

**STATEMENT OF HILDA L. SOLIS  
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BEFORE THE  
SUBCOMMITTEE ON LABOR,  
HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES HOUSE OF REPRESENTATIVES**

**March 28, 2012**

Chairman Rehberg, Ranking Member DeLauro and members of the Subcommittee, thank you for the invitation to testify today. I appreciate the opportunity to appear before you to discuss the Fiscal Year (FY) 2013 budget request for the Department of Labor.

To build an economy that is built to last, we have to do more to live within our means and restore fiscal accountability and responsibility. The President has put forward a plan to make priority investments in areas essential to helping America win the race for the jobs and industries of the future, while making difficult choices to identify cuts and savings that ask for shared sacrifices across the board. The budget proposes specific steps to boost growth and secure the United States' position as the most competitive economy in the world, such as improving access to education and job training, so that our workers are the best prepared in the world for the jobs of the 21<sup>st</sup> century.

The Department of Labor FY 2013 budget request reflects this direction. To build on the economic gains we have experienced under this Administration, we must create good jobs and make investments that will boost economic growth. The request makes targeted investments and introduces significant reforms to give workers a fair shot to gain skills that make them more employable, regain their footing after a job loss, find new employment opportunities, maintain workplace safety and health, exercise their voice in the workplace, and enjoy critical wage and hour protections.

**TARGETED INVESTMENTS THROUGH DIFFICULT CHOICES**

As the President said in the State of the Union address, we must renew our commitment to revitalizing our nation's economy and to building an America that is built to last – where everyone gets a fair shot, does their fair share, and plays by the same set of rules.

The Department's 2013 budget request focuses on how we can help accomplish this goal in innovative and cost-effective ways, to ensure we are delivering critical services for American workers in everything from job training to workplace protection. However, in light of current economic realities, and like many families across the country, we had to make some tough choices to ensure we are able to:

- Invest in a Competitive Workforce,
- Protect American Workers, and
- Secure Americans' Incomes and Benefits.

In some cases, that meant making tough decisions on funding reductions that will put America on a more sustainable fiscal course. Consistent with Administration-wide efforts to improve efficiency and find savings, the Department's budget proposes to streamline operations by:

- Eliminating overlapping training programs: The missions of the Women in Apprenticeship in Non-Traditional Operations and Veterans Workforce Investment Program will continue to be advanced through other Departmental training offices and programs.
- Re-proposing the FY 2012 request to transfer the Community Service Employment for Older Americans Program to the Department of Health and Human Services Administration on Aging in recognition of the dual purpose of the program to support the economic well-being of seniors, while improving coordination with other senior-serving programs with similar purposes.
- Closing a small number of chronically low-performing Job Corps centers. While most centers meet program standards, some centers have been persistently low-performing based on their educational and employment outcomes, and have remained in the bottom cohort of center performance rankings for many years. Especially in a constrained budget environment, and given the resource intensiveness of the Job Corps model, it is neither possible nor prudent to continue to invest in centers that have historically not served students well. The populations previously served by these Job Corps centers will be eligible to attend higher-performing centers. Job Corps will also make changes to its strategies and approaches based on the findings of program evaluations, strengthen the performance measurement system, and report center-level performance in a more transparent way.
- Reforming the regional office structure of five offices within the Department: the Occupational Safety and Health Administration (OSHA), the Employee Benefits Security Administration (EBSA), the Office of the Solicitor (SOL), the Women's Bureau (WB) (where the savings are reinvested dollar for dollar in the Wage and Hour Division), and the Office of Public Affairs (OPA). By consolidating or streamlining offices we will minimize administrative costs while ensuring that offices are strategically placed to perform the Department's functions across the country.
- Curbing non-essential administrative spending. In support of the President's message on fiscal discipline and spending restraint, the Department has established a plan to reduce the combined costs of certain administrative expenses by more than 20 percent from FY 2010 levels by the end of FY 2013. Reduction efforts focus on travel, printing, supplies, advisory contracts, the executive fleet, extraneous promotional items, and employee information technology devices.

- Improving program effectiveness and efficiency. The Department's FY 2013 budget request continues past efforts to enhance program effectiveness and improve efficiency. We will invest in program evaluations to be overseen by the Chief Evaluation Officer and request expanded authority to set aside funds from major program accounts for an increased number of evaluations. These investments will provide the Department with valuable information about strategies and approaches that work and ensure that our resources are invested strategically in proven tactics.

## **INVESTING IN A COMPETITIVE WORKFORCE**

Particularly during this time of high unemployment, we believe it is imperative to provide both a helping hand and a viable path back to employment. To get America back to work, the Department will continue critical investments in job training and resources for job seekers. Not only do these investments provide a lifeline for those who still need critical help, but they will also save resources of the Unemployment Insurance (UI) system and other programs at the Department of Labor by helping people get back to work. The budget documents have been provided to the Committee and are available on our website, but for now, I want to share some key investments included in our budget request before your Subcommittee:

- **Training and Employment Services.** For an economy built to last, we must get our dislocated and low-income workers back to work. The budget request continues the Department's commitment to those who are most vulnerable to economic distress by maintaining funding for our core training programs while also restoring funding to programs that serve some of the most vulnerable populations. This includes continued requests for the joint Employment and Training Administration-Office of Disability Employment Policy Disability Employment Initiative, and our policy work aimed at increasing the employment opportunities for persons with disabilities, including integrated employment for people with severe disabilities.
- **Workforce Innovation Fund.** The public workforce investment system is more important now than ever, but we need to make it more efficient, streamlined, and targeted to serve our growing customer base. To ensure that our investments in employment and training are focused on reform, the Department of Labor will invest \$100 million in the interagency Workforce Innovation Fund, which will test new ideas and replicate proven strategies for delivering better employment and training results at a lower cost to service providers, allowing for more participants to be served at static funding levels. This investment will be combined with \$25 million from the Department of Education for a total fund of \$125 million in FY 2013. Within the Fund, \$10 million is dedicated to building knowledge of what strategies are most effective with disconnected youth.
- **Veterans' Employment and Training Service.** We know returning veterans can contribute greatly to our economy and that recent veterans have particularly high unemployment rates. The Department will bolster its support for newly separated veterans by delivering effective education, employment, and other transition services that enable them to move successfully into civilian careers. The recently enacted VOW to Hire Heroes Act expands tax credits to encourage the hiring of veterans and expands

access to the Transition Assistance Program (TAP) employment workshops that are offered to separating service members. The budget builds on these efforts by boosting funding for TAP and grants for employment services to veterans by \$8 million over 2012 levels.

- **Employment Service.** The Nation continues to struggle with high levels of unemployment and the acute needs of employers seeking qualified workers. The Employment Service fills a critical role in helping connect workers with jobs, and serves over 17 million participants annually. To help workers receiving UI get the assistance they need to find work, the budget proposes an additional \$30 million for the Employment Service Grants to States to fund reemployment services for UI beneficiaries. These types of intensive reemployment services and job search assistance have been found to be one of the least costly and most effective ways to get the unemployed back to work.
- **One-Stop Career Centers.** The system of One-Stop Career Centers is the core delivery system for employment and training services. To strengthen this system, the budget includes \$50 million to create a recognizable and uniform brand for the career center system, improve access to workforce services, and create on-line tools to reach individuals sooner and more frequently while offering personalized services.

The President's budget request includes additional legislative proposals for job training and education resources that we are requesting other Congressional Committees to act upon. These proposals include:

- **Community College to Career Fund.** An educated and skilled workforce is critical for the United States to compete in the global economy. To help forge new partnerships between community colleges and businesses to train two million workers for good-paying jobs in high-growth and high-demand industries, the Departments of Labor and Education will invest \$8 billion over three years in this Fund. These investments will give more community colleges the resources they need to become community career centers where people learn crucial skills that local businesses are looking for right now, ensuring that employers have the skilled workforce they need and workers are gaining industry-recognized credentials and receiving training relevant to the local needs of employers to build strong careers.
- **Pathways Back to Work Fund.** Many Americans of all ages need better access to job opportunities and employment-based training in order to succeed in today's economy. Building on successful Recovery Act programs that provided employment opportunities for low-income adults and youths, the budget also includes a \$12.5 billion Pathways Back to Work Fund to make it easier for the long-term unemployed and low-income workers to remain connected to the workforce and gain new skills for long-term employment.

## PROTECTING AMERICAN WORKERS

Worker protection programs are crucial to ensure all firms are playing by the same set of rules to keep workers safe. The FY 2013 budget preserves this Administration's recent investments in Worker Protection. Some of the highlights of our worker protection request include:

- **Mine Safety and Health.** The Mine Safety and Health Administration (MSHA) provides miners across the nation with safer and more healthful workplaces through enforcement of mine safety and health laws, as well as through technical assistance, training, and outreach. The budget request for MSHA of \$372 million provides funding to allow MSHA to carry out its mission, while achieving efficiencies and reallocating resources into its highest priority activities, including statutorily-mandated inspections in the coal and metal/non-metal enforcement programs.
- **Case Backlog before the Federal Mine Safety and Health Review Commission.** The budget includes \$16.9 million for MSHA and SOL to continue ongoing work to address the backlog of contested citations at the Federal Mine Safety and Health Review Commission (FMSHRC). We must continue our efforts in this area to ensure that we are holding mine operators accountable if they fail to meet their legal and moral responsibility to operate safe mines. If we do not reduce the backlog, some mine operators will continue to contest violations as a way of "gaming the system" to delay payment of civil penalties and avoid scrutiny under MSHA's existing pattern of violation regulations. This will lead to even higher contest rates and potentially unsafe mines.
- **Occupational Safety and Health.** OSHA uses enforcement and compliance assistance activities to ensure that this nation's employees are able to return home safely from work every day. The request of \$565 million for OSHA includes an additional \$5 million to support OSHA's enforcement of the 21 whistleblower protection programs it administers that protect workers and others who are retaliated against for reporting unsafe and unscrupulous practices. It also maintains the significant increase provided in FY 2012 for the small business consultation program.
- **International Labor.** The Department must ensure American workers are given a fair shot to compete on a level playing field with their overseas counterparts. The budget requests \$95 million for the Bureau of International Labor Affairs (ILAB) to strengthen workers' rights and protections in our trading partner countries, including an increase of \$2.5 million for enhanced trade agreement monitoring and enforcement.

## SECURING AMERICANS' INCOMES AND BENEFITS

It is essential that we take steps to ensure that America's workers are not permanently affected by economic distress. To that end, the Department's budget includes resources to help those who have been affected stay afloat while they struggle to get back on their feet. Some key investments we propose in the FY 2013 budget to ensure Americans' income and benefits security are:

- **Wage and Hour.** As we continue to recover from one of the worst economic crises in three generations, it is especially important that we invest in the enforcement of key laws that protect our workers' wages and benefits. In FY 2013, the Department will continue to protect workers and level the playing field for businesses by providing the Wage and Hour Division (WHD) with \$238 million, including an additional \$6.4 million for increased enforcement of the Fair Labor Standards Act (FLSA) and the Family and Medical Leave Act (FMLA), which ensure that workers receive appropriate wages, overtime pay, and the right to take job-protected leave for family and medical purposes.
- **Employee Misclassification.** When workers are misclassified as independent contractors, they are deprived of benefits and protections to which they are legally entitled, such as overtime and unemployment benefits. At the same time, those businesses that play by the rules are placed at a disadvantage against employers who violate the law. The FY 2013 budget proposes \$14 million to combat misclassification, including \$10 million for grants to states to identify misclassification and recover unpaid taxes within the unemployment insurance system and \$3.8 million for the WHD to detect and deter the misclassification of employees as independent contractors and strengthen and coordinate federal and state efforts to enforce labor violations arising from misclassification.
- **Unemployment Insurance.** This Administration is committed to protecting the financial integrity of the UI system and helping unemployed workers return to work as swiftly as possible. The budget provides full funding for state administration of the UI program, as well as an increase of \$15 million for Reemployment and Eligibility Assessments. Eligibility Assessments and Reemployment Services have been found to be highly effective at helping UI claimants find higher paying jobs sooner, while at the same time saving money for the UI system. To help those who have lost their jobs, the President's Budget also seeks to strengthen the UI safety net. While not before this Committee, the budget request incorporates the Reemployment NOW program originally included as part of the American Jobs Act, which includes resources and reforms to help UI claimants get back to work quickly. The Reemployment NOW program provides funds to introduce programs that allow the flexible use of unemployment benefits for short-term employment and for individuals who want to start their own businesses, some of the elements of which were adopted as part of the recently enacted Extended Benefits, Reemployment, and Program Integrity Improvement Act (P.L. 112-96). The budget also proposes to put the UI system back on the path to solvency and financial integrity by providing immediate relief to employers to encourage job creation now, reestablishing State fiscal responsibility going forward, and working closely with states to eliminate improper payments.
- **Employee Benefits Security.** To protect health and retirement benefits, the Department is requesting \$183 million for EBSA for the protection of more than 140 million workers, retirees, and their dependents who are covered by more than 700,000 private retirement plans, 2.5 million health plans, and similar numbers of other welfare benefit plans which together hold estimated assets of \$6 trillion.

- **Pension Benefits.** The budget proposes to strengthen the defined benefit pension system for the millions of workers and retirees who rely on it by giving the board of the Pension Benefit Guaranty Corporation (PBGC) authority to adjust premiums and directing the board to consider a number of factors, including a plan's risk of losses to the PBGC. This action will both encourage companies to fully fund their pension benefits and ensure the continued financial soundness of the PBGC. It is estimated that this proposal will save \$16 billion over the next decade.
- **State Paid Leave.** Too many American workers must make the painful choice between the care of their families and a paycheck they desperately need. While the FMLA allows workers to take job-protected, unpaid time off, millions of families cannot afford to take advantage of this unpaid leave. The Department's budget request includes a \$5 million proposal for a State Paid Leave Fund to provide technical assistance and support to states that are considering paid-leave programs to help workers who must take time off to care for a seriously-ill family member.

## **POTENTIAL IMPACT OF SEQUESTER AND THE IMPLICATIONS OF THE RYAN BUDGET**

Before I conclude my testimony today, I want to briefly address two issues that we are increasingly hearing questions about at the Department of Labor: 1) the potential impact of a 2013 sequester on funding job training and worker protection; and 2) the implications of the Ryan budget.

We believe the impact of a sequester would be both significant and very negative. A large sequester would have serious ramifications for my Department and the people we serve. It would jeopardize our Nation's ability to develop and support a skilled workforce that can compete in the global economy, as well as jeopardize the conditions under which they work. Along with other deep cuts in defense and non-defense spending, this potential harm to our economic competitiveness is why the threat of a large, indiscriminate sequester is a powerful incentive to spur action to reduce the deficit. By design, the sequester is bad policy, bringing about deep cuts in defense and non-defense spending and threatening continued economic growth and prosperity.

Although the Administration is continuing to analyze the potential impact of the sequester, CBO has said that in 2013 it would result in a 7.8 percent cut in non-security discretionary accounts that are not exempt from the sequester. It would be impossible for us to manage cuts of that magnitude and still achieve our fundamental mission to prepare and protect American workers.

For example, a 7.8 percent reduction in funding in our employment and training programs would result in a reduction of more than \$500 million for our workforce system, meaning that 1.7 million fewer participants could be trained, retrained, or be helped to find a job. The cut to our veterans programs would be over \$20 million. To give one concrete example of the magnitude of these cuts, in the Job Corps program a 7.8 percent cut in our current level of Operations

funding would be \$122 million and would translate into at least 3,145 fewer student slots. It would clearly require us to accelerate plans to close Job Corps Centers far beyond the chronically low performing centers that we are committed to addressing, impacting not only the students who would not be served, but the communities where centers are located.

Similarly, the estimated 7.8 percent reduction in funding required by a sequester would result in a reduction of over \$136 million for our worker protection agencies. This would have a significant impact on our efforts to ensure safe and healthy workplaces, and to ensure that workers get the wages and benefits to which they are entitled. These reductions would likely impact our most vulnerable workers just as we are emerging from an economic recession.

It's also important to note that even without the sequester, non-security discretionary spending has already been cut in nominal terms for two straight years. Under the Budget Control Act targets, non-security discretionary spending is on a path to reach its lowest level as a share of GDP since the Eisenhower Administration. So the impact of the significant cuts in Federal support for employment and training would be magnified, coming on top of already lower levels of Federal funding as well as reduced State and local efforts as a result of the recent financial crisis and economic recession. At a time when we are just starting to see strong signs of renewed economic growth, it just makes no sense at all to undermine this progress through a sequester of Federal discretionary spending.

The President has been clear that Congress needs to avoid a sequester by passing a balanced deficit reduction measure including targeted savings that total at least as much as the \$1.2 trillion that was required by the Budget Control Act. The President's 2013 request reflects such a balanced proposal, and I believe Congress should enact it and cancel the sequester. There would still be deficit reduction, but not the mindless and harmful across-the-board cuts that could be required by a large sequester.

The Ryan budget is not the answer. While many of the proposals require further analysis, it is very clear that this budget does not ask all Americans to do their share to get our fiscal house in order and create an economy that is built to last. It sets the table for cuts in non-defense discretionary funding that are nearly three times as deep as the cuts under sequestration. We all agree on the need for significant deficit reduction, and we want to work with Congress on a balanced approach toward this goal that combines fiscal responsibility with investments that will support American workers and bolster our competitiveness in the global economy.

## **CONCLUSION**

To summarize, the Department's FY 2013 budget request provides investments to help better connect workers and employers and prepare Americans with the skills they need – and that businesses are looking for – for the jobs of today and the jobs of the future. It also ensures that we have fair and safe workplaces for our workers. An economy built to last will require good jobs that pay well and provide security for the middle class, and this entails undertaking actions now to support and strengthen economic growth and reallocate resources to allow targeted investments where they are needed. Our efforts will help to get America back to work, foster

safe workplaces that respect workers' rights, provide a level-playing field for all businesses, and help American workers provide for their families and keep the pay and benefits they earn. I am committed to achieving my goal of *Good Jobs for Everyone* while the Administration focuses on our shared long-term goal of reducing the Federal deficit. I believe it is possible to do both and stand ready to work with you in the weeks and months ahead on a responsible way forward.

Mr. Chairman, thank you for inviting me today. I am happy to respond to any questions that you may have.