stronger negotiating and purchasing power.

"Self-insured" employers are those that collect employee contributions and pay health claims out of their own pocket, as opposed to purchasing policies from state-regulated insurance companies.

Many large employers currently provide health care coverage to workers through self-insurance. From an employer's perspective, there are significant advantages to self-insuring: state laws providing specific levels of benefit coverage, legal remedies, and consumer protections do not apply to self-insured health plans. State laws which apply these protections to consumers covered under insurance policies do not affect self-insured employee benefit plans because of ERISA's broad preemption provision.

Although ERISA permits employers to self-insure and avoid state insurance regulation, current law allows the states to regulate employers when they form MEWAs. Many states simply treat MEWAs as insurance companies and regulate them accordingly. This state regulation has discouraged certain small employers from forming MEWAs.

Legislation was developed by the House ERISA Subcommittee Chairman Harris Fawell (R-IL), in the 104th Congress, which would have changed ERISA to enable small employers to form MEWAs, self-insure and operate free of state regulators.

Note that over the years, the Department has devoted significant enforcement resources on abusive and fraudulent MEWAs. Currently, the agency has 90 open investigations including 20 criminal cases.

Action forcing event: Access to affordable health care remains a significant concern for small businesses. House EEO Committee Chairman Goodling (R-PA) has stated that MEWAs are going to one of the Committee's top legislative priorities for the 105th Congress. Small business advocacy groups can be expected to work closely with House EEOC Members to attempt to amend ERISA and make it easier for small employers to form MEWAs.

Expanded MEWA provisions were included as part of the House-passed health reform bill (HR 3103), but were removed from the measure bill in the Senate.

Timing: MEWAs are an issue that can be expected to be raised in the first 100 days of the 105th Congress.

Advisory Commission on Consumer Protection and Quality in the Health Care Industry

Status: The Commission is intended to review changes in the health care system, analyze the factors that contribute to those changes, and make recommendations for the effective promotion and assurance of consumer protection and health care quality. The Secretaries of Labor and HHS are co-chairs of the Commission. The Department's primary interest in the Commission relates to the utilization of managed care arrangements by ERISA-covered benefit plans and the protection of workers' consumer rights under those plans.

Action Forcing Event: Growth of managed care arrangements. Managed care plans raise new issues in ERISA enforcement, primarily due to the use of cost control mechanisms. President Clinton created the Commission through Executive Order.

The Labor Secretary is co-chairman of the Commission. The Department's interest in the Commission stems from its role with respect to employee benefit plans under ERISA. The Commission Members have not yet been appointed.

Timing: It is unclear when the White House will announce the Members of the Commission.

Retiree Health Care Security

Status: The Department's Office of the Solicitor has filed a number of legal briefs in court cases which have addressed the issue of termination of retiree health care benefits. A recent court decision cited the Solicitor of Labor's brief in a ruling which protected the retiree health benefits of 84,000 retired GM workers.

At the same time, the Department is working with the White House health team to develop a package of reforms that will better protect retiree health care without imposing onerous requirements on employers that will discourage them from offering these benefits.

The current proposal consists of two elements: (1) prospectively, it would prohibit termination of promised lifetime retiree health benefit unless the employer has specifically reserved the right to do so in the plan document; (2) for terminations that occur before the date of enactment of the legislation, the enforceability a benefit promise would be presumed in the absence of a specific reservation, but the employer could introduce extrinsic evidence to prove that they had made no true promise of life time benefits. In short, these proposals make clear that employers, not retirees, have the burden of proof in these benefit disputes.

In addition, the Department is considering requiring that Summary Plan Descriptions (SPDs) which promise lifetime benefits supersede plan documents to the contrary, as well as requiring 180 day advance notice before termination of such benefits.

Action Forcing Event: There is considerable Congressional interest in enacting legislation to address the problem of termination of retiree health care benefits. This interest is

attributable, in part, to a number of recent cases where retirees have lost promised benefits, including the Pabst case in Milwaukee, WI., which was widely reported in the press. The Department's Office of the Solicitor filed several briefs in the Pabst litigation as part of its amicus brief program. The Pabst litigation has not yet been resolved. The Department's intervention was greatly appreciated by the retirees, the union, and the Members of Congress representing those workers.

Congressmen Barrett (D-WI) and Kleczka (D-WI) have both introduced legislation in the 104th Congress intended to protect retiree health care benefits. In the Senate, Minority Leader Daschle introduced two bills in the 104th Congress addressing the issue of retiree health care.

Timing: Given the fact that the Senate Minority Leader, as well as other House Members, are particularly interested in protecting retiree health care, this issue should be resolved by the first day of the 105th Congress.

ERISA Preemption, HMO's and Medical Malpractice

Status: The issue is whether ERISA's preemption provisions protect HMO's from being sued by plan participants for medical malpractice. Kaiser Permanente, Prudential and U.S. Health Care have all asserted in court that malpractice claims brought under State law are preempted by ERISA. The Department's position is that Congress did not intend for ERISA to preempt the state law of medical malpractice. In recent court briefs, the Department has argued that distinctions can be drawn between administering an employee benefit plan and providing medical services to the plan. When an HMO denies a claim for benefits, it is administering a plan. When it undertakes to arrange for medical care, however, it is providing medical services to the plan's participants, not administering the plan.

ERISA preemption of medical malpractice claims is a second area where the Department's Office of the Solicitor has been active in filing amicus briefs in support of a participant's rights under an ERISA-covered health benefit plan.

Action Forcing Event: Increased use of managed care arrangements by ERISA-covered employee benefit plans. Managed care raises ERISA enforcement issues primarily due to mechanisms that seek to control costs. This is an issue where Members of Congress, including House Ways and Means Health Subcommittee Ranking Member Stark (D-CA) and EEO Committee Member Kildee (D-MI) have expressed a interest in legislation. A recent New York Times article (Nov. 17, 1996) has brought additional attention to the issue.

Timing: OCIA believes that this issue will arise early in the 105th Congress due to the introduction of remedial legislation.

Health Care Coverage for Children

Status: The President is committed to continuing incremental health care reform efforts. Because of the large number of children without insurance -- an estimated 11 million in 1994 -- the Administration is working to develop a proposal that will extend private health insurance coverage to these children.

The options being considered at this point range from extended tax credits to a federally funded grant program to the States which would help low income parents with children purchase "children only" policies. Concerns have been raised that if employers know that the federal government will help parents buy coverage for their children, that they will no longer offer such coverage through employee benefit plans.

Senators Kennedy and Kerry have introduced legislation that would create a federal subsidy program to enable States to offer these programs. The Kennedy-Kerry Plan was estimated to cost \$24 billion over five years. Under the Kennedy-Kerry plan, subsidies would be available to families up to 300% of poverty on a sliding scale.

Action Forcing Event: 11 million children under the age of 19 were uninsured in 1994.

Timing: This issue will arise when legislation is about to be introduced. Given the fact that various proposals are already being debated, it could happen early in the 105th Congress.

AFFIRMATIVE ACTION

Status: Representative Canady has indicated his interest in renewing his efforts to repeal Federal affirmative action requirements. During the last Congress, the Dole/Canady bill was subject to hearings and attempts were made to mark the bill up in the House Judiciary Committee.

Action Forcing Event: The repeal of affirmative action has been a popular issue among conservative members of Congress particularly in the House. It can be expected that bill will be introduced early in the session.

BUDGET ACTIVITIES-

Balanced Budget Amendment

Status: Congress plans to take up the constitutional amendment on the Balanced Budget again early this session, possibly as early as February. The Administration has opposed this amendment in the past and plans to fight it again.

Action Forcing Event: The consideration of this legislation is being driven by the closeness of the vote in the last Congress. With the newly elected members, it would appear that the

Senate now has the votes to pass it; therefore, the Majority leadership wants to have a early vote on this. The House vote is less clear and is the best chance of debating the amendment. Since there is bipartisan agreement and White House agreement on passing a balanced budget plan this year, the majority wants to ensure it and set the tone for the negotiations by first passing the BBA. On the other hand, the White House wants to quickly move ahead on a real budget agreement to show that a constitutional amendment is not necessary.

Timing: The forum for this will be in both the House and Senate. Since it is a constitutional amendment, the action starts in the Judiciary Committee; however, given the previous work on this bill, it is likely that the leadership will just re-introduce last year's bill or make modifications and present as the leadership package directly for floor consideration. Floor action is likely to be scheduled before the Budget Committees take up the FY 1998 Budget Resolution; therefore, it is likely to be in early February.

Balanced Budget Deal (including Reconciliation)

Status: The President's FY 1998 budget will contain the Administration's proposal to balance the budget by FY 2002. This package will include not only the President's discretionary spending priorities, but also his mandatory and tax initiatives. This document will represent the Administration's priorities and initiatives for the next 4 years; therefore, it is important that DOL priorities be reflected.

Action Forcing Event: The President has stated that his number one priority during his second term is to enact a balanced budget plan which reflects his priorities. The Congressional leadership is also committed to passing a plan this year. Both parties want to pick up essentially where they left off last year and try to work out a deal that can be enacted.

Secretary's Options: The content of the Administration's plan will be locked in by the end of December, although there may be a few details remaining to be worked out in early 1997. Since Congress is not likely to accept the President's plan as proposed, there will be a role for the Secretary both within the White House/NEC/OMB deliberations throughout the negotiations process to ensure that our priorities are reflected and to ward off Congressional proposals that we oppose; and with Congress as the process moves through each legislative step.

The issues that the Secretary may confront in balanced budget/reconciliation debate are:

Offense:

- welfare to jobs initiative (WOTC expansion & new program)
- health care for the unemployed
- GI Bill/Employment and Training consolidation
- Corporate loophole closures
- UI issues (UCX/FUTA .2%, administrative funding)

- Pension initiatives
- Hope Scholarships
- Medicare

Defense:

- adjustments to CPI for COLAs
- Davis-Bacon/SCA repeal
- Almost any labor-related type proposal could end up being considered as part of this package

If the final Budget Resolution has a discretionary number that is lower than the President's FY 1998 request level and he agrees to overall deal, that could mean that mid-way through next year, the President could be forced to modify (downward, of course) his request to the appropriations committees.

Timing: The forum for this will start in the Budget Committees, as they develop their FY 1998 Budget Resolution. Work on the Resolution will begin in mid-March and run through final floor action by May. Although the Budget Committees hold hearings in March/April, they are not likely to include the Secretary of Labor. However, the BLS Commissioner has been asked to testify before the Senate Budget Committee on January 31 (and likely a similar hearing before the House Budget Committee) on the CPI issue. After the Budget Resolution is adopted by both the House and Senate, the authorizing committees (EEOC, Ways and Means, and their Senate counterparts) will develop their input to the overall Reconciliation bill. This process will occur during May - July and could involve discussions with the Secretary about DOL items. This step in the process could be intense in terms of trying to keep proposals we oppose from being included. Once the overall Reconciliation bill is put together by the Budget Committees, then it moves through the respective bodies and then to a conference committee. It's during this latter stage that the White House negotiations are likely to be intense re: elements of the package that will be acceptable/unacceptable to the White House. The Secretary will need to be active within the Administration and possibly on the Hill during this phase--likely to occur in early Fall.

Roll-Out of FY 1998 DOL Budget Request

Status: The annual ritual is for each Department to roll-out its budget request essentially at the same time as the President unveils the overall budget package. This involves a press conference and follow-up discussions and press interviews about the Department's request and the overall President's proposal.

Action Forcing Event: The President's required submission of the budget on February 5 with the White House/OMB press conference triggers the ritual for the Department's unveiling.

Timing: This event occurs around February 5 and is held at the Department of Labor. The Department-wide briefing is followed by separate staff-level briefings for various Hill and interest group audiences. Briefing materials are prepared and distributed widely.

Appropriations Hearings

Status: The Secretary must testify before the House and Senate Appropriations Committees on the Department's request at the beginning of the FY 1998 budget process.

Action Forcing Event: The Chairman of the Committees (Porter and Specter) will invite the Secretary to testify. Assuming the Secretary is confirmed when invited, she has no choice but to testify. Prior to these hearings, it will be important for the Secretary to make courtesy calls to the key members of both the House and Senate subcommittees.

Timing: The Appropriations Committees will most likely want to wait until a new Secretary is confirmed to schedule our hearings. Since the other two Secretaries in the Labor/HHS subcommittee are staying (Shalala and Riley), they can schedule us for last, which could make the hearings more likely in early May. In the House, the Secretary testimony is followed by testimony from each of the Assistant Secretaries in the Department. In the Senate, the only DOL witness is the Secretary.

A great deal of work by the Department goes into preparing the Secretary for these hearings. This task will be more of a challenge when combining it with getting a new Secretary up to speed on overall DOL activities.

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12/23/96

STATE OF PLAY ON DOL BUDGET AND APPROPRIATIONS ISSUES

INTRODUCTION

The budget/appropriations process is the most intensive effort engaged in on an ongoing basis by both the Executive Branch and Congress. Recently Senator Domenici estimated that Congress spends fully 40 percent of its time working on budget and appropriations matters each year. Although the percentage is not that high for the Executive Branch as a whole, it is not far off for the executive and policy staff of the Department. Since the ability of the Department to fulfill its mission is totally dependent upon having adequate resources, the investment of time and effort in securing the Department's funding is the most critical effort the Department undertakes each year.

The budget is likely to be one of the first public issues facing the Secretary, triggered by the release of the President's budget request on February 3rd. A great deal of the public debate about the Department will occur in the budget and appropriations context during the first six months of 1997.

This paper covers the breadth of budget and appropriations issues affecting the Department. The paper is divided into two major sections, the first dealing with the Department's budget, and the second dealing with the larger budget process. The new Secretary may wish to focus initially on the first section, since it is of most immediate interest. The "micro" section focuses on a description of the themes and content of DOL's budget, its history and recent trends, the Department's FY 1998 request, and a prognosis of how the request will be received. It also reviews the internal DOL management strategy for dealing with budget and appropriations issues. The "macro" section puts the Department's request in the larger context of the overall Labor/HHS subcommittee, and then looks at the processes in the sequence that they occur--the Budget Committee process, the Appropriations Committee process, and related developments, such as the Balanced Budget constitutional amendment. At each of these macro steps, the paper describes the environment, the implications for the Department, and the potential role of the Secretary.

DOL's budget battles have been the focus of the Department's collective energies over the past two years and this paper attempts to provide a flavor of the "wild ride" that has affected the psyche of the organization.

'MICRO' SECTION: DEPARTMENT OF LABOR

I. BACKGROUND ON DOL'S BUDGET

DOL Budget in Perspective

The Department of Labor's overall budget in FY 1997 was \$35.7 billion; however, 71% of that amount is related to mandatory costs (primarily Unemployment Insurance benefits). (See Attachment 1.) The Department's FY 1997 discretionary budget (which is the focus of the annual budget battles) was \$10.3 billion. This represents only 0.6% of the total Federal budget and 14.4% of the Labor/HHS subcommittee's budget. (See Attachment 2.) Compared to all other Cabinet-level agencies, DOL's is one of the smallest budgets--10th out of 13. Only Interior, State, and Commerce have smaller budgets. (See Attachment 3.) In terms of staffing, DOL has 16,600 FTE, ranking 11th out of 13 Cabinet-level agencies. (See Attachment 4.) Only HUD and Education have fewer staff.

DOL's budget has declined since 1980, both in nominal and real terms. The largest decrease has come in the employment and training area. In 1980, spending on employment and training was around \$10 billion (in 1980 dollars), while in FY 1997, it is only \$6.3 billion (in 1997 dollars). When adjusted for inflation, this drop is even more dramatic. This drop reflects the elimination of the CETA public service jobs programs and drastic cutbacks in investments in disadvantaged youth. (See Attachment 5.) The staffing has also declined sharply over the years--from a high of 24,000 in 1980 to a low of 16,000 in FY 1996. These reductions occurred in spite of the creation or absorption of several agencies, new responsibilities being assumed, and growth in the level of national employment. (See Attachments 6 and 7.) For the entire Department, the staff has decreased by almost 2,000 (11%) since the beginning of this Administration. (See Attachment 8 for staffing by agency.)

Composition of DOL's Budget

While fully 84% of DOL's discretionary budget is in the Employment and Training Administration (including 23% on UI administration), 92% of the staff in the Department are working on other priorities, primarily worker protection and statistics activities. This mismatch between dollars and people is an important dynamic of the Department's budget process. It has been important to ensure that the dollars needed to fund the staff of the Department (approximately \$1.6 billion) is not sacrificed to support the employment and training activities (\$8.7 billion). (See Attachment 9.)

Within the Department, the budget has been organized around three major priorities for the past four years: employment and training; worker protection, and statistics. There is a remaining category, which includes other vital DOL programs (Veterans Employment and Training, ETA staffing, Office of Inspector General and various Departmental Management programs). (See Attachment 10.)

Employment and Training: Over the past four years, the President has been firmly committed to investing in the country's future by supporting education and training to promote long-term economic growth, and to give average Americans the skills they need to get high-wage jobs, and thus, raise the living standards of Americans. The Department's strategy to build a high-skilled workforce has included three major components: youth jobs, jobs-to-jobs, and welfare to jobs.

Youth Jobs: This component is focused on helping young people make a successful transition to the world of work and family responsibility. This includes investments in the summer jobs program, a year-round youth training program, the new joint ED/DOL School-to-Work initiative; and the longstanding Job Corps program.

Jobs to Jobs: This component is focused on workers who are displaced by economic change. DOL's programs work to help dislocated and unemployed workers get the training and adjustment services they need to move into new and better jobs. This includes investments in the Dislocated Worker program, the One-Stop/Employment Service system, and the Unemployment Insurance system.

Welfare to Jobs: This component is focused on assisting disadvantaged adults in getting the training needed to become economically self-sufficient. This includes investments in the Adult training program, administration of the Work Opportunities Tax Credit (WOTC), and Opportunity Zone grants for young adults who live in the most impoverished areas. Welfare to Jobs is also supported by the One-Stop/Employment Service system.

Worker Protections: The Department administers a broad network of statutes that protect the 126 million working men and women in six million workplaces across the country. These programs promote workplace health and safety, ensure pension security, and ensure that employees have fair wages and adequate working conditions. Over the past four years, the President and the Vice President have expressed their commitment to strengthening these worker protection programs, while at the same time reinventing and streamlining these efforts to work smarter (a la the National Performance Review efforts).

The Department's activities promote workplace health and safety, mine safety; give ordinary Americans a fair shake in the workplace by eradicating sweatshops, enforcing the minimum wage and the Family Medical Leave Act; and promote compliance with affirmative action requirements. The Department also safe-guards working families' hard-earned benefits, contained in 5 million private pension, health and other benefits plans that cover more than 200 million workers, retirees and their family members. It also works to promote worker rights in other countries and to expose international child labor problems.

Statistics: The Bureau of Labor Statistics (BLS) is the principal fact-finding agency in the Federal government in the broad field of labor economics. Its work is part of the backbone of the nation's system of economic intelligence which supports public and private decision making. Key among these statistical programs are reports on employment and unemployment,

and the Consumer Price Index (CPI). Assuring that economic statistics keep pace with the fast-changing economy is an Administration priority.

Department's Recent Budget Trends

The past four years have been a rather "wild ride" for the Department's budget. In the first two years of the Clinton Administration, the President proposed major increases in his investment package, which included employment and training programs. Due to the gap between the President's overall request and the spending caps for the first two years, only 38% of the President's requested investments in the Labor/HHS subcommittee were funded in FY 1994 and 45% was funded in FY 1995. For DOL's employment and training programs, in FY 94 only 25% of the requested increase was funded, while in FY 95 the rate was 50%. (See Attachments 11, 12, and 13.)

In the second two years, the President shifted his emphasis away from an overall investment package to a smaller subset of priorities: education and training, the environment, technology, and crime. This priority list drove the add-back strategies for the FY 1995 rescission bill, and the FY 1996 and FY 1997 omnibus appropriations bills. Overall, funding for the President's priorities were lower in FY 1995 and FY 1996 than requested, but in FY 1997, many of the priorities were fully funded.

Overall, the Department's trend line from FY 1993 to FY 1997 shows that overall funding has remained below the FY 1993 level adjusted for inflation, with the exception of FY 1994. The President's FY 1998 request is slightly below the FY 1993 inflation-adjusted level. (See Attachment 14.)

The low point for the Department was at the beginning of the 104th Congress, when FY 1995 funds were rescinded, resulting in a loss of \$700 million from DOL's budget, primarily through major cuts in the year-round and summer youth programs. By the end of FY 1997, most of the post-1994 cuts in employment and training programs had been restored, with the overall trendline showing funding at almost the FY 1993 level with inflation. (See Attachment 11.) Thus, the Department has managed to hold its own over the past four years, but there have not been any real increases in the overall program levels. The total masks the real shift over the past four years: While the Dislocated Worker program doubled in size, this increase was offset by a reduction in the disadvantaged youth program, which saw a 81% cut over the same period. This reduction in the youth program was not proposed by the Administration but was the fallout from the release of a negative program evaluation. Rather than using research to improve the program as proposed by the Department, the 104th Congress instead gutted the program.

For worker protection programs, the four year period has seen more modest shifts, ending slightly above the FY 1993 funding in nominal terms, but with the impact of inflation, the funding level has not been sufficient to maintain staffing levels. (See Attachment 15.) The worst year for all worker protection agencies was FY 1996, when agencies spent over half of

the year operating at 10-15% cut levels contained in the series of Continuing Resolutions. In the end, the final bill only cut the funding by 3% on average, but agencies had less than 5 months to operate at this higher level. The FY 1997 funding level represented an increase of 7% over the final FY 1996 level, allowing for real growth in most programs. (See Attachment 16.) The Department has treated worker protection programs as one overall package in the funding negotiations that have occurred during this period. This has helped ensure a degree of equity among the various agencies, reinforcing the Department's "team" message.

The President's hard-fought victories in 1996 and 1997 budget negotiations, which were major victories for the Department in terms of the deep cuts (19%) that had been proposed that were substantially moderated (7%) in FY 1996 and then essentially fully restored in FY 1997, have allowed the Department to essentially tread water, which in the current environment has been no small feat. The final outcome of the FY 1997 was a stunning and unanticipated success for the Department, as well as for the other Presidential priorities, especially those in the Labor/HHS subcommittee.

Since October, the Department has been moving ahead to recover from an extremely difficult year--from October 1995 through October 1996--during which time negotiations on both fiscal years were concluded. The FY 1996 appropriation was not completed until 7 months into the fiscal year--after a record 13 Continuing Resolutions and a month-long government shutdown. The FY 1997 outcome unfolded very quickly in September, leaving the Department rather happily stunned on October 1. The impact of the torturous journey on the psyche of the Department should not be underestimated. It was a time of intense attack on the very mission of the Department, which brought the Department together in a positive way--the type of cohesion that comes from having gone through a "war" together. Thus, within a span of 6 months, agencies went from planning for major layoffs to planning for major staff expansions.

II. DOL'S FY 1998 REQUEST

Overview

The Department's initial FY 1998 request to OMB in September proposed to continue to expand the various initiatives underway in its major priority areas. In total, the Department requested an increase of \$2 billion--almost a 20% increase over the FY 1997 level, but only \$1.4 billion (13%) increase over the FY 98 OMB Allowance (which reflected the President's original FY 1997 request). The original OMB passback only provided \$241 million over the final FY 1997 action. (See Attachment 17.) The Secretary appealed for an additional \$1,155 million, and OMB approved \$599 million of this request. In total, the Department's FY 1998 request adds \$828 million above the FY 1997 level--an 8% increase.

The largest increase is in employment and training programs; however, \$250 million of the \$583 million increase is for the President's FY 1997 proposed new Youth Opportunities initiative that was not funded in FY 1997. The second largest increase is for the

Disadvantaged Adult program, which receives a 20% increase. This reflects the top priority given in the Department's request to assist in the Administration's crucial task of moving people from welfare to work.

The worker protection programs are increased by an average of 6%, reflecting a continued expansion of the various initiatives underway. Several of the key increases are listed below:

- To enable the Pension and Welfare Benefits Administration to administer the Department's new responsibilities under three recently enacted health bills that provide portability and expanded coverage provisions.
- To expand the Office of Federal Contract Compliance's Fair Enforcement Strategy initiative.
- To double the size of the Department's investment in efforts to eliminate international child labor problems.
- To increase funding for OSHA's balanced efforts to continue to expand both Reinvention/Partnership activities and Enforcement Response Teams.
- To increase funding for the Solicitor's Office, which provides litigation support for all the enforcement actions initiated by the worker protection agencies.

The final request also fully funds BLS's budget, which includes both a continuation of the CPI revision effort and a new enhancement for CPI research, along with a continuation of the government-wide effort to replace the Standard Industrial Classification System.

Funding for other Department programs--Veterans, OIG, Departmental Management--are essentially frozen at last year's funding level.

The FY 1998 request will be unveiled by the President and simultaneously by each of the Departments on February 3rd, when the President's request is transmitted to Congress. Subsequent to the White House/OMB briefing on February 3rd, each Secretary holds a press briefing to highlight that Department's request. This may be one of the first public events for the new Secretary, assuming she is confirmed by this date. The Secretary will testify about the request before both the House and Senate Labor/HHS appropriations subcommittees; however, this is not likely to occur until early April.

Policy Issues

In addition to the bottomline dollar issues, there are several policy decisions that will be packaged with the President's FY 1998 request which will require Secretarial attention. All of the items listed below still have some outstanding issues to be decided by the White House and OMB within the next two weeks.

Welfare to Jobs: The biggest policy issue has not yet been decided by the President: which Department (HHS or DOL) will administer the proposed Welfare to Jobs program. Shortly after signing the Welfare Reform bill the President proposed a \$3 billion/3 year mandatory program [\$750 million in FY 1998] to provide assistance to help create job opportunities in

the private and non-profit sectors for long-term welfare recipients, targeted to areas with the largest number of this population. Once a decision is made about the design of the program--especially with respect to how the money flows to States vs. locals--the decision regarding which Department will administer it will be made. DOL has argued that the new welfare-to-work initiative should be part of one integrated workforce development system to serve all Americans. We expect a decision in early January. If the Department is given the responsibility for administering this new program, ETA will require additional staffing resources, assuming the proposed legislation is enacted by Congress.

If DOL is given the responsibility for administering the program, the Secretary will be a visible advocate with members of Congress, stakeholders, and the public on behalf of this legislation, along with the WOTC legislation described below. The President's overall "welfare fix" bill, of which this is a part, faces a very tough reception on the Hill. Of all the pieces in the bill, the jobs component may have the best chance of success, at least in part. Even if the bill isn't passed, there is a great deal of pressure building in States and cities for increased financial assistance to place welfare recipients in jobs. If this new program is not authorized, an end game option is to add more funds to the existing programs that provide transition assistance--such as the various JTPA programs. Being the proposed administrator of the new program sets the Department up well for receiving any additional funds. The mayors are likely to be the strongest advocates to Congress in support of these funds.

WOTC Extension and Expansion: As part of the President's Welfare to Jobs initiative, the WOTC program is to be expanded to create new job opportunities for long-term welfare recipients. In addition to this new program that is to run for three years, the current program (which was only authorized for 1 year) will be extended for an additional year. Thus, in FY 1998, both the existing program and the new welfare program would be operating simultaneously. Implementation of the current program, just now getting underway, will receive heightened visibility during this period while Congress decides whether to extend and/or expand the program. Although the program is popular with employers and many members of Congress, the Department's Inspector General was extremely critical of the original Targeted Jobs Tax Credit that this program replaces. They have voiced their concern about the WOTC program and are planning to audit the program as soon as feasible.

GI Bill/Consolidation Legislation: One of the major outstanding issues to be decided by the White House is what are the next steps legislatively on the authorizing legislation (GI Bill) that was not enacted last year. The original bill was a joint DOL/ED effort; however, the Education Department wants to decouple the legislation and move forward on its own. This outcome appears likely, but has not been blessed by the White House. At the moment, the Department is working quietly behind the scenes with the authorizing committees on the assumption that all parties are working towards a bipartisan consensus bill, building on the House's CAREERS bill. Decisions still remain to be made regarding whether legislation is submitted to Congress or whether the bill is jointly crafted on the Hill. It is unlikely that the outcome of these discussions will change the presentation of the Department's employment and training budget request (which is based on the existing program structure) or the amounts

requested, since any new legislation would most likely not go into effect until FY 1999 at the earliest. However, the decisions will influence how we position the request rhetorically.

Unemployment Insurance: There are several policy changes in this arena that will be debated in Congress and with the stakeholders over the next few months. The FY 1998 request contains several departures from past practices. First, the request includes \$200 million attributable to the one-time costs associated with the government-wide Year 2000 computer conversion effort. Given the size of this increase and the tight discretionary caps, it will take strong OMB and Secretarial support, as well as a push by the States, to gain approval.

Second, for the first time in the history of the program, the President's budget will not request sufficient funds to cover the increased costs (resulting from increased workload and inflation) of State administration of the UI benefit entitlement program. [Note: Congress has not approved these requested increases for the past two years]. However, OMB did approve the Department's request to provide some relief from the funding shortfall by providing funds and a "cap adjustment" mechanism (which essentially is "off-budget") for investments in integrity activities that produce savings on the benefit side; therefore, more than paying for itself. However, the final agreement only provides \$89 million of the needed \$236 million, leaving a shortfall of \$147 million.

Adoption of this proposal first requires enactment of substantive legislation (as part of the reconciliation bill) and then action by the appropriations committees. The stakeholders (States, business, and labor) have been active in pushing for a cap adjustment approach modeled after one successfully enacted last year for the SSI disability benefits program. However, the coalition will be disappointed that the Administration's proposal doesn't fully cover the shortfall. It's unclear whether they will push hard for adoption of the Administration's proposal or whether they will attempt to amend it to provide more funding. Although a solution to the structural funding problem may take two years, it is important that the Department begin to propose ways to address the problem.

Third, OMB is still considering several other UI legislative proposals in an attempt to maximize the outyear revenues in the UI Trust Funds that can be used to reduce the Federal deficit. The first proposal is to extend the FUTA 2% surtax, which is scheduled to expire at the end of calendar year 1998. This surtax, which was put on during the 1980s when the Federal Trust Funds were short of funds, has been extended several times subsequent to the crisis simply as a way to bring in Federal revenues. This surtax brings in about \$1.5 billion a year. The employers who pay this tax will object to its extension but they know that it will be extended again regardless of their objections. The second legislative proposal is to adjust the ceilings on the three Unemployment Trust Fund accounts to avoid an automatic distribution of the excess funds to the States.

Given the large excess balances building up in the three Federal accounts (by 2003, it would be \$41 billion), it will be hard to justify to Congress and the stakeholders why the FUTA tax should be extended; therefore, the Department has proposed that the Administration's package

include two program enhancements that would spend \$1.9 billion (over 5 years) of the \$8 billion increased resources from OMB's proposals. This includes a fix to the Extended Benefits program so that it would include a mandatory trigger for all States, making it more effective when the next economic downturn comes; and a partial release of the excess funds to the States up to the amount needed to handle the increased workload and inflation costs of administering the program. Beginning in FY 2000, this could provide a permanent fix to the administrative funding shortfall problem. The Department is still awaiting OMB decisions on this proposal.

If OMB approves DOL's proposals, it will be easier to defend the proposed .2% FUTA extension, although the employers will continue to oppose the extension. The States will be strong supporters of releasing some of the excess ("Reed Act") funds to the States. Regardless of how the stakeholders react, Congress is likely to adopt OMB's proposals (with or without DOL modifications) since the proposal contributes to their efforts to balance the budget.

Health Care for the Unemployed: The Administration has not yet completed discussions on the design of its Health Coverage for Workers Between Jobs Program. Since one of the key screens for this program is eligibility for unemployment insurance, there is a role for the UI and One-Stop Centers, which will require additional resources to implement; therefore, the FY 1998 request may be increased to reflect this decision. It's unclear whether this bill will actually be acted upon during 1997.

Youth Opportunities Grants: The FY 1998 request again contains the President's FY 1997 proposal to provide \$250 million to 15-20 high-poverty urban and rural areas where local officials would develop comprehensive services and jobs to saturate strictly defined neighborhoods. Although Congress did not fund this new initiative last year, the Appropriations Committees made it clear that they were sympathetic to its purpose and acknowledged the need to serve these young people. Congress also supported the Department's continued use of a small amount of its Pilots and Demonstration money (\$9 million range) to fund a few of these projects on a pilot basis. Currently there are projects underway in Chicago, Houston, and Los Angeles.

The White House plans to rhetorically package the Youth Opportunities initiative as part of a \$1 billion Empowerment Zone (EZ) effort in FY 1998, led by the Vice President. There is broad support for the Youth Opportunities initiative among mayors, youth advocates, and civil rights organizations. Packaging it with the overall EZ project (led by Gore and advocated by Charlie Rangel), should enhance the chances of getting some of the requested funds in FY 1998. Full funding is unlikely, but a modest investment is achievable.

Alien Labor Certification: Funding for this program was cut by over 20% in FY 1997. Instead of proposing an increased appropriation in FY 1998, OMB is currently considering several options to authorize the collection of fees to finance the federal and state responsibilities for alien labor certification programs. This proposal would allow for

increased short-term funding to get rid of the backlog, while moving to a system totally based on fees by FY 2000. The Department is awaiting a final decision from OMB regarding the design of this proposal.

Both the Administration and Senator Kennedy proposed a major overhaul in this program in last year's immigration bills; however, the provisions were not adopted. Senator Kennedy is likely to revisit this issue during FY 1998, with or without immigration legislation.

III. PROGNOSIS FOR FY 1998 DOL REQUEST

The Department is well positioned for the beginning of the FY 1998 budget process. DOL's proposed percentage increase is consistent with the President's overall request for the subcommittee; therefore, it is clearly positioned as a continuing high priority item by the Administration.

The following discussion explores how the Appropriations Committees may react to DOL's specific proposals (other than the ones already covered in the previous section), independent of the constraints caused by the subcommittee allocation. The subsequent section will look across the subcommittee and discuss threats to DOL programs resulting from other proposed increases in the FY 1998 request.

Attachments 18 and 19 illustrate how much the funding levels for the major program areas--employment and training and worker protections--changed during the FY 1996 and FY 1997 processes. This same kind of volatility can be anticipated again in FY 1998. One should anticipate that the House will again have the lowest funding level for both our major funding areas, with some restoration in the Senate, and the final action higher than either of the two. The difference this year is that the final action may not reflect a last minute infusion of money to the subcommittee, as seen in both of the past two years.

In order to best position the Department for the FY 1998 process, OCIA organized a series of briefings in November/December on DOL initiatives for House and Senate appropriations subcommittee staff (both majority and minority). Briefings were held on innovations in compliance and enforcement activities in OSHA, Wage and Hour, and Pensions; performance results and system-building reforms underway in the Employment and Training Administration; the status of the School-to-Work initiative; options under consideration to improve the Davis-Bacon wage determination system; and the status of BLS efforts to revise and improve the CPI. These briefings have been well attended and very well received by the staff.

The subcommittee staff seem genuinely surprised and impressed with many of the initiatives underway and the Department's successful efforts to reinvent and improve its operations and work smarter. Based on these briefings, there appears to be more hope for a bipartisan process this year. At a minimum, the Department has created some goodwill and has opened the lines of communication with the House majority associate staff. On the minority side, it

is not clear whether the strategy will be to work cooperatively with the majority. A great deal will depend upon the allocation received by the subcommittee.

Employment and Training Programs

Dislocated Workers: DOL's request represents a modest increase (5%) above the FY 1997 level. Given that Congress approved an 18% increase in this program last year, this increase should not be opposed. In the past, this program has been strongly supported by Senator Specter, as well as the minority members in both bodies. However, with an improving economy and greater pressures to transition welfare recipients to jobs, Dislocated Worker funds could be vulnerable to some trade-offs, both at the State level where Governors have the authority to transfer up to 20% of the funds between the this program and the Adult Training program; and at the Federal level where Congress could decide to shift funds between the programs.

Summer Jobs: This program was the battleground for FY 1995-97, with the House majority attempting to eliminate this program completely. In the end, the Administration (led by Secretary Reich), minority members (led by Lou Stokes and others) and moderate Republicans (led by Senator Specter and Representative Quinn), along with aggressive lobbying by mayors, saved this program. It is unlikely that Congress will want to reopen this battle. The FY 1998 request is exactly the same as last year's funding level; therefore, it may move through without controversy. The one pitfall to watch for is a potential debate over "carryover" funds, resulting from the previous summer's lower participant levels, which could prompt the Committee to try to save money by offsetting the request by their estimate of "excess carryover". [This has been done several times by both OMB and Congress over the past decade.] The Department believes that it has a strong defense against this argument, and with active support from mayors, the request can be protected.

Youth Training Grants: This program has been reduced by over 80% since early 1995. Congress attempted to address the concerns of having such a small national formula program (\$127 million to 600 communities) by giving States 100% flexibility to move funds between the Summer Jobs program and this program. Last year \$130 million was transferred from Summer to the Year-Round program--doubling the size of the program. This transfer activity provides a good argument for the current funding level and arrangement, since it gives local authorities the flexibility to address the particular needs of each community.

Job Corps: This program has the broadest bipartisan support of all DOL's programs. During the 104th Congress it was the one employment and training program that Congress increased in its initial budgets. Congressmen Porter and Bonilla, as well as Nancy Pelosi, have been the strongest House subcommittee supporters, with Senator Specter being the champion in the Senate.

There should be no difficulty in gaining support for the Administration's proposed increase of \$55 million. This increase provides adequate funding for the existing centers, including the

new ones scheduled to open in 1998, as well as renovation and repair funds and some additional funds to upgrade vocational equipment. It does not include any funds for further center or student enrollment expansions, which could subject the Administration to criticism from the Job Corps community for its continuing deferral (for the third year) of its stated commitment to the "50-50" expansion plan.

School-to-Work and One-Stop: Both of these Presidential initiatives, begun in 1994, are system building efforts that provide venture capital to States to leverage other resources. Both of these programs have been supported over the past four years in a fairly bipartisan way. The initiatives are now ramped up and there is no increase in either request above the FY 1997 level. Congress is likely to fund these programs as requested. The issue in the Appropriations Committees this year may focus on the Department's plans to ensure that the phase-outs of these temporary initiatives occur as planned. The first seven States scheduled to graduate from the One-Stop initiative will come due during 1998.

Worker Protection Programs

PWBA: Since the three health care initiatives were enacted with strong bipartisan support, there should not be objections to the substance of DOL's request. PWBA's ongoing activities on 401(k) enforcement and education, as well as the Form 5500 initiative, were approved last year and have bipartisan support. Congresswoman Lowey is the primary champion of this program.

Wage and Hour: This proposal simply assumes the continuation of three FY 1997 proposals: the immigration initiative, the garment initiative, and the Davis-Bacon wage determination improvement project. It also adds a technology enhancement initiative. There will be several issues related to this request. First, on the immigration side, although the Department will have added over 200 investigators (between FY 97 and 98) for immigration, Senator Kennedy had a provision in his immigration bill to provide 350 investigators. He feels very strongly about this number and is likely to push for increased funding above the President's request for the 150 investigator "shortfall".

The hot item in this proposal is the Davis-Bacon issue. Starting with Congressman Istook's involvement in the Oklahoma Davis-Bacon "fraud" investigations, the House subcommittee has been deeply involved in Davis-Bacon since early 1995. The Committees gave us \$3.8 million in FY 1997 in order to improve the current system and they are watching us closely. Whether the Department's FY 1998 request is approved will depend upon whether they are pleased/displeased with the direction and progress we're making on this initiative during 1997. The Davis-Bacon issue will be a very controversial issue that will be faced by the new Secretary immediately, with pulls in different directions from the House Appropriations Committee, the House Oversight Committee, the labor movement, and the business community.

If a comp time bill of some kind is enacted early in the session, it will have significant

budgetary implications for Wage and Hour, which will likely require an amendment to the Department's FY 1998 request. Thus, although the FY 1998 request doesn't include funds for this initiative, by the time the Secretary testifies, it may be an issue in the Appropriations Committees.

OFCCP: The Fair Enforcement Strategy initiative was proposed in FY 1997 but not funded. The House subcommittee has avoided a frontal assault on affirmative action, but there have been rumblings about their concerns. Last year, since the leadership took a pass on this issue, the Committee side stepped it. What happens in the subcommittee will largely be dictated by the overall leadership strategy on affirmative action. In the current environment, it is unlikely that an increase of this size (17%) will be approved. Lou Stokes has been the champion of this program and has successfully kept reductions from occurring here.

OSHA: This program has been a battlefield for the past two years, with the House proposing major cuts in OSHA, as well as numerous legislative riders. OSHA's chief opponents have been Congressmen Istook, Dickey, and Bonilla. OSHA has worked successfully to defuse the opposition, and has promoted a "new OSHA" that has more emphasis on compliance assistance. Chairman Porter has been a strong supporter of Joe Dear and worked hard to protect the agency. Joe has done an excellent job of trying to convert each of the opponents on the subcommittee, therefore, OSHA is positioned very well for the FY 1998 process. However, Joe's departure could have a direct impact on the subcommittee's actions on OSHA funding. A great deal will depend upon who is brought in to replace Joe.

In terms of the stakeholders, the labor movement has had a great deal of concern over the past 3 years about the direction of OSHA and its emphasis on increasing funding for compliance assistance rather than enforcement. Given their unhappiness with the distribution of the FY 1996 funds, the Department worked hard in the FY 1997 process to better balance the enforcement and compliance assistance activities, which was reflected in the final FY 1997 outcome. Again, in the FY 1998 process, the labor movement was consulted on the distribution of the increased funds among the activities. The final outcome reflects their preferences. [Note: DOL is awaiting final approval from OMB.]

The public issues around OSHA that are likely to be interjected in the appropriations process relate to the various standards under development. The most controversial for the appropriators is the ergo issue. No regulation will be proposed during the FY 1998 process; however, given that Congressman Bonilla was the ergo point person, the issue is likely to influence appropriation deliberations again this year. Other standards--from metnylene chloride to the health and safety standards--could become issues in the appropriations process.

MSHA: The FY 1998 request includes an increase to implement some of the recommendations of the Advisory Committee on the Elimination of Pneumoconiosis Among Coal Mine Workers. This group will be advocates for MSHA's request. Funding for MSHA has fared the best of all worker protection programs during initial appropriation committee deliberations during the 104th Congress. For much of the previous two decades, MSHA

funding was protected by Chairman Natcher (KY) and Chairman Byrd (WV). In the House, the current members do not want to risk charges of inadequate funding in the event of a mine disaster. In the Senate, both Senator Byrd and Senator Specter have made adequate funding for MSHA their top DOL funding priority, reflecting the importance of coal mines in both West Virginia and PA. In addition, the United Mine Workers Union actively works to ensure full funding. This is not a program that the Secretary has to invest in to ensure adequate funding.

ILAB: The FY 1998 request provides a major increase in funds for the international child labor initiative, which was initiated by Senator Harkin three years ago. Senator Harkin is the champion of ILAB and has had to work hard over the past two years to secure adequate funding for this agency. In FY 1996, the House originally proposed to eliminate the entire agency with the exception of its NAFTA implementation responsibilities. Recently, Chairman Porter has been supportive of ILAB's human rights-related activities; therefore, the House opposition has gradually receded, with the President's full request being funded in FY 1997. [Note: The 25% cut in the agency's funding during this period came at the hands of OMB.] This year, Ranking Member Obey has expressed an interest in ILAB's activities and he may begin to champion its work in the House. Hopefully, it should be smooth sailing in FY 1998.

SOL: The FY 1998 request represents an increase of 7% over FY 1997, reflecting its litigation support for the various agency proposed worker protection increases. Since SOL funding is in the Departmental Management (DM) account it has suffered the kinds of cuts or freezes that the larger account has suffered over the past four years, which created a serious funding shortfall in for SOL during FY 1996 and 1997. However, the Department turned a corner in the end game of FY 1997, convincing the Appropriations Committees (and OMB) to consider SOL funding part of the worker protection activity, resulting in a modest SOL increase. However, due to the account structure, there is no guarantee that the battle won't have to be refought in FY 1998.

Statistics

BLS: The FY 1998 request fully funds the Bureau's needs. With the intense focus on the CPI, it should be a good year for protecting BLS's budget request. In the past, there has not been opposition to BLS or its requests; however, the Senate has traditionally treated it as an "S & E" account, taking some kind of across-the-board cut in the agency. It is one of the accounts that the Senate has traditionally funded below the House level, knowing that in conference they will compromise. The House leadership weighed in on behalf of BLS last year, however, the Senate lacks a member that serves as the BLS champion.

The BLS-related questions the Secretary will face at the FY 98 budget press conference and at the appropriations hearings will have to do with the CPI overestimate debate (Boskin Commission report) and the actions BLS plans or doesn't plan to take. There is an increase requested specifically to enhance the CPI research activities, which was directed as responding to some of the Boskin report recommendations. If anything, there could be

pressure to increase the BLS budget above the President's request.

Other

ETA Staffing: This account has also been a problem in the past, suffering across-the-board cuts like other "overhead" and Departmental Management activities. The FY 1998 request (a 4% increase) reflects a recognition that the increases in the program dollars must be accompanied by increased resources for management and oversight. It will require an effort with the Appropriations Committees to gain approval of the request.

VETS: Funding for the Veterans' programs was provided at the President's requested level in FY 1997, reflecting the strong Congressional support for anything labeled "veteran". The FY 1998 request continues that funding level, and in addition, proposes \$2.5 million for the reauthorized Homeless Vets program. In the rescission bill of FY 1995, the homeless vets grants program (\$5 million) was eliminated; therefore, there could be some opposition from the House subcommittee to the idea of re-instating a program that they had eliminated. Given that the homeless veterans problem has worsened and that it has received some publicity this year, the Congress may be receptive to funding this initiative.

Departmental Management: This account (minus SOL and ILAB discussed above) is frozen at last year's level, with a small increase for inflation. This includes funding for the Women's Bureau (which was also frozen in FY 1997), as well as the Program Direction and Support (PDS) activity (which funds such activities as the Secretary's front office, the Deputy Secretary, Exec Sec, Policy, Congressional Affairs, and Public Affairs), which is also frozen at last year's level. However, a freeze in PDS represents a very tight budget since there was a 7% cut in FY 1996 and a 2% cut in FY 1997, plus the impact of inflation. Historically, Congress has reduced this account below the President's request, whatever the level; therefore, this request is likely to be the highwater mark. The Secretary may have to intervene in this issue at some point during the process, since adequate funding of the PDS activity directly affects the Secretary's ability to forge the agenda for major program initiatives.

This account has sometimes been cut by Congress to send a signal to the Secretary over some specific incident or issue. The Department had several close calls in early 1995, but avoided some of the direct hits that other Departments took (VA, Interior, Energy, and Justice) during the 104th Congress. Ranking Member Obey has been "the protector" against hits of this type.

OIG: Funding for this office has been treated like "overhead" during the past two years. The FY 1998 request freezes funding at the FY 1997 level. Last year, the House subcommittee put the Department on notice that it was going to review all OIG activities more critically than the subcommittee had in the past. Traditionally, the OIGs in the various Departments in the subcommittee's bill have been championed by the Senate subcommittee in a bipartisan fashion.

IV. INTERNAL DOL MANAGEMENT STRATEGY FOR HANDLING BUDGET ISSUES

DOL Budget Team

For the past four years, the Department's budget policy has been driven by the Secretary, who played most heavily in the Administration policy debates on the overall budget strategy; the Deputy Secretary, who managed the internal DOL process and the negotiations with OMB; the Deputy Assistant Secretary for Budget, who staffed the Deputy Secretary for the internal processes and managed the day-to-day relationship with OMB; and the Deputy Assistant Secretary for Office of Congressional Affairs, who staffed the Secretary for the overall budget debates within the Administration and served as the liaison to both the Budget and Appropriations Committees, managing the day-to-day relationships with the staffs of these Committees, serving as liaison to the White House Legislative Affairs budget expert, as well as to her counterparts in ED and HHS. Other members of the larger budget policy team that participated in various weekly meetings with the Deputy Secretary and/or the Secretary included the Chief of Staff, the Assistant Secretary for Congressional Affairs, the Assistant Secretary for Policy, the Chief Economist, the Assistant Secretary for Administration and Management, and the Chief Financial Officer.

This group has worked very effectively as a team throughout all aspects of the budget process. Unlike many large departments where agencies often deal directly with the appropriations committees (sometimes at cross purposes with the larger goals of the Department and the Administration), DOL has been successful in centrally controlling the budget process. This has been done by having mechanisms for keeping everyone informed about what's going on at each stage in the process, consulting them on items that affect their budgets, and being their advocate on the Hill for their programs. Having this centralized approach has greatly enhanced the team's ability to negotiate on behalf of the Department with the House and Senate Appropriations Committees, since the Hill knows that the Department can establish priorities among its programs and make them stick.

At each week's Deputy Secretary meeting with all of the agency heads, both the Deputy Assistant Secretary for Budget and the Deputy Assistant Secretary (budget) for Congressional Affairs give presentations on what's happening on the budget scene. Each week the Deputy Secretary holds a weekly budget meeting with key agency officials and Administrative Officers to discuss in more depth what is happening in the budget process and to seek their input.

In addition, the Deputy Secretary has held periodic meetings with each agency head to review management issues and anticipate upcoming developments that could affect the appropriations process. This team also operated to prepare for the Secretary's hearings before the Appropriations Committees, as well as to prepare for the various Assistant Secretary hearings. There were also multi-disciplinary strategies developed to communicate with a larger public regarding what was at stake for the Department's programs in the budget debates.

DOL Interaction with White House/OMB During Process

Given the interconnectedness of the appropriations bills as they go through the process, there have been several mechanisms established to involve the Departments in the process. During the first two years of the Administration, the NEC (as protector of the President's investment agenda) was the coordinator--with strong OMB involvement--of the Administration's Hill strategy to gain support of this agenda. As a member of the NEC, Secretary Reich was very involved in these discussions. This effort was supplemented by the a three-Secretary strategy (DOL, ED, and HHS) discussed later in this paper.

After the Administration's difficulties in handling of the negotiations on the FY 1995 rescission package in the Spring/Summer of 1995, the White House agreed that it needed a process that was more inclusive of the departments in its deliberations. As a result, the White House Legislative Affairs Office (Barbara Chow) started weekly meetings between the relevant White House, NEC, and OMB staff and the legislative/budget representatives from each of the Departments (the Deputy Assistant Secretary for Congressional Affairs (budget) is DOL's representative). These meetings proved to be a very valuable forum for discussing the Administration's policy and strategy, providing Departmental input, sharing strategies and ideas across Departments. It was also a way to discuss riders with government-wide impacts and to watch for labor protection and affirmative action riders that were of particular concern to DOL. As part of this process, the White House developed a strategy of coordinating each subcommittee's bill negotiations jointly with OMB, the White House, and relevant Cabinet members.

There has also been a larger NEC process on cross-cutting government initiatives and tax policies that intersect with the President's budget. The Chief Economist has been the Secretary's representative in those deliberations.

"MACRO" SECTION: BUDGET ENVIRONMENT

I. OTHER LABOR/HHS SUBCOMMITTEE FY 1998 REQUESTS

Although final FY 1998 decisions have not yet been made by the President for HHS and ED (they both appealed to the President), the outline of potential outcomes can be discussed to provide an overall flavor of the issues and trade-offs that the subcommittee will face.

Attachment 20 shows the distribution of the funding among the three major Departments, including a rough estimate of the FY 1998 request level. If these predictions are confirmed, the overall Labor/HHS subcommittee request will increase by 6% over the FY 1997 final funding level--a total of \$4.1 billion. Looking at the President's request for the subcommittee by Department, the top priority goes to Education, with a likely 10% increase, followed by DOL with an 8% increase, a possible 7% increase for other independent agencies (primarily SSA); and a likely 2% increase for HHS. With a few exceptions, the President's request reflects a continuation of the investments funded in FY 1997, with modest increases for most items and very few new initiatives or changes in direction.

Education: The total increase for ED is likely to be between \$2.2 and 2.7 billion. The largest increase is likely to be in Pell grants--\$1.0 billion. [Note: this issue is still pending with the President.] Although there was a great deal of debate within the White House about moving the Pell program to the mandatory side, it appears that Pell will remain on the discretionary side but with major increases--both to expand the program to help independent students (over \$700 million); and to increase the size of the maximum grant from \$2,700 to \$3,000. Given available carryover, only \$300 million in budget authority is needed to provide this major increase in the grant size. The expansion of the Pell program to serve independent students is of benefit to both of DOL's adult programs--Dislocated Worker and Disadvantaged Adults target populations.

Given the emphasis that the President has given education funding, along with the strong backing of the education community and the polling results, regardless of whether the subcommittee receives an allocation to match the size of the President's request, there will be strong pressure to fully fund ED before any other proposed increases in the subcommittee are funded.

Building on last year's budget, there are continued increases in Goals 2000, Title I, Special Education, and Technology (the largest percentage increase). It is a little misleading to look at the Education Department's appropriation request as the measure of the President's increased investment in education. Most of the new initiatives proposed by the President this Fall are to be funded on the mandatory/tax side. The HOPE college tax credit, America Reads Challenge, and School Construction. In total, these initiatives (all of which require legislative action) cost almost \$16 billion over the next five years, or \$3.2 billion on an annualized basis. When this is added to the \$2.5 billion of increased discretionary funds, the

total increase in education spending jobs to approximately \$5.7 billion in FY 1998.

Note that the HOPE scholarships are also something that will benefit some of DOL's target groups. The Secretary worked to ensure that the design of the program maximized its use to dislocated workers as well as incumbent workers. DOL's Secretary will most likely team up with Secretaries Riley and Rubin to push for congressional passage of this legislation, along with the GI Bill education tax cut proposed by the President in early 1996.

HHS: Although the President has not yet made final decisions, HHS hopes to end up 1-2% above last year's level (the initial OMB decision was 2% below), approximately \$500 million above FY 1997. The President has decided not to cut the LIHEAP program, as proposed by OMB. This is good news for DOL, since Congress has been loathe to cut LIHEAP and past proposals to do so have ended up being paid for by reductions in President's requested increases for DOL and ED programs. The largest HHS increase is for the Head Start program, which is part of the President's "education and training" priority. Other increases are for NIH. Last year, Congress increased NIH by 7%--approximately \$800 million. It is likely that the President's proposed NIH increase will still be below the rate of increase desired by Chairman Porter, putting pressure on other accounts to fund this likely add-on.

Other: No direct information is known about the requests for the other independent agencies in the bill--the largest being the Social Security Administration. Based on last year's experience, it is likely that an increase of at least \$300 million will be requested to keep pace with inflation and support the automation initiative. The National Labor Relations Board (NLRB)'s budget is considered a part of the Administration's overall worker protection priority package. The President's FY 1998 request proposes to increase NLRB funding by 5% above the FY 1997 level. NLRB funding is the labor movement's top funding priority within the worker protection package.

As discussed in a later section, the key to determining how all of these proposed increases will fare is determined largely by the size of the subcommittee's 602(b) allocation, which provides the bottomline total funding level available for the subcommittee to spend each year. The total funds available will most likely be substantially less than the President's request, forcing the subcommittee to make difficult choices.

II. OVERALL LABOR/HHS SUBCOMMITTEE DYNAMIC

Compared to most other subcommittees, the Labor/HHS subcommittee has a great deal of homogeneity. The three major departments--ED, HHS, and DOL--have all been part of the President's human resource investment package, and his top funding priorities. As a result, over the past four years the three departments have worked together in a "three Secretary strategy" (initiated by DOL) to work both within the Administration and then together on the Hill, to argue for a larger 602(b) allocation for the subcommittee and for top priority to be given to the President's investment package. All three Departments have tried to respect the rule that increases for one department should not come at the expense of the other.

departments, and have tried to have the President propose a budget that didn't invite this problem.

The top priority of the subcommittee has historically been health, consistent with its share of the total dollars, with the second priority being education. Historically, DOL programs have had the weakest support and focus of the three Departments. This reflects the fact that it spends the least amount of funds for the Department, but more importantly, it reflects the reality that there are not strong constituencies pressing members for increased funding for these programs. The education and health lobbies are extremely powerful and have a great deal of influence on the appropriations process; whereas, there is a weaker constituency for the employment and training funds (Governors, mayors, county officials, and community based organizations) and the worker protection programs are defended by the labor movement--not a constituency to which the majority members currently respond.

Although the education dollars were under attack by some members on the majority side during much of the 104th Congress, those voices were defeated this Fall when the final FY 1997 bill actually increased education spending above the President's request by \$600 million. There appears to be little stomach on the Hill for re-fighting this battle in FY 1998. NIH spending is on a major growth path, which is anticipated to continue into the future, the only issue is how much above inflation it will continue to grow. The LIHEAP program also has bipartisan support and is likely to be protected in the future. With the strong commitment in these major components of the subcommittee budget, if cuts must be made to fit within the subcommittee allocation, the components of the budget without strong commitment (e.g., DOL--especially employment and training) may bear a disproportionate share of any cutback. What happens to DOL programs is directly affected by what happens to the other programs in the subcommittee bill, since it is a zero sum game.

Another strategy that both House and Senate subcommittees have used to simplify the difficulties of their task is to declare that all Salaries & Expenses (S & E) accounts are to be cut by a certain percentage across-the-board. This approach resulted in FY 1996 cuts to many of DOL's S & E accounts, including all the worker protection agencies. In FY 1997, the worker protection program cuts were restored in the end; however, those across-the-board cuts remained for several of the other agencies--Departmental Management, ETA, and OIG.

One of the biggest challenges facing DOL in the FY 1998 process is how to protect funding for employment and training programs in the absence of enactment of consolidation legislation in 1996. During both the FY 1996 and 1997 cycles, the Department effectively used the argument that the authorizing committees were working on a bipartisan bill that would consolidate these programs and that the appropriations committees should maintain the base level funding that was to be authorized in the legislation. Depending on the state of play of the consolidation legislation at the time of mark-up, the appropriations subcommittees could become more aggressively involved in reviewing the effectiveness of the current programs. There is bipartisan support within the Appropriations Committees for consolidation of the employment and training programs.

The other vulnerability we face on the employment and training side is our failure, after two years of unrelenting effort, to institutionalize the notion that the President's "education" message includes DOL's training priorities. Although this was clearly articulated in the President's lifelong learning agenda, polling results focused on traditional education and the Department has had a great deal of difficulty in getting the minority leadership, as well as the interest groups (and even the White House), to include training in the various "message" amendments and events that have been attempted over the past 2 years. The new Secretary will need to work with the White House to figure out a way to refine/reposition this message and to find ways to institutionalize the theme so that each battle doesn't have to be won anew. This effort consumed enormous energies of the Secretary and other Department officials over the past two years.

The welfare reform legislation provides DOL with an opportunity to protect funding for its programs (both adult and youth, as well as the One-Stop/ES system) since the new legislation creates enormous pressure on our system to meet these increased demands for service and the President is fully committed to making the transition from welfare to work succeed.

Funding for worker protection programs is still vulnerable but the worst may have passed. The funding fate of these programs is often directly affected by the subcommittee's reactions to the Department's actions on specific regulations or initiatives. Unhappiness with the Department on a policy issue can result in an overall reduction in funding for an agency (e.g., ergo), while support for an initiative (e.g., garment) can result in support for funding.

III. BUDGET COMMITTEE PROCESS

Although this paper began with a discussion of the Department's appropriation request, the actual sequence of the annual budget process begins with the more macro process of the Budget Resolution developed in the Budget Committees. This Budget Resolution process is the critical first step in determining how the Department's annual budget request will fare, since the Resolution sets the overall parameters for the ensuing appropriations process.

Overview

Budget Committee hearings are held in February just as soon as the President's Budget is submitted. They usually invite the key Administration officials: OMB, Treasury, and Defense, along with CBO and outside economists. During the first two years of the Clinton Administration, Secretary Reich was invited to testify before the Budget Committees to present the Department's investment initiatives and to discuss the President's overall economic plan. It is unlikely that this Congress would invite the Secretary of Labor to testify. However, the Senate Budget Committee is having a panel on the CPI on January 31, at which both the Commissioner of BLS and the Chairman Boskin are invited to testify. Given the heightened importance of the CPI issue to this year's budget balancing deliberations, the Secretary may be drawn into the debate.

In the 105th Congress, there are changes in leadership on the minority side of the Budget Committees in both the House and Senate. The Ranking Minority of the House Committee (HBC) shifts from Congressman Sabo, who was very sympathetic to DOL's agenda, to Congressman Spratt (S.C.), who is a defense hawk and Blue Dog. On the Senate side, the Ranking Minority shifts from Senator Exxon to Senator Lautenberg (N.J.). Senator Lautenberg has been supportive of the President's agenda, but more involved with environmental and transportation policy than human resource investments.

During floor deliberations over the past several years there have been amendments considered and adopted that have proposed to put more funds in "education and training". The minority leadership has offered dozens of "message" amendments in the past two years to highlight the differences in priorities between the two parties. The Department has been quite active in supporting both of these kinds of debates.

Discretionary Caps

The most important and immediate result of the adoption of the Budget Resolution is the agreement on total discretionary spending to be allocated to the Appropriations Committees for the year (the 602(a) process), along with the outyear assumptions. Overall, discretionary spending represents only one-third of the Federal budget and within that amount, slightly over 50% of the \$500 billion is earmarked for defense, leaving \$250 billion to divide among all nondefense spending programs. (See Attachment 1.)

One of the major issues facing the Congress as part of any balanced budget deal will be whether the discretionary caps should be changed in FY 98 and beyond--either raised, lowered, or maintained--and whether the split between defense and domestic should change. These are the first order decisions to be made.

The outyear discretionary spending assumptions for the 7 year period (FY 1996-2002) were part of the FY 1997 Budget Resolution and will serve as the starting point for the FY 1998 Budget Resolution spending numbers. The FY 1997 Budget Resolution adopted by Congress assumed FY 1998 discretionary spending would again be reduced by an additional \$11.5 billion (2.3%) in BA and \$13.7 billion (2.6%) in outlays. Included in this net number is an assumed reduction of \$15.0 billion (6.4%) in BA for non-defense spending, while an increase of \$3.5 billion is assumed for defense.

On the other hand, the President's balanced budget plan announced in January 1996 assumed FY 1998 discretionary spending would increase above the FY 1997 level by \$7.5 billion (1.5%) in BA and \$4.3 billion (.8%) in outlays. Within this net number, non-defense is proposed to increase by \$13 billion (5.3%) in BA, while defense is proposed to be reduced by \$5.5 billion (2.1%) in BA. This is a huge gap: there is a 11.3% (\$28 billion) difference between the President's FY 1998 assumptions and those of Congress on non-defense discretionary. On defense--they're \$9 billion apart. Note that the President's estimated FY

1998 request for the Labor/HHS subcommittee is slightly above the overall growth rate: 6% vs. 5%, assuming that the President doesn't change the overall nondefense assumption (which is entirely possible).

Importance of FY 1998 Budget Resolution/Reconciliation Process

The process of reaching agreement with Congress on a balanced budget plan, and incorporating such agreement into the FY 1998 Budget Resolution and then into reconciliation legislation and appropriation bills, will mean that 1997 will be another very busy year with all the pieces inter-related in the mega deal and bundled together in one or two major pieces of legislation. Action will begin on the Resolution in April, concluding in May, followed by floor action on a final Reconciliation bill in the Fall.

Since the President is planning to submit a Balanced Budget Plan as part of his FY 1998 request, this Budget Committee process will be the forum for debating and battling among the various alternative balancing plans. This process will decide the mix of cuts among entitlements (Medicare, Medicaid, Veterans benefits, Federal retirement system, etc.), the level of discretionary spending (and defense/nondefense split within that number), and the mix of revenue adjustments--both the size and composition of the tax cuts--President's education tax cuts vs. Congressional capital gains tax cuts, and revenue raisers, e.g., corporate loophole closings.

One of the most important decisions to be made this year and every year will be the level of domestic discretionary spending. If the final Budget Resolution numbers are lower than the President's FY 1998 request level (and if he agrees to the overall deal), that could mean that mid-way through next year, the President could be forced to modify (downward) his request to the Appropriations Committees. The Secretary of Labor would want to play a major role in any reconsideration of this nature.

Specifically with respect to the Department, the Budget Resolution/Reconciliation process is likely to be the first forum for deciding whether the following Presidential initiatives will be adopted:

- welfare to jobs initiative.
- health care for the unemployed
- HOPE scholarships
- the President's GI Bill tax cuts
- Extension and expansion of WOTC tax credit
- Extension of FUTA .2% UI tax
- Extension of TAA/NAFTA
- Extension of Section 127 employer education assistance tax credit

It will also be a forum for proposals by Congress that affect the Department:

- adjustments to CPI for COLAs
- various troublesome labor-related provisions could be inserted

Since the President's plan is not likely to be accepted as proposed, there will be a role for the Secretary both within the White House/NEC/OMB deliberations and on the Hill throughout the negotiations process with respect to items that impact the Department.

IV. APPROPRIATIONS COMMITTEE PROCESS

602(b) Subcommittee Allocations

Once the Budget Resolution is adopted and the 602(a) allocations are made to the Appropriations Committees (usually in early May), the second order decision is the division of the discretionary funds among the 13 appropriation subcommittees--the 602(b) process. This process of allocating the total discretionary funds among the 13 appropriations subcommittees is the single most important determining factor in how the Department of Labor will fare in the annual appropriations process.

In the last two years, major changes have been made in the subcommittee allocations as part of the "end games" for both FY 1996 and FY 1997 that added more funds to the Labor/HHS subcommittee, primarily from outside of the appropriations process--through offsets on the mandatory/tax side. Assuming that an overall budget agreement is reached between the Administration and Congress for FY 1998, this will mean that entitlement cuts will not be available to offset overspending on the discretionary side.

Potential Labor/HHS Allocation

The situation going into FY 1998 appears difficult for the Labor/HHS subcommittee allocation. Under the FY 1997 Budget Resolution assumptions, the subcommittee could be faced with a \$5.3 billion (7.4%) (BA) reduction. This contrasts with the President's likely FY 1998 request, which could propose an increase of \$4.1 billion (6%), making the gap \$9.4 billion (14%).

If the outyear discretionary spending ceilings do not change from the FY 97 Budget Resolution, the other option available for increasing funding for Labor/HHS subcommittee is to shift some of the funds from other subcommittees and to Labor/HHS. To simply maintain Labor/HHS at the FY 1997 funding level (a hard freeze) would require across-the-board cuts for all other nondefense subcommittees of 11%. To fund Labor/HHS at the President's FY 1998 estimated request level, would require even deeper cuts in other subcommittees--13% on average. It is not realistic to assume that cuts of this size will be made in other subcommittees; therefore, the only way to improve the chances of sufficient funds for Labor/HHS is to have a higher overall domestic discretionary cap.

It is highly unlikely that either the total amount or the allocation among the subcommittees as proposed by the President will be adopted by Congress; therefore, the President's request will serve as the highwater mark rather than an achievable number. This means that by the time the Secretary appears before the Labor/HHS subcommittees, it will be clear that there are

insufficient funds to finance the President's request and the Administration and Department will be asked repeatedly (both formally and informally) to re-prioritize or revise its request. This has happened in each of the past four years. During the first two years, the subcommittees gave the Department a target amount early in the process and then DOL revised its priorities within that amount. This was then reflected in the committee mark-ups at the front-end of the process. During the last two years, OMB has established the target amount for the Department and then DOL revised its priorities within that amount. This was done at the back-end of the process as part of the "end game" late in the year.

Labor/HHS Subcommittee

Attachment 2 puts the Labor/HHS funding levels in the context of the entire Federal budget. Although its discretionary funding is the largest spending level of the 11 non-defense subcommittees, in the context of overall Federal spending, its \$71 billion budget is only 4% of the total.

House: Attachment 21 contains the list of members (as known to date) of the subcommittee. The culture of this subcommittee still reflects the impact of many years under Chairman Natcher's leadership. Natcher, who died in 1994, was a no-nonsense appropriator that set a tradition of bipartisanship, openness, of refusing to do earmarks in the bill, and fighting to ward off legislative riders.

This subcommittee has been the center of much of the fight during the 104th Congress. Chairman Porter is a moderate Republican--more moderate than the other majority members on the subcommittee. This has meant that Porter has not always been in charge of his troops and, as a result, the Chairman's mark has been challenged in mark-up and sometimes defeated by his own majority members. On the minority side, the members, led by ranking member Dave Obey, have fought the majority proposals to cut programs. Fundamentally, the initial allocation to the subcommittee has been so far below the President's request in the past two years that even if they thought that the subcommittee had developed a reasonable mark given the allocation constraints, they have refused to accept the allocation and have railed against the various cuts. Although the minority members have a good personal relationship with Chairman Porter, the constraints have made it impossible to work in a bipartisan way.

Over the past two years, at the insistence of the majority leadership, the Labor/HHS bill has had to carry dozens of controversial legislative riders, which has added to the difficulties faced by the subcommittee in moving its bill through the process.

The Labor/HHS subcommittee members have been actively involved in the substance of the bill, with individual members being either advocates or opponents of a set of particular programs. There has been some division of labor among the members. With respect to DOL issues, on the majority side, Congressmen Dickey and Istook have led the fight to cut spending for OSHA and to eliminate the Summer Jobs program. Congressman Istook has been the point person on Davis-Bacon, and Congressman Bonilla on OSHA ergo regs. On

the minority side, Congressmen Obey and Pelosi have taken the lead in fighting for our worker protection programs, while Congressmen Stokes and Lowey have focused more on protecting DOL training programs. Members and their staffs are actively involved in DOL issues and a great deal of energy goes into keeping them informed and responding to their requests. Since the tradition of "no earmarks" has continued, there is little direct "pork" that members are able to achieve from their work on this bill.

Chairman Porter's number one priority in the bill has been the National Institutes of Health and he has been willing to sacrifice almost anything else to achieve major increases in this area. The increases in NIH over the past two years have been massive (7% a year--\$600-\$700 M), and he intends to continue this pace of expansion in the future, with bipartisan support.

Although final subcommittee membership decisions have not been made for the 105th Congress, the tentative plan is for Congressman Riggs (R/CA) to leave the subcommittee. The current rumor is that freshman Congresswoman Northup (R/KY) may take his place. This is the only change likely in the subcommittee line-up; therefore, little change in how the subcommittee operates is expected. Full Committee Chairman Livingston has stated that the Committee plans to seriously consider the President's FY 1998 request (something they didn't do the past two years) and that he envisions greatly limiting the number of riders attached to appropriations bills.

House subcommittee hearings for DOL are tentatively scheduled for the week of April 8th, putting DOL last, reflecting the fact that DOL is the only Department with a new Secretary. The Secretary will testify at the first hearing (likely the morning of April 8th), followed by 2-4 separate hearings for the other DOL agency heads. Being last in the hearing queue has its advantages and disadvantages. Members will be tired from having sat through over 40 separate subcommittee hearings before they get to DOL, which could lessen attendance and interest in DOL hearings--which can be both an advantage and disadvantage. Likewise, having hearings right before mark-up (likely in May/June) means that DOL issues will be fresh in their minds. Again, this can work both ways.

Senate Attachment 21 contains a list of the Senate subcommittee members, as currently known. The culture of the Senate Labor/HHS subcommittee is very different. Because Senators have many more assignments, they tend to be less involved in the subcommittee activities.

Chairman Specter is a moderate Republican, and with the support of full Committee Chairman Hatfield, there was little change in the operation of the subcommittee between the 104th and 103rd Congress. The major problem was the low initial 602(b) allocation for the subcommittee, which Senators Specter and Hatfield opposed and fought to increase throughout the process. Over the past 6 years or so, Specter and Harkin have jointly shared the power on this subcommittee. The "Chairman's mark" reflects the deal struck between the two of them. Other subcommittee members (with the exception of Senator Jeffords) have had

little influence on the overall allocation of the funds. Instead, they use their subcommittee membership to protect funding for small programs/projects and get earmarks in the bill and report.

Senator Specter, who has close ties to the labor movement, has been supportive of DOL's worker protection programs, especially MSHA. He has also been supportive of employment and training programs--especially the Summer Jobs, School-to-Work, and Dislocated Worker programs. Both he and Harkin have been supportive of including "training" in various "education" amendments that they have sponsored. Harkin has been a strong advocate of DOL's agenda--both training and worker protection. In addition, he has championed international child labor issues and funding for ILAB's efforts in this area.

The Senate subcommittee's top priority in the bill has been education. Thus, the Senate can spend less on health in mark-up, knowing that in conference the higher number will prevail. The Senate tends to make only marginal changes in the House bill, acting more as a court of appeals. The Senate's first priority is to make room for the long list of "member priority" small projects. The Senate staff has a history of being very creative in generating new money (delayed obligations/switching funding cycles/shifting funds to the mandatory side, etc.) to make room for greater spending under the tight caps.

The most important membership change for the 105th Congress is that Chairman Hatfield has retired and Senator Stevens (Alaska) will take over the helm of the full Committee. The departure of Senator Hatfield is a significant loss for the Department, as he was one of the most outspoken champions of education and training--especially School-to-Work and Dislocated Worker programs. Senator Stevens will continue to chair the defense subcommittee, which is his number one budget priority. He may play an important role in ensuring that the overall discretionary spending targets provide sufficient funds to protect defense. Prior to the 104th Congress, Stevens was a member of the Labor/HHS subcommittee.

On the Labor/HHS subcommittee, two majority members have left the Committee--Senators Jeffords and Mack. It is unclear who will take their places, although one rumor is that Senator Kay Bailey Hutchinson may join the subcommittee. No changes on the Democratic side are anticipated. The loss of Jeffords is important, as he was the key player in ensuring that education funding was adequate. However, he did not define education to include DOL's training programs; therefore, on several occasions he funded increases in education at DOL's expense.

In the past, the Senate floor was the most dangerous step in the process, since any member could propose a floor amendment, dealing with either funding or language. During the past two years, the Labor/HHS bills never made it to the Senate floor. The Labor/HHS bill will most likely come to the Senate floor this year, creating a new opportunity for mischief, especially with respect to labor riders.

The Senate subcommittee tends to have a much more limited approach to hearings. As a general rule, only the Secretaries are invited to testify. Although no tentative schedule has been developed for FY 1998, the staff assumes that DOL will also be the last to testify, hopefully not before the House hearing on April 8th. The hearings in the Senate are very different from the House hearings, with often sparse attendance and with the questions focused on topics of personal interest to the member (often from that week's "news") rather than the Department's budget request.

V. RELATED BUDGET DEVELOPMENTS

Balanced Budget Constitutional Amendment

The first budget battle of 1997 and the one that is likely to define the budget process for the remainder of the year (and many years to come) is a reconsideration of the balanced budget constitutional amendment (BBA). This vote could come as early as February.

The Secretary will have several opportunities to participate in this effort. First, she can participate in the White House deliberations re: strategy and tactics for the floor fight. Although the Administration opposes this amendment, if there is a switch of tactics during the debate (e.g., if it's clear the amendment is going to be adopted), and the Administration seeks to revise the amendment to make it less objectionable, one area of particular interest to DOL is the idea that capital budgets (both physical infrastructure and human capital) should be excluded from coverage. The Secretary can also play a visible communication role of explaining the negative impacts the amendment would have on the economy, the Unemployment Insurance program, as well as upon discretionary spending investments. Secretary Reich played this role during the 1995 debate.

If the amendment passes Congress, one should anticipate the adoption of some very serious enforcement mechanisms as part of the Budget Resolution/Reconciliation deliberations, to ensure that the tools exist to move towards the amendment goal. This could take the form of across-the-board cuts (sequestration) of both discretionary and entitlement programs during the year as deficit estimates change for any number of reasons.

Line Item Veto

Another wild card in the FY 1998 budget process is the Line-Item Veto (LIV) Act of 1996, which takes effect January 1, 1997. This legislation is an "enhanced rescissions" authority, that permits the President to "cancel" spending in any appropriations act, any new entitlement spending, or any "limited tax benefit" that meets certain criteria. If the measure survives a constitutional challenge, it will represent a significant shift of power from the legislative branch to the executive branch.

The White House needs to make lots of decisions about how the President plans to use this new authority. The Secretary should think of this authority as a tool for negotiating with

members on other key votes. For example, the President could threaten a legislator's individual pet project in an attempt to gain his/her support on other things. Assuming that the President plans to make direct use of this LIV authority, it will increase the workloads for staff at OMB and the Departments, since decisions about whether to rescind something must be made and communicated to Congress within 5 days of passage of each piece of legislation - a very tight timeframe.

Attachments

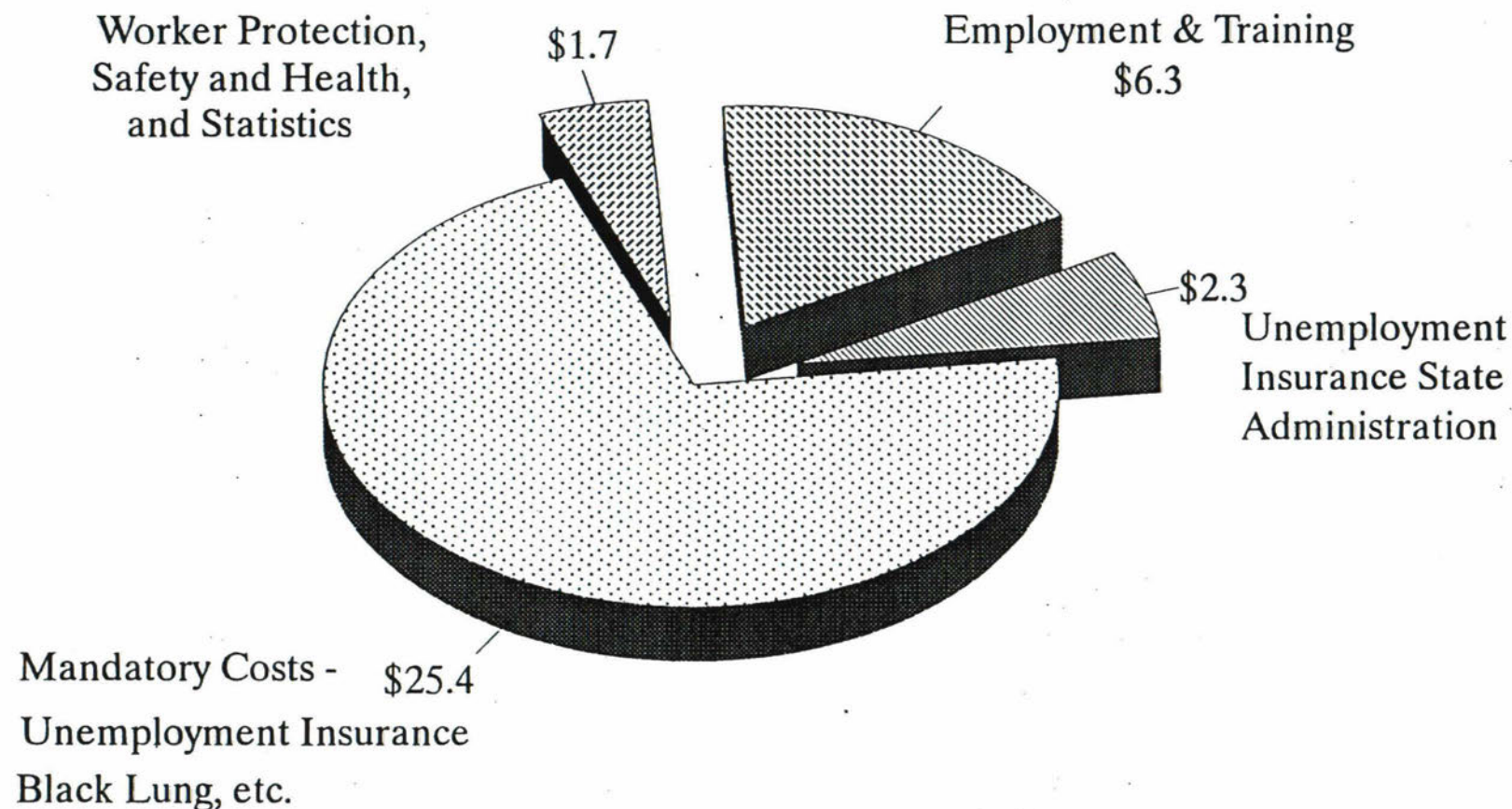
BUDGET AND APPROPRIATIONS ATTACHMENTS: TABLES AND GRAPHS

1. Pie Chart on DOL FY 1997 Total Budget
2. Pie Charts on FY 1997 Total Picture:
 - Total Federal Spending
 - Discretionary Spending
 - Non-Defense Discretionary Spending
 - Labor/HHS Subcommittee
3. Discretionary Funding Requests by Cabinet Department--FY 97
4. Staffing Requests by Cabinet Department--FY 97
5. DOL Outlay Trends by Budget Function: FY 80-97
6. DOL Employment History: FY 80-97
7. DOL Historical Staffing Trends: FY 76-97
8. DOL Staffing by Agency: FY 1997
9. Relative Size in Dollars and Staff for Major DOL Functions
10. Pie Chart on DOL FY 1997 Discretionary Budget
11. Education and Training Graph: FY 1993-97
12. Employment and Training Graph: FY 1993-98
13. FY 1993-97 Education and Training Table
14. Total DOL Graph: FY 1993-98
15. Worker Protection Graph: FY 1993-98
16. FY 1997 Labor Final Appropriation (Discretionary) (FY 95 pre-rescission - FY 97)
17. DOL Summary Table: FY 1996-98 Dollars
18. Employment and Training FY 1996-98: Bar Graphs

19. Worker Protection FY 1996-98: Bar Graphs
20. Labor/HHS/ED Subcommittee by Department: FY 95 - FY 98 (estimate)
21. 105th Congress:
 - House Labor/HHS Subcommittee Members
 - Senate Labor/HHS Subcommittee Members

THE DEPARTMENT OF LABOR BUDGET FOR FY 1997 IS \$35.7 BILLION

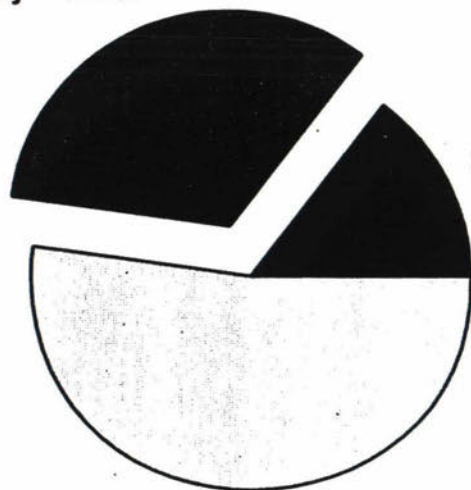
ATTACHMENT 1



1

FY 97 TOTAL SPENDING (\$1,635 Billion)

Discretionary 33.1%



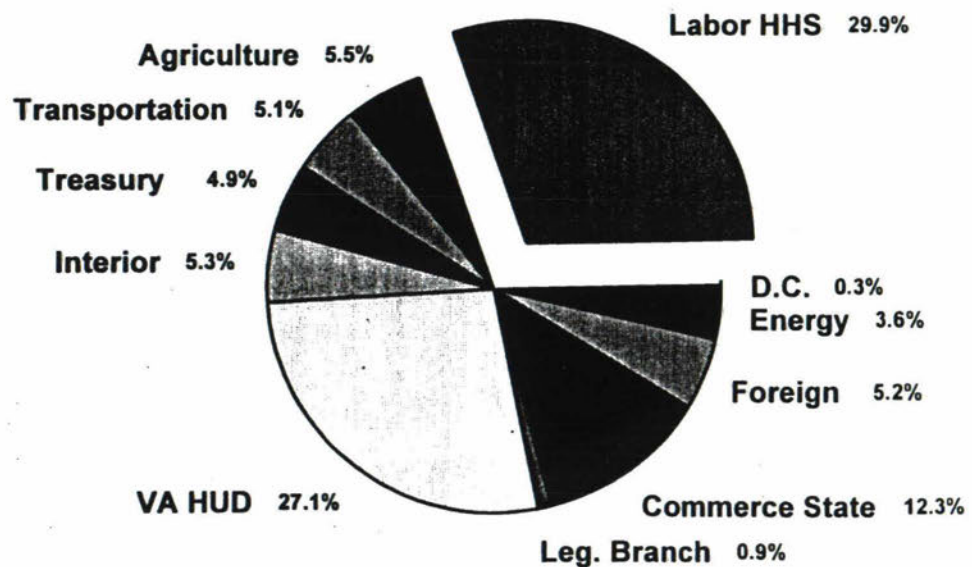
Interest 14.6%

Entitlements 52.3%

* Estimate in outlays taken from president's FY 97 Budget

3

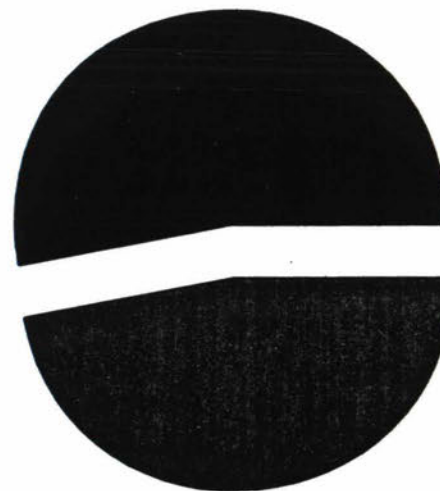
FY 97 Non-Defense Discretionary Spending (\$235 Billion)



2

FY 97 Defense Spending (\$500 Billion)

Defense 53.0%

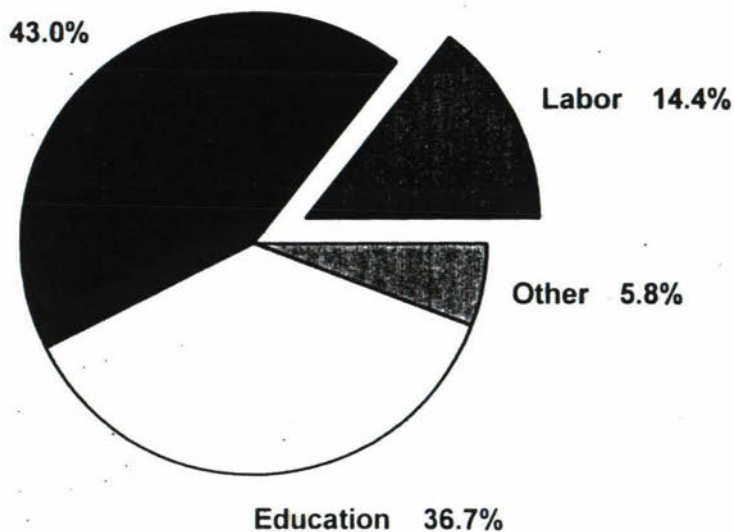


Non-Defense 47.0%

4

Labor-HHS-Education FY 97 Congressional Action (\$71 Billion)

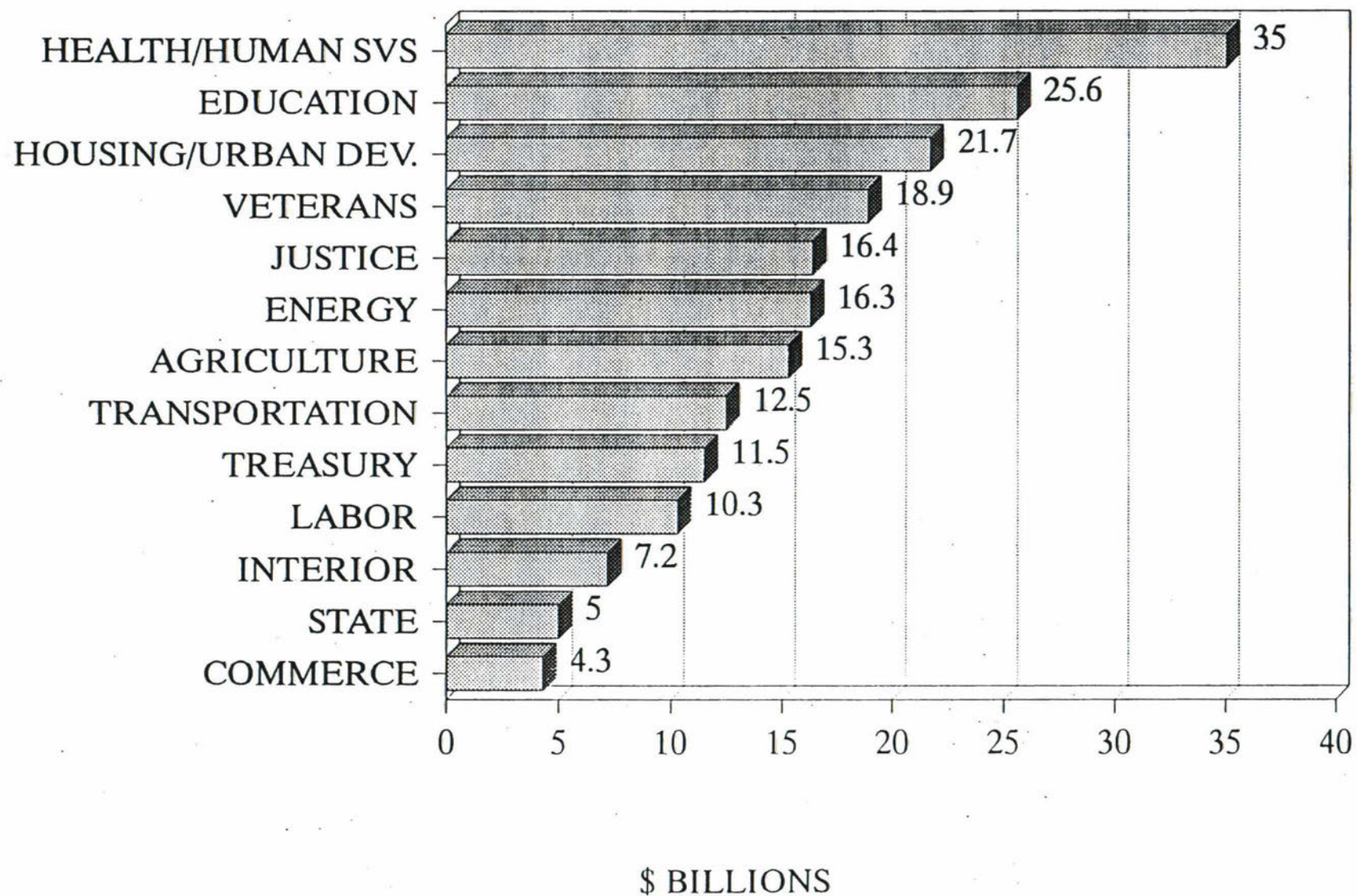
HHS 43.0%



DISCRETIONARY FUNDING REQUESTS - FY97

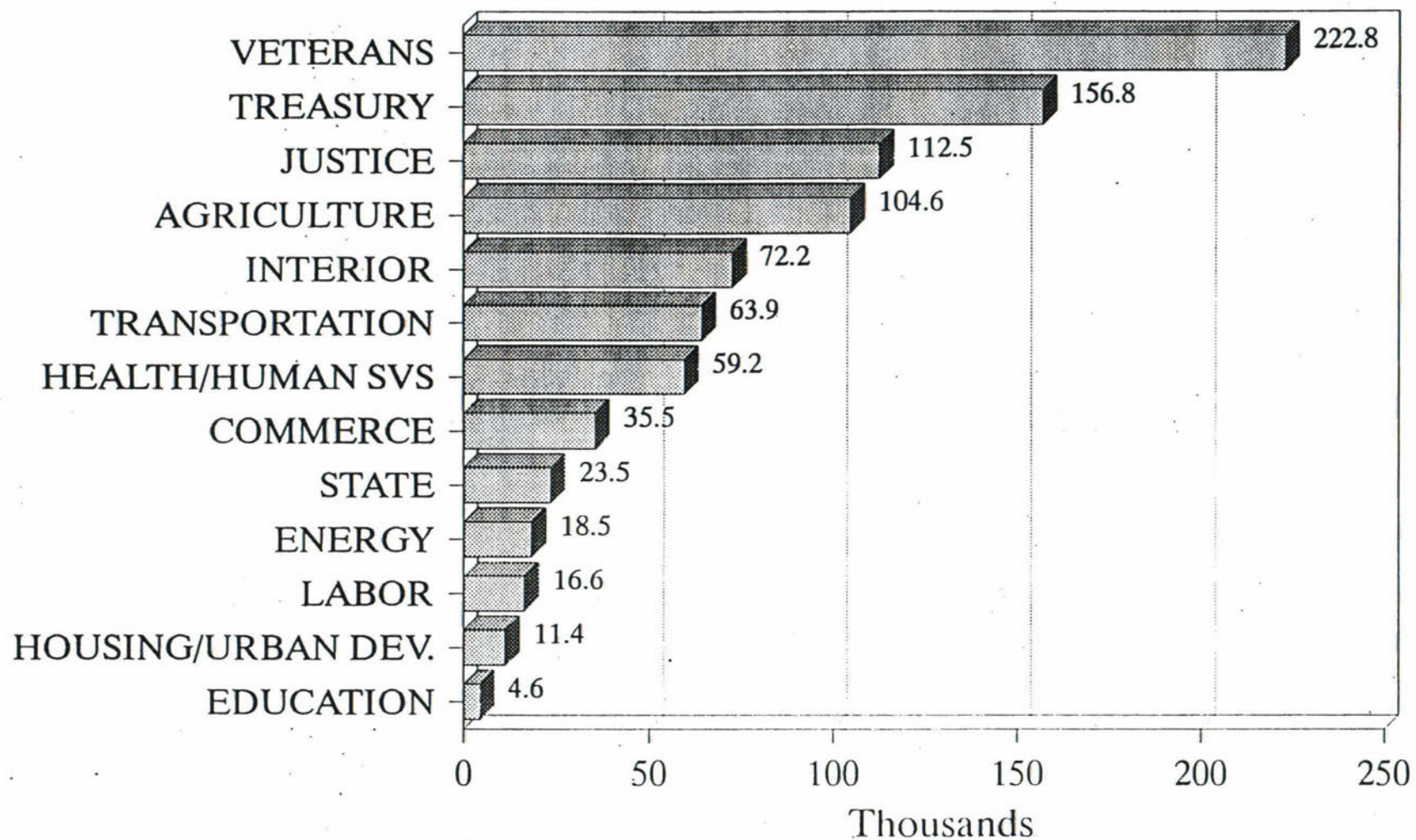
CABINET LEVEL AGENCIES (Non-Defense)

ATTACHMENT 3 :



FULL TIME EQUIVALENT (FTE) STAFFING CABINET LEVEL AGENCIES (Non-Defense)

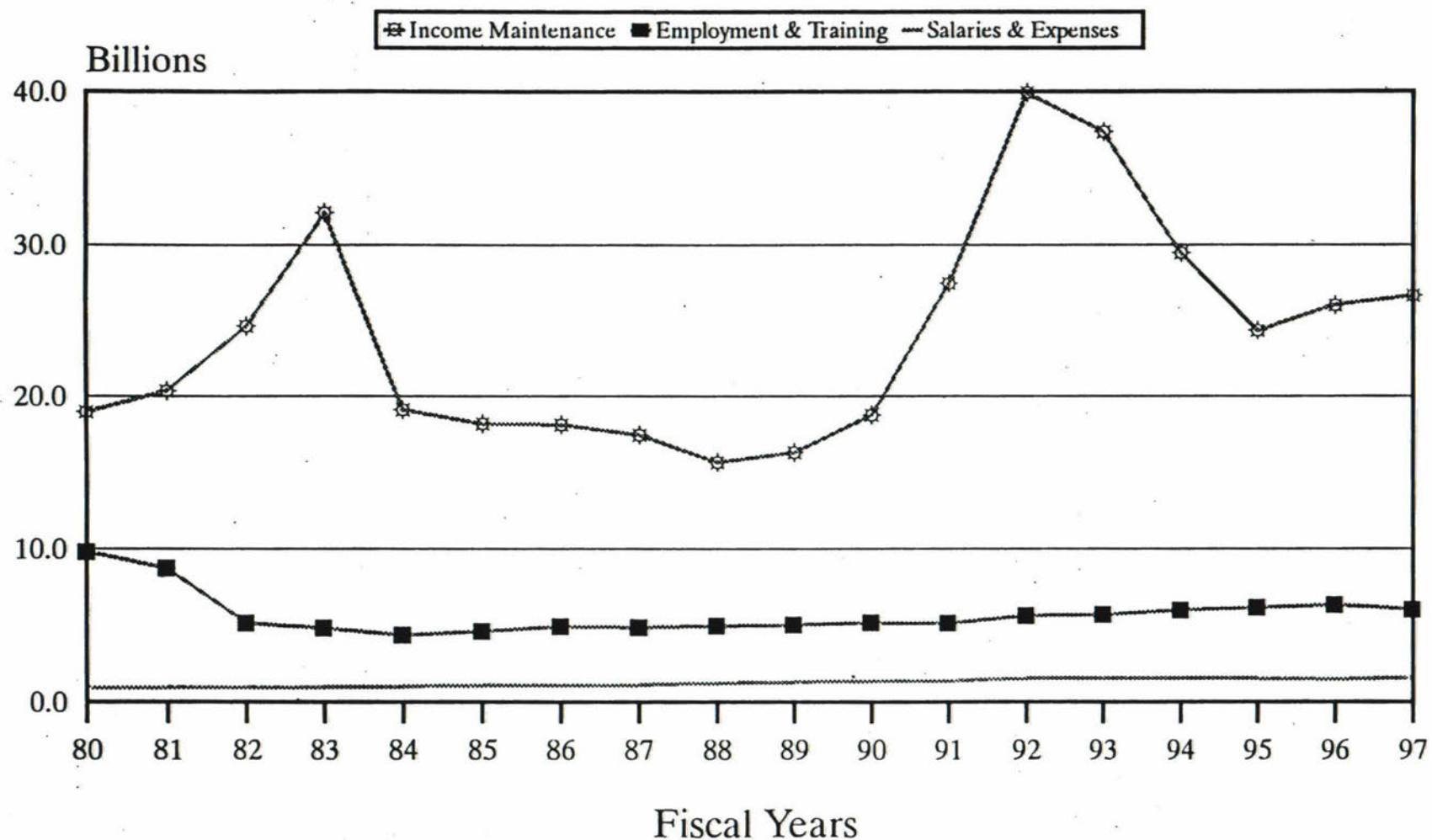
FY 97 FTE REQUESTS



OUTLAY TRENDS BY BUDGET FUNCTION

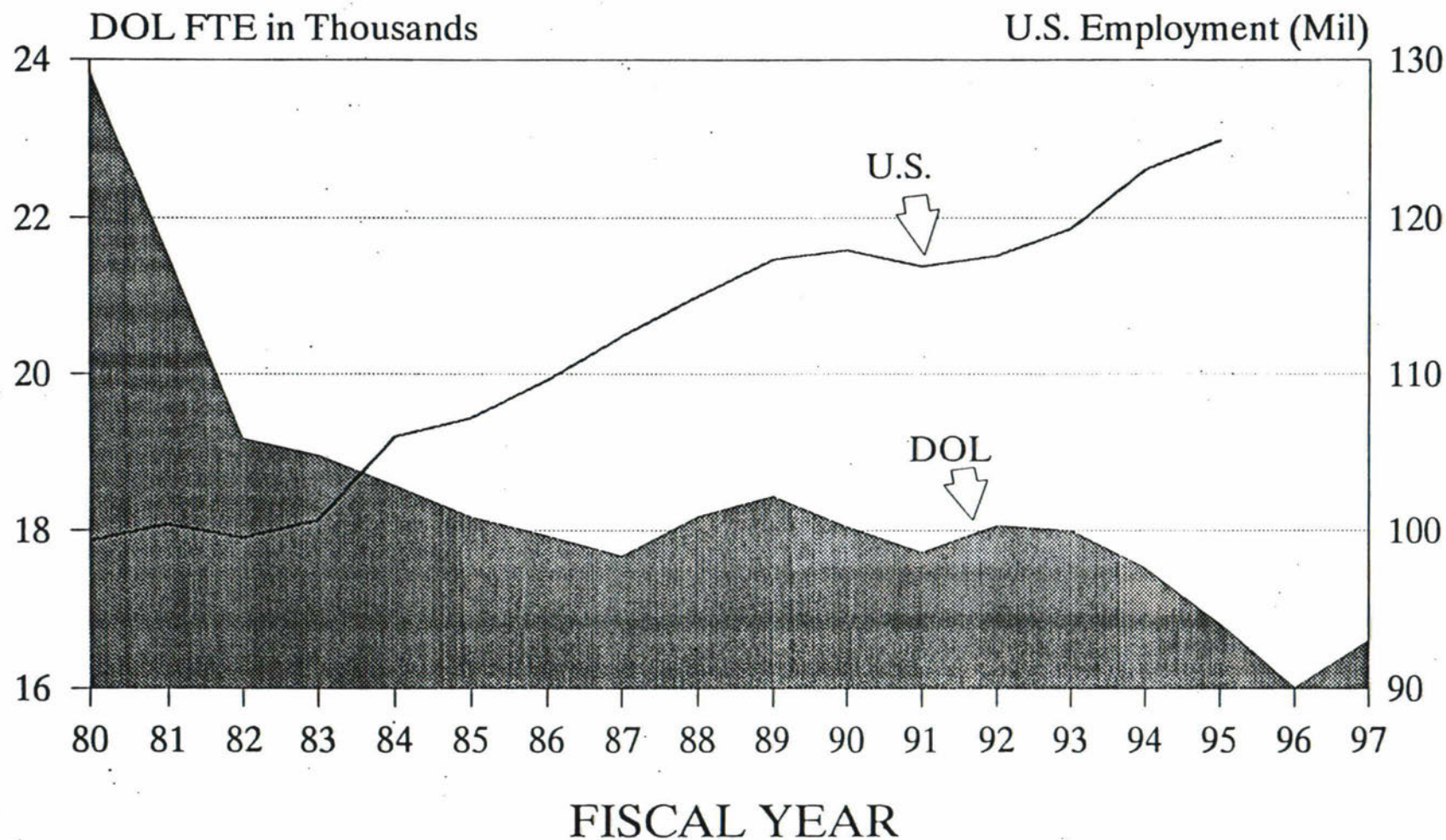
DEPARTMENT OF LABOR TOTAL

ATTACHMENT 5



U.S. DEPARTMENT OF LABOR EMPLOYMENT HISTORY (FTE)

ATTACHMENT 6



FTEX/9305

U.S. DEPARTMENT OF LABOR HISTORICAL STAFFING TRENDS

ATTACHMENT 7

New Agencies:

OFCCP (1,000)

MSHA (3,500)

PBGC (400)

PWBA (+200)

New

Responsibilities:

School-To-Work

NAFTA / Trade

Family & Medical Leave Act

Minimum Wage

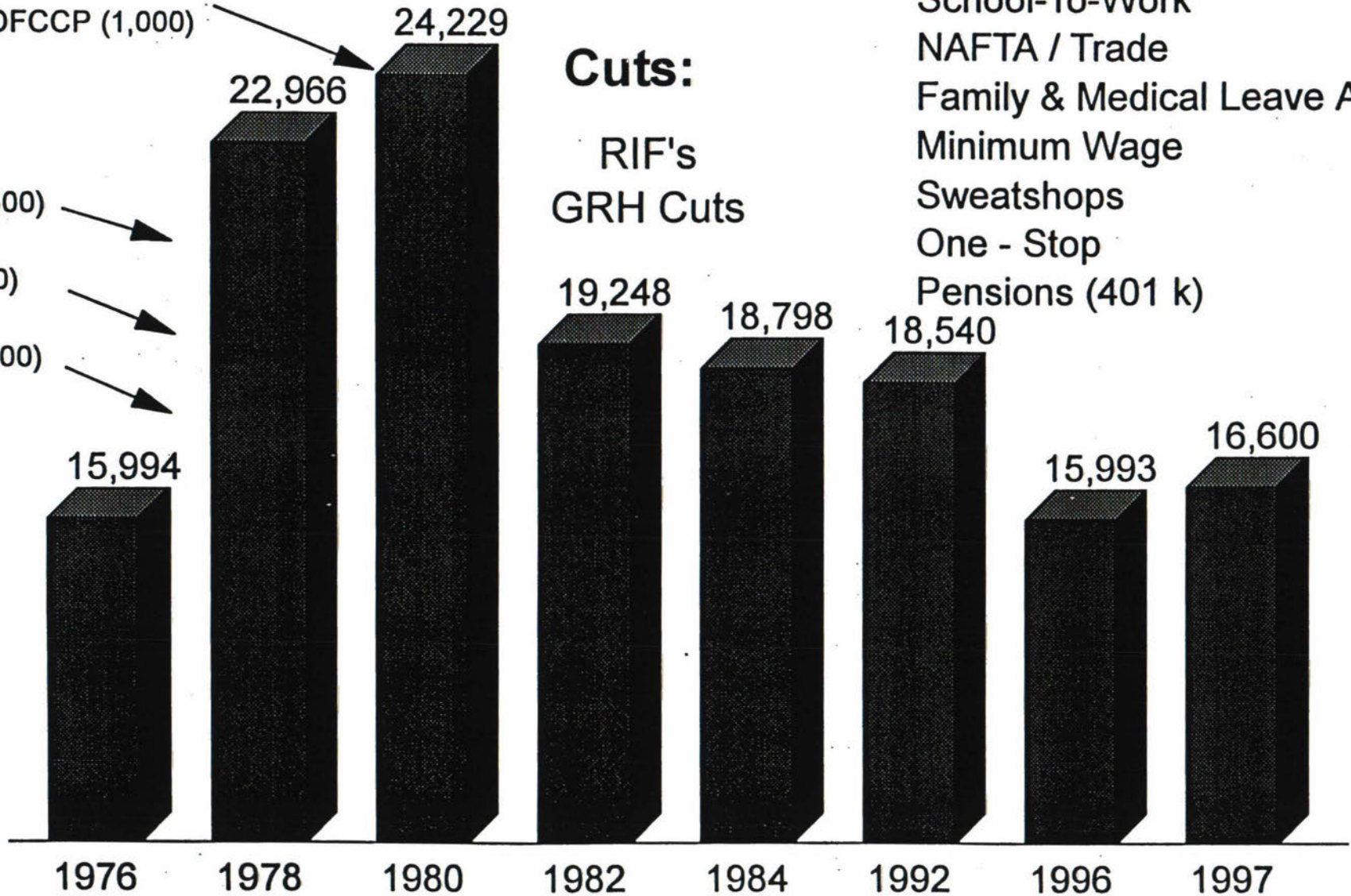
Sweatshops

One - Stop

Pensions (401 k)

Cuts:

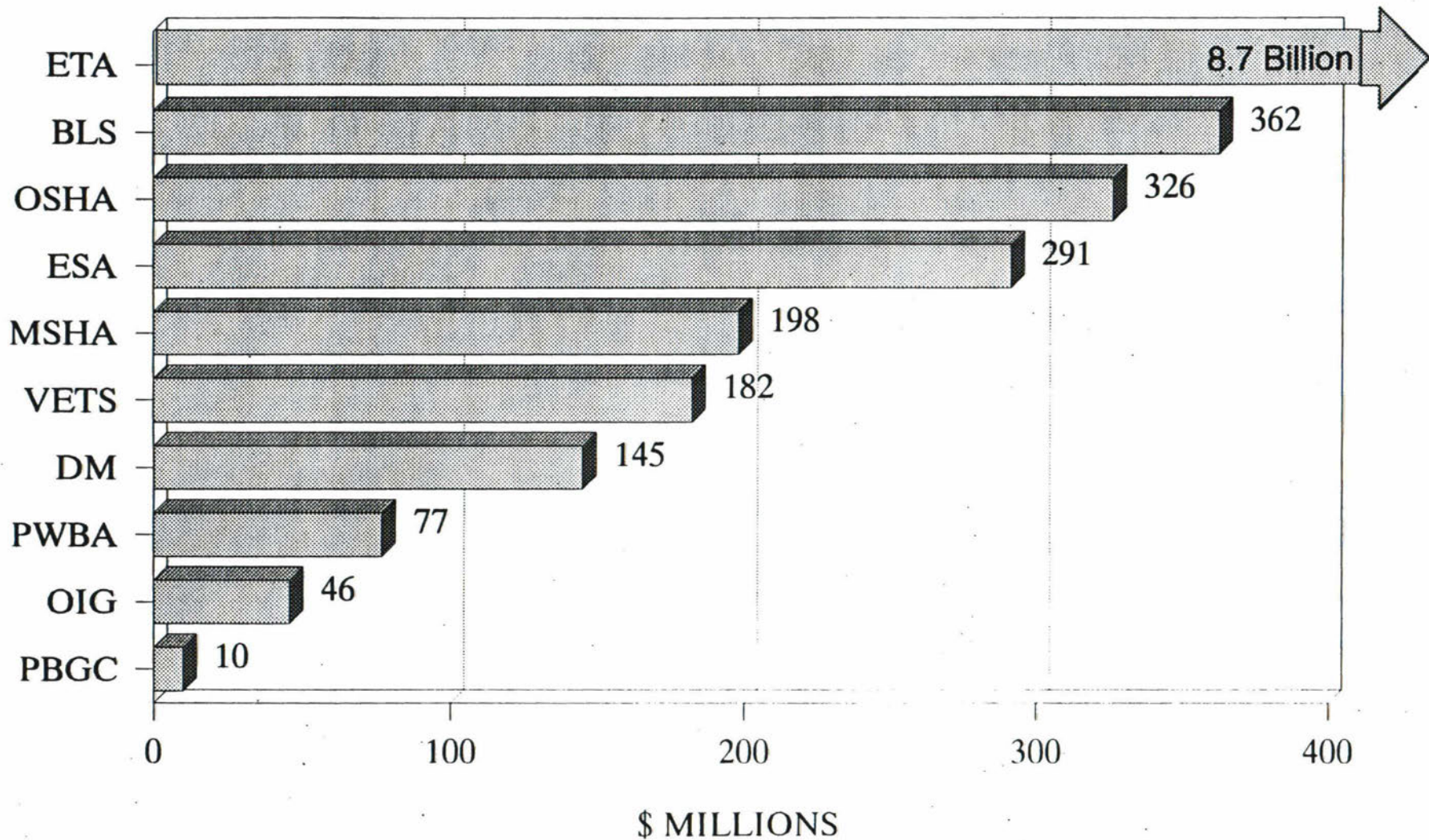
RIF's
GRH Cuts



All figures are actual on-board employment except FY 1997 which shows DOL's FTE Ceiling.

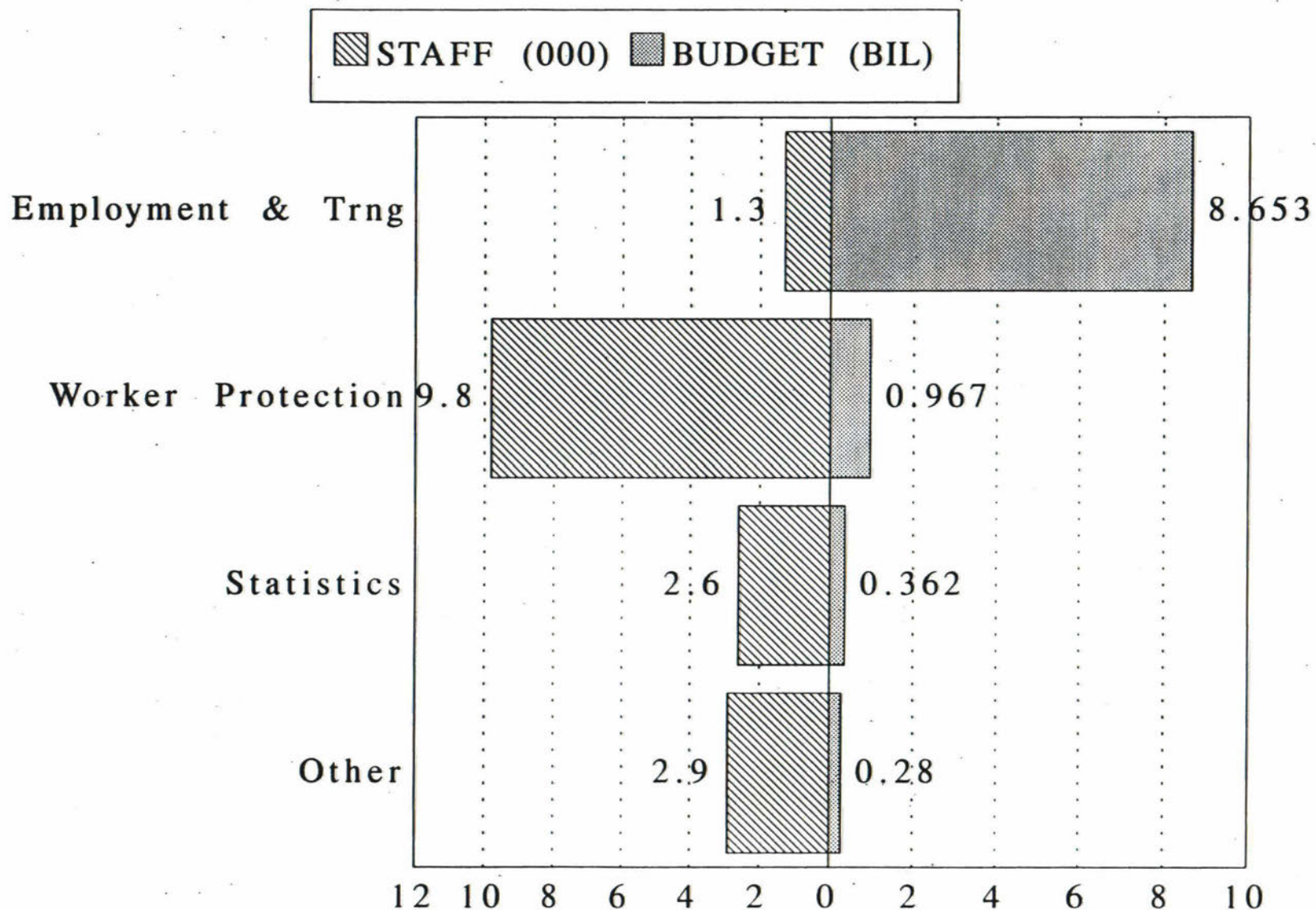
DISCRETIONARY FUNDING

DEPARTMENT OF LABOR - FY 1997



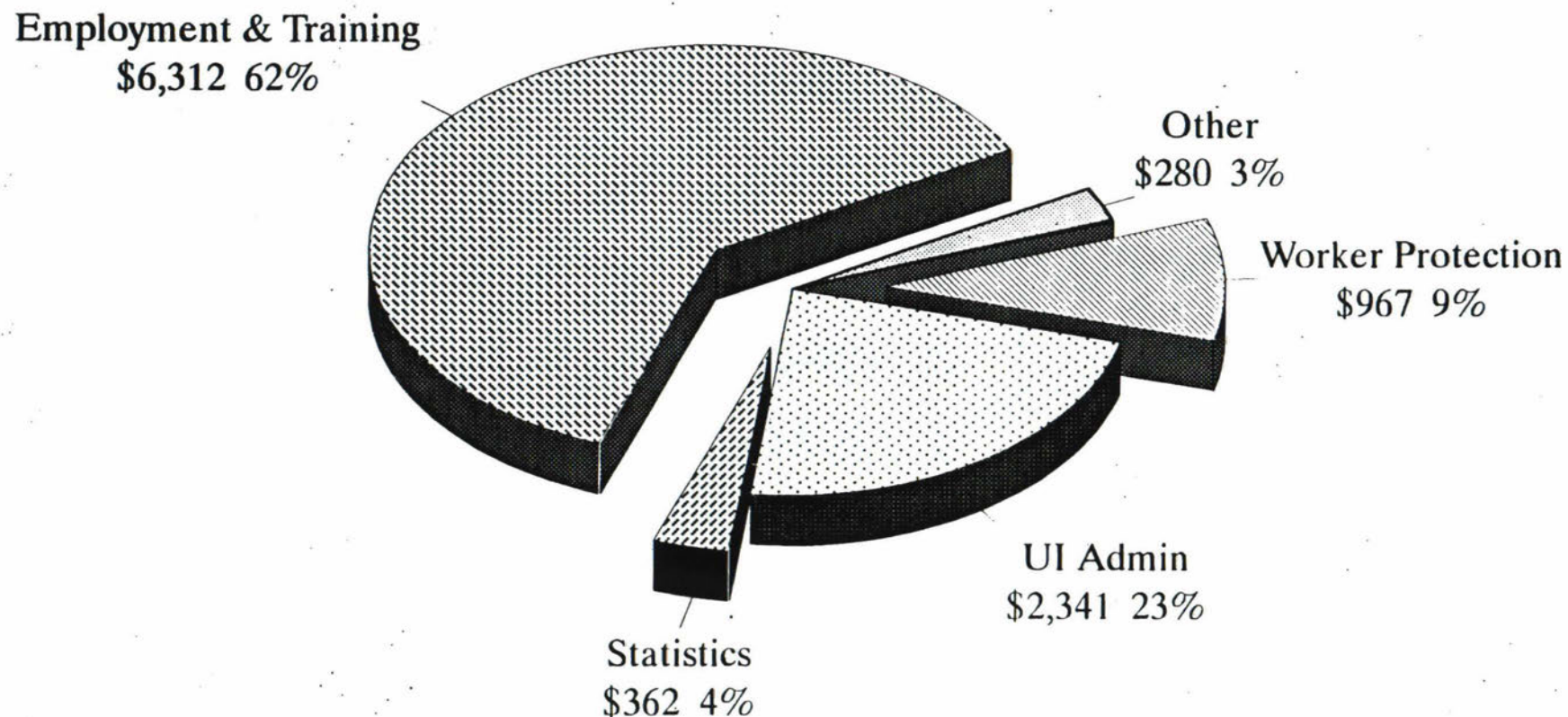
STAFFING VERSUS BUDGET

ATTACHMENT 9



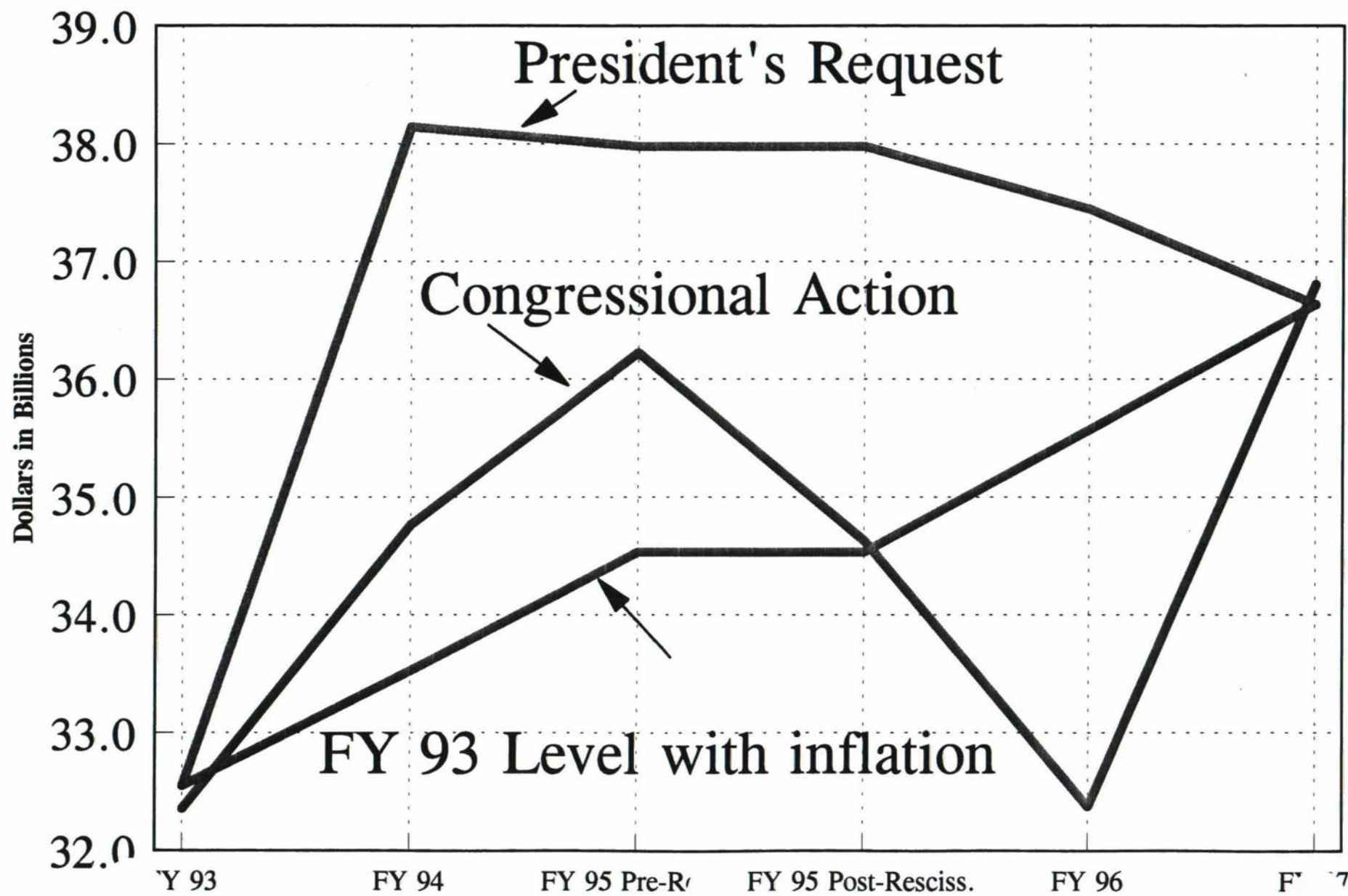
DEPARTMENT OF LABOR FY 1997 DISCRETIONARY (\$10.3 B)

Dollars in Millions

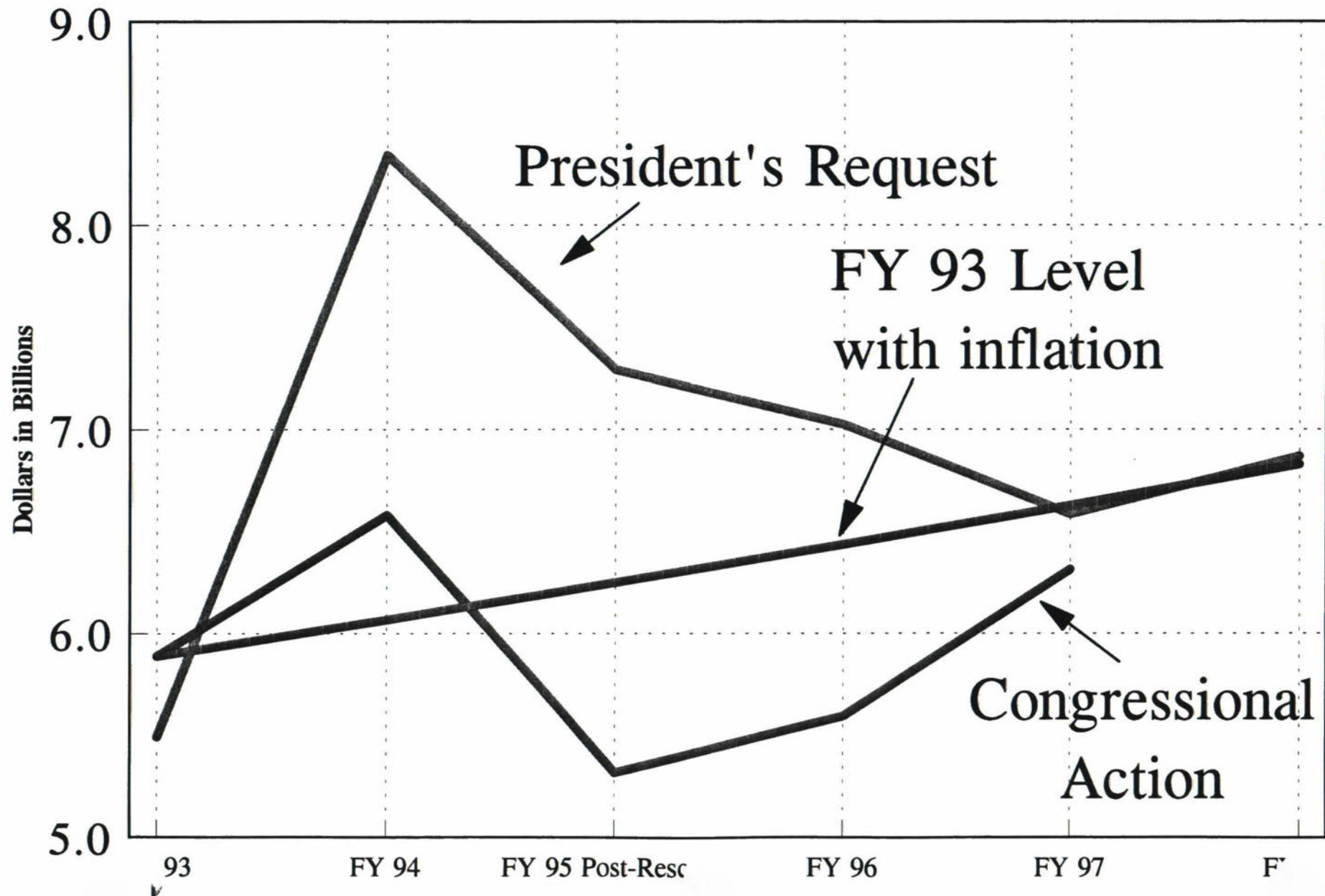


discpie.prs

INVESTMENTS IN EDUCATION AND TRAINING REQUEST AND APPROPRIATIONS vs. INFLATION, 1993 - 1997



INVESTMENTS IN EMPLOYMENT AND TRAINING REQUEST AND APPROPRIATIONS vs. INFLATION, 1993 - 1998



EDUCATION AND TRAINING INVESTMENTS
DISCRETIONARY FUNDING FY'S 1993 - 1997
(DOLLARS IN MILLIONS)

	FY 93 President's Request	FY 93 Enacted	FY 94 President's Request	FY 94 Enacted	FY 95 President's Request	FY 95 Pre-Resc	FY 95 Post-Resc	FY 96 President's Request	FY 96 Enacted	FY 97 President's Request	FY 97 House Mark	FY 97 Senate Mark	FY 97 Final
Employment and Training (DOL) 1/	5,494	5,887	8,345	6,532	7,290	6,934	6,215	7,024	5,602	6,586	5,575	5,617	6,317
Head Start (HHS)	2,801	2,780	2,851	3,330	4,026	3,634	3,534	3,935	3,569	3,981	3,600	3,600	3,981
Education (DOE) 2/	24,257	23,694	26,557	24,541	26,052	25,085	24,415	25,804	22,810	25,522	22,487	23,708	26,106
Americorps 3/	n/a	n/a	394	365	610	575	468	684	400	544	0	401	401
Total	32,552	32,361	38,147	34,768	37,978	36,228	34,632	37,447	32,381	36,633	31,662	33,326	36,805

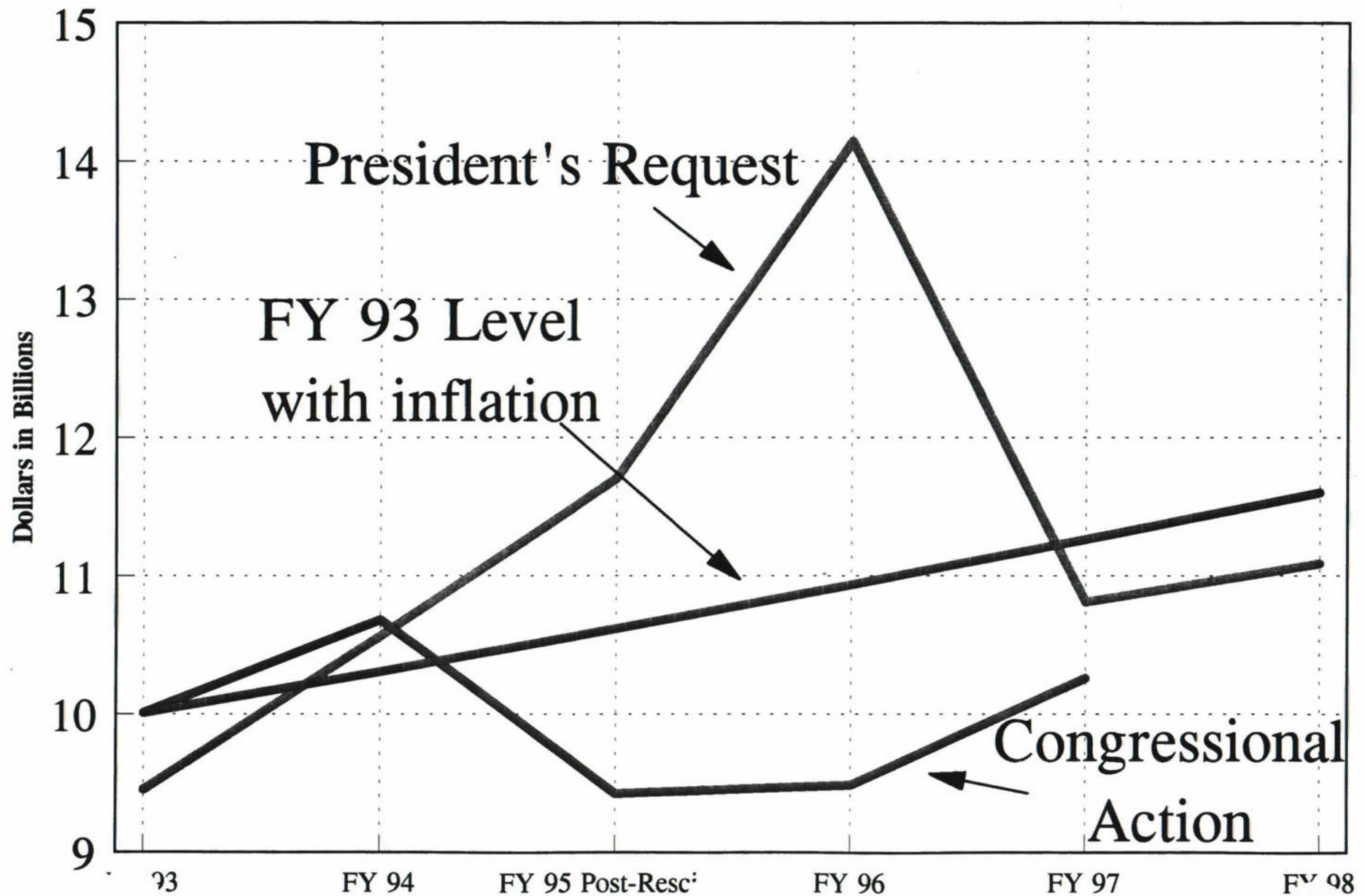
	DIFFERENCES							
	FY 97 Final vs. FY 96 enact	% Change	FY 97 Final vs. FY 95 Pre-Resc	% Change	FY 97 Final vs. FY 93 enact	% Change	FY 97 Final vs. FY 97 House	% Change
Employment and Training * (DOL)	715	11%	-617	-10%	430	7%	742	12%
Head Start (HHS)	412	10%	347	9%	1,201	30%	381	10%
Education ** (DOE)	3296	13%	1,021	4%	2,412	9%	3,619	14%
Americorps	1	0%	-174	-43%	3/	0%	401	100%
Total	4424	12%	577	2%	4,043	11%	5,143	14%

1/ Includes all ETA programs except UI Admin.

2/ Includes all DOE discretionary programs (elementary/secondary, post-secondary and other)

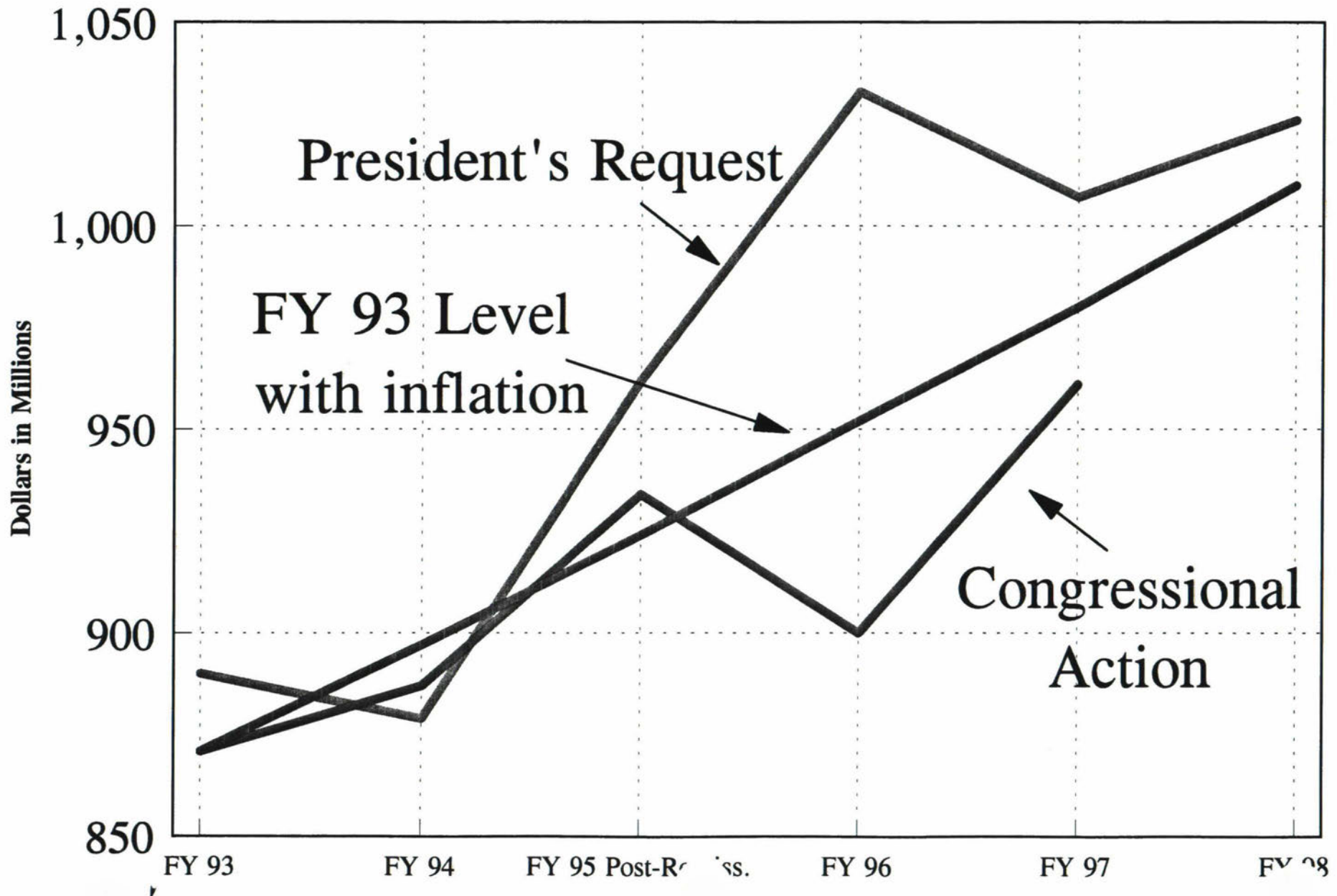
3/ Program began in 1994 - Americorps is not included in changes from FY 1993

DEPARTMENT OF LABOR - Discretionary REQUEST AND APPROPRIATIONS vs. INFLATION, 1993 - 1998



INVESTMENTS IN WORKER PROTECTION

REQUEST AND APPROPRIATIONS vs. INFLATION, 1993 - 1998



DRAFT**FY 1997 LABOR FINAL APPROPRIATION**

(BUDGET AUTHORITY IN MILLIONS)

DRAFT

	FY95 Pre-Resc.	FY95 Post Resc.	FY96 Final	FY97 Request	FY97 House Passed	FY97 Senate Mark	FY97 Final	FY96 Final		FY97 Final Versus		FY97 Request	
								\$	%	\$	%	\$	%
EMPLOYMENT & TRNG	6,934	6,215	5,602	6,586	5,575	5,617	6,317	715	13%	742	13%	-269	-4%
Disadvantaged Adults	1,055	997	850	947	845	845	895	45	5%	50	6%	-52	-5%
Dislocated Workers	1,296	1,229	1,100	1,293	1,100	1,100	1,293	193	18%	193	18%	0	0%
Youth - Summer	867	867	625	871	625	625	871	246	39%	246	39%	0	0%
Youth - IIC	599	127	127	127	127	127	127	0	0%	0	0%	0	0%
Job Corps	1,100	1,090	1,094	1,154	1,139	1,139	1,154	60	5%	15	1%	0	0%
School-to-Work (DOL)	125	122	170	200	175	180	200	30	18%	25	14%	0	0%
One Stop	120	100	110	150	110	110	150	40	36%	40	36%	0	0%
Employment Svs/WOTC	922	915	821	848	766	776	824	3	0%	58	8%	-24	-3%
Vets Employment & Trn	164	164	151	157	159	155	159	8	5%	0	0%	2	1%
Other 3/	276	208	181	489	156	187	181	0	0%	25	16%	-308	-63%
Older Workers	410	396	373	350 1/	373	373	463	90	24%	90	24%	113	32%
UNEMPLOYMENT INS.	2,374	2,314	2,307	2,496 2/	2,346	2,346	2,346	39	2%	0	0%	-150	-6%
WORKER PROTECTION	936	934	899	1,006	882	895	960	61	7%	78	9%	-46	-5%
OSHA	312	312	304	341	298	299	326	22	7%	28	9%	-15	-4%
ESA	280	279	264	305	263	262	290	26	10%	27	10%	-15	-5%
[WH]	101	101	100	119	103	102	119	19	19%	16	16%	0	0%
MSHA	201	200	196	204	192	196	198	2	1%	6	3%	-6	-3%
PWBA	69	69	67	85	66	72	77	10	15%	11	17%	-8	-9%
SOL	62	62	58	62	57	57	60	2	3%	3	5%	-2	-3%
ILAB	12	12	10	9	6	9	9	-1	-10%	3	50%	0	0%
STATISTICS (BLS)	352	350	343	372	355	351	362	19	6%	7	2%	-10	-3%
OTHER (PBGC excluded)	296	288	265	276	265	264	265	0	0%	0	0%	-11	-4%
TOTAL DOL	10,892	10,101	9,415	10,735	9,423	9,472	10,250	835	9%	827	9%	-485	-5%

1/ In FY97, program proposed to be transferred to HHS, but amount requested by Administration included here for comparative purposes

2/ Excludes \$67.8 million in BA only which OMB scores in contingency reserve. CBO and Appropriation Committees do not score this amount

3/ Includes Senate increases for Native Americans, Migrants, and Pilots & Demos

FY 1996-1998 DOLLARS
(BUDGET AUTHORITY IN MILLIONS)

ATTACHMENT 17

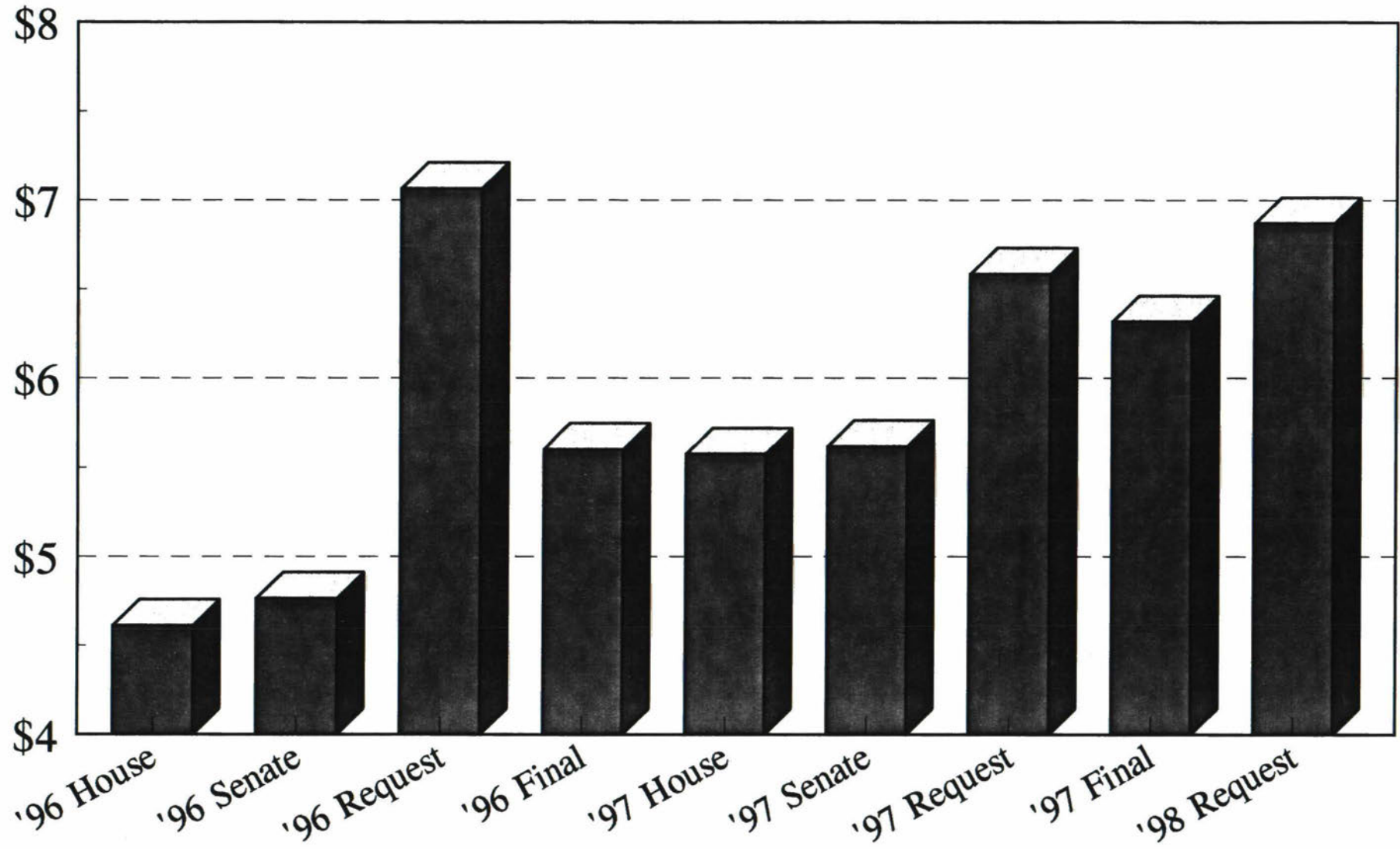
DRAFT

	FY95 Post Resc.	FY96 Final	FY97 Final (Inc Trms)	FY98 Approved Appeal + Passback
TRNG & EMPLOY SVS	3,957	4,141	4,716	5,300
Adult Training	997	850	895	1,069
Dislocated Workers	1,229	1,092	1,286	1,350
Youth Training	127	127	127	130
Summer Youth	185	625	871	871
Job Corps	1,089	1,094	1,154	1,246
School-to-Work	122	170	200	200
Other (Youth Oppor. Zones)	208	183	184	434
OLDER WORKERS	396	373	463	440
SUIESO	3,329	3,305	3,315	3,599
Unemployment Insurance	2,314	2,374	2,341	2,630
Employment Svs/WOTC	915	821	824	819
One Stop	100	110	150	150
VETS EMPLOY & TRNG	164	151	159	161
WORKER PROTECTION	934	900	967	1,026
PWBA	69	67	77	85
ESA	279	265	295	312
[WH] [non-add]	101	100	119	125
[OFCCP] [non-add]	59	56	59	69
OSHA	312	304	328	348
MSHA	200	196	198	206
SOL	62	58	60	64
ILAB	12	10	9	11
STATISTICS (BLS)	350	343	362	379
OTHER S&E	299	276	280	275
ETA/PO	134	124	124	129
PBGC	11	11	10	0
DM (Less SOL & ILAB)	81	74	76	76
VETS S&E	21	19	23	23
OIG	52	48	47	47
IRF	0	0	0	0
Undistributed	0	0	0	0
TOTAL GROSS DISCRET.	9,429	9,489	10,262	11,180
SAVINGS IN UI BENEFITS	0	0	0	-89
TOTAL NET DISCRET.	9,429	9,489	10,262	11,091

Employment and Training

\$ in Billions

FY 1996, 1997 and 1998 Request

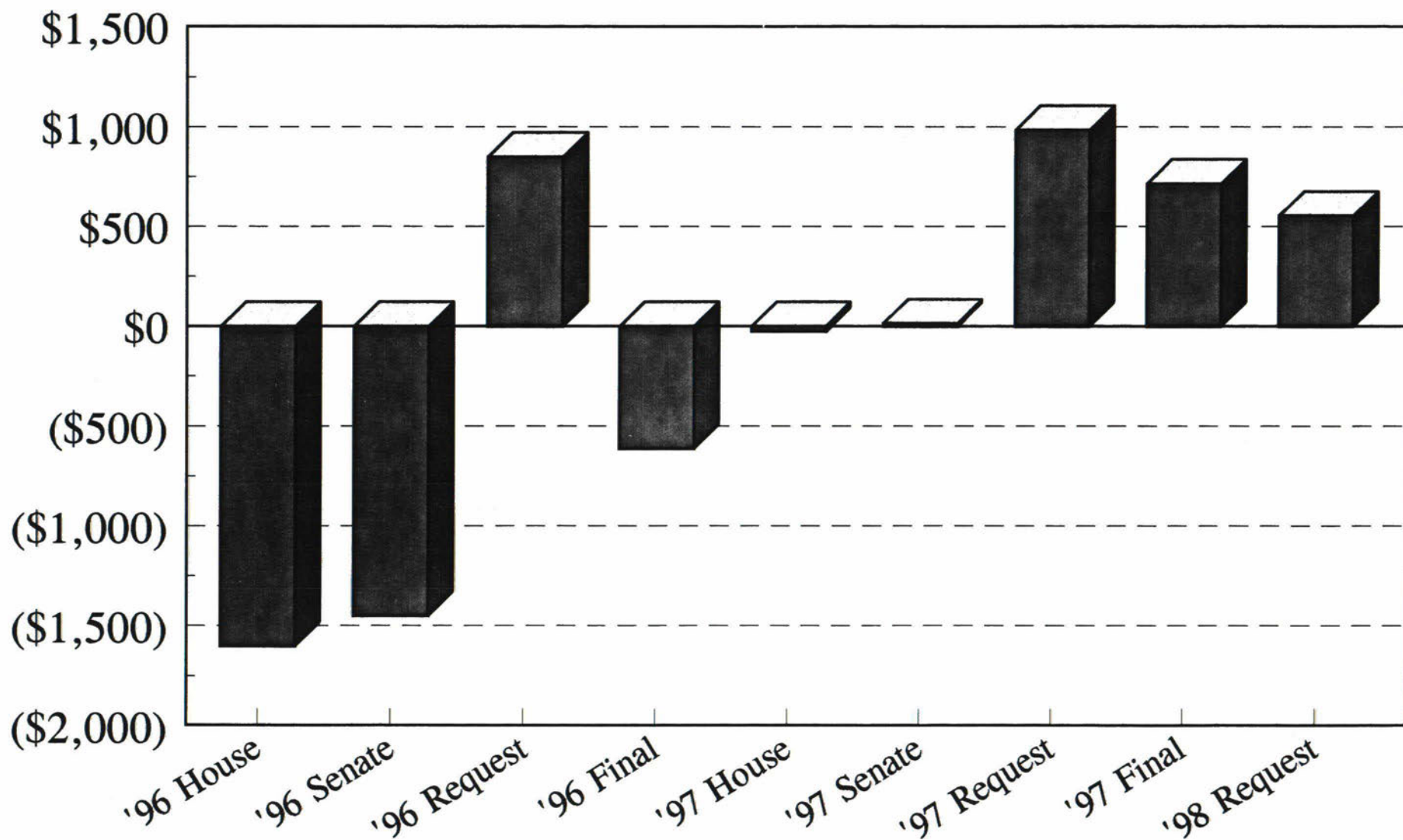


Employment and Training

Change From Previous Year's Appropriation

FY 1996, 1997 and 1998 Request

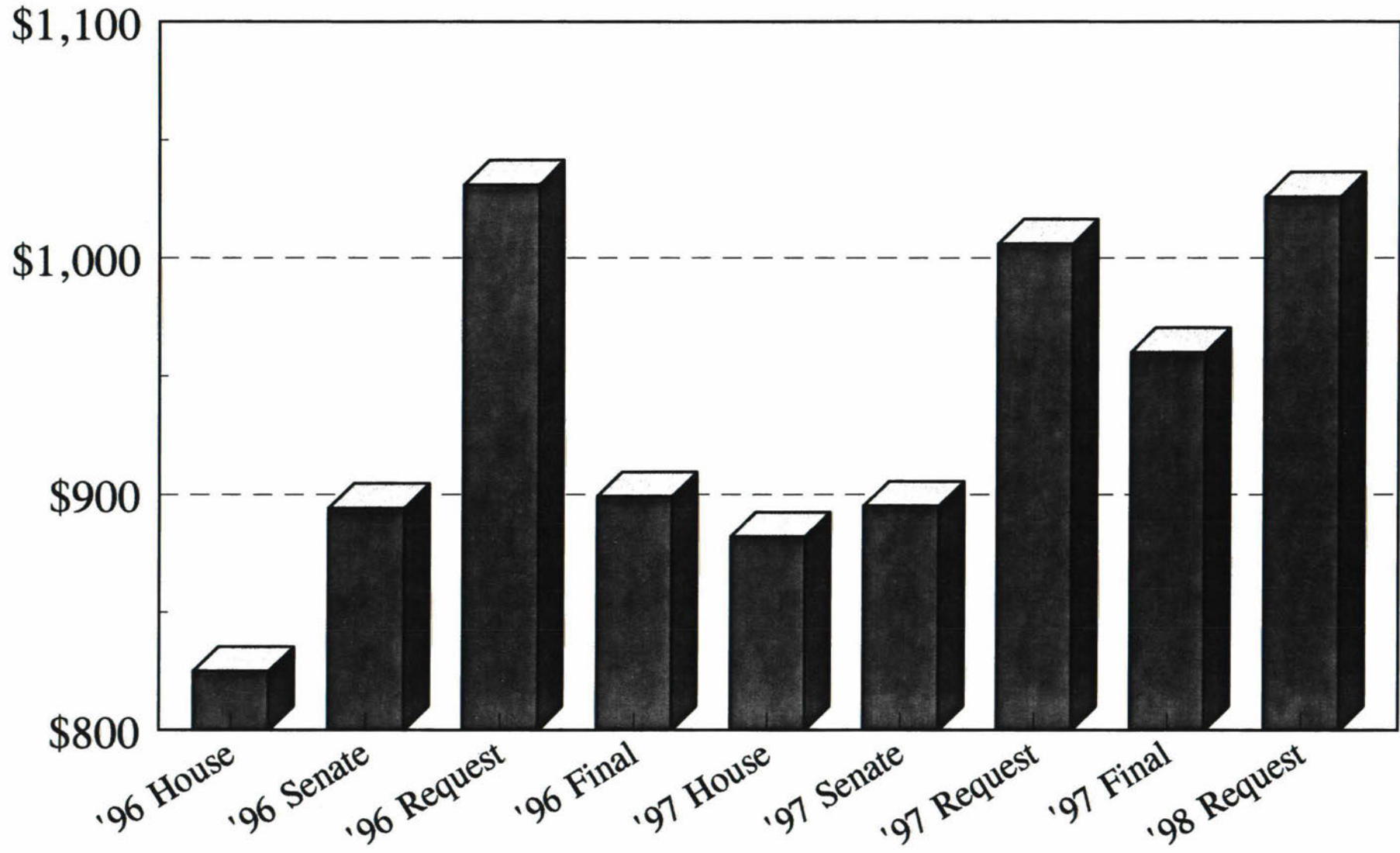
\$ in Millions



Worker Protection

\$ in Millions

FY 1996, 1997 and 1998 Request

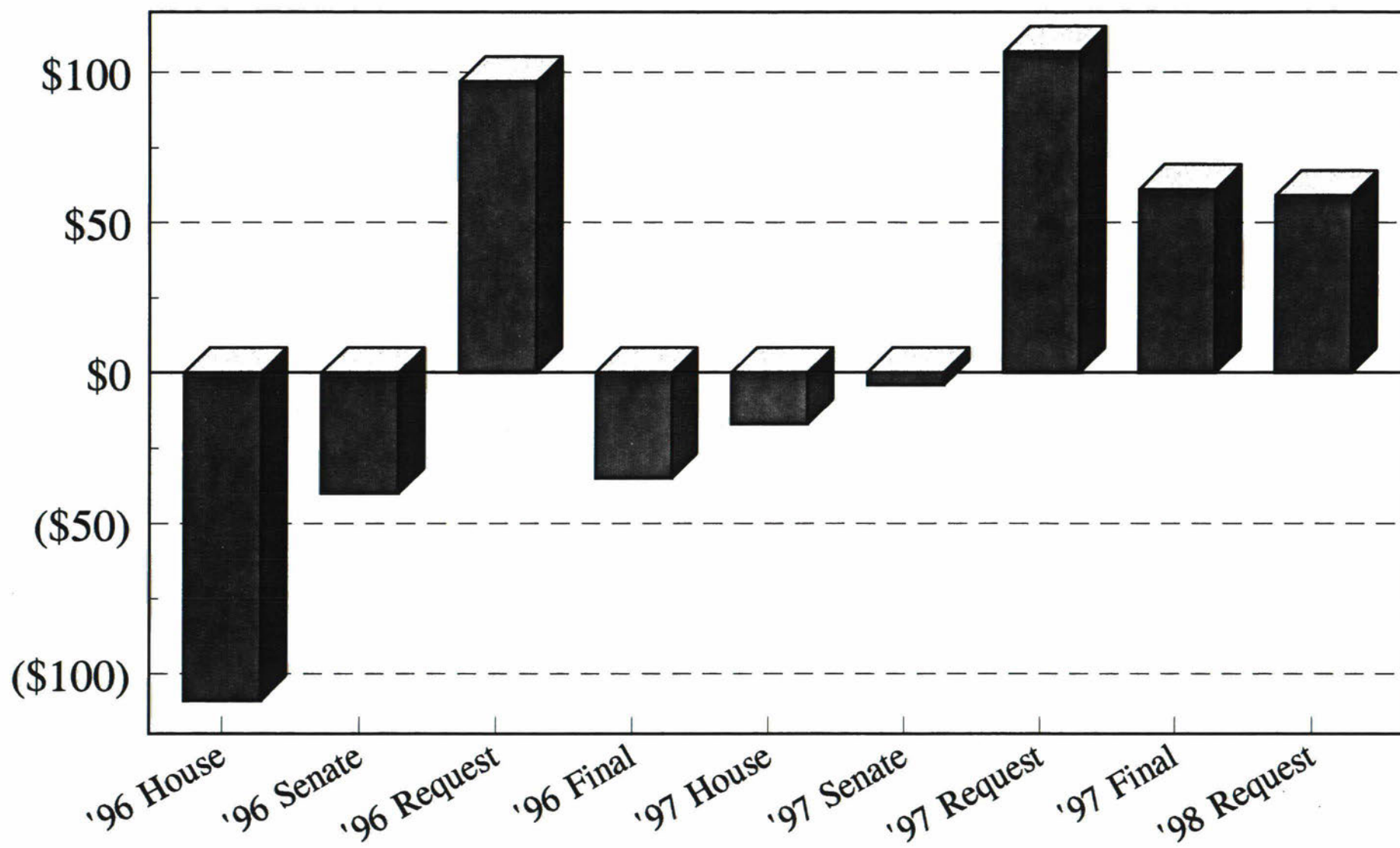


Worker Protection

Change From Previous Year's Appropriation

FY 1996, 1997 and 1998 Request

\$ in Millions



LABOR-HHS-EDUCATION
By Department: FY 1995 through FY 1988 (estimate)
 [BA in Millions of Dollars]

AGENCY	Original FY 1995 1/	FY 1995 w/ Rescission 1/	FY 1996 Request	FY 1996 Comparable 2/	FY 97 Request	House Bill	Senate Bill	FY 97 Final Action	FY 98 Request Tentative 3/
Labor	10,892	10,101	11,315	9,415	10,802	9,423	9,472	10,250	11,100
HHS	29,581	29,221	31,042	28,881	31,233	29,841	28,695	30,679	31,100
Education	25,085	24,415	25,804	22,810	25,522	22,487	23,708	26,106	28,600
Other	4,318	4,089	3,919	3,860	4,672	3,937	4,053	4,082	4,400
Adjustments	0	0	0	-28	-25	0	-206	-31	0
TOTAL	69,876	67,826	72,080	64,939	72,205	65,688	65,723	71,087	75,200

1/ DOL FY 1995 figures adjusted for Summer Youth.

2/ Excludes scorekeeping adjustments for FY 1996 rescissions and adjustment of \$3.9 million for Investment in Reinvention Fund in DOL.

3/ HHS & ED final decisions pending. Figures are rough estimates of possible outcomes.
 "Other" is a guess and contains the Social Security Administration.

COMPARISONS WITH FY 1997 FINAL ACTION

AGENCY	FY 1997 Final Action vs. FY 95 Original		FY 1997 Action vs. FY 95 Post-Rescission 4/		FY 1997 Final Action vs FY 96 Comparable		FY 1997 Final Action vs FY 97 Request		FY 1997 Final Action vs. FY 98 Request	
	\$	%	\$	%	\$	%	\$	%		
Labor	-642	-5.9%	149	1.5%	835	8.9%	-552	-5.1%	850	8.3%
HHS	1,098	3.7%	1,458	5.0%	1,799	6.2%	-554	-1.8%	421	1.4%
Education	1,021	4.1%	1,691	6.9%	3,296	14.4%	584	2.3%	2,494	9.6%
Other	-236	-5.5%	-7	-0.2%	222	5.7%	-590	-12.6%	318	7.8%
TOTAL	1,211	1.7%	3,261	4.8%	6,149	9.5%	-1,117	-1.5%	4,113	5.8%

105th Congress

Senate Appropriations

Ted Stevens, R-AK, full committee chair

Robert Byrd, D-WV, ranking Democrat

Labor/HHS Subcommittee

Arlen Specter, R-PA, Chair Tom Harkin, D-IA, Ranking Democrat

~~Mark Hatfield, R-OR~~

Robert Byrd, D-WV

Thad Cochran, R-MS

Fritz Hollings, R-SC

Slade Gorton, R-WA

Daniel Inouye, D-HI

~~Connie Mack, R-FL~~

Dale Bumpers, D-AR

Kit Bond, R-MO

Harry Reid, D-NV

~~Jim Jeffords, R-VT~~

Herbert Kohl, D-WI

Judd Gregg, R-VT

House Appropriations

Bob Livingston, R-LA, full committee chair

David Obey, D-WI, ranking Democrat

Labor/HHS Subcommittee

John Porter, R-IL

Obey, D-WI

Young, R-FL

Stokes, D-OH

Bonilla, R-TX

Hoyer, D-MD

Istook, R-OK

Pelosi, D-CA

Miller, R-FL

Lowey, D-NY

Dickey, R-AR

~~Riggs, R-CA~~

Wicker, R-MS

Anne Northup, R-KY