DEPARTMENT OF LABOR

AT A GLANCE:

2006 Discretionary Budget Authority: $11.5 billion
(Decrease from 2005: 4 percent)

Major Programs:

- Job training and employment
- Unemployment insurance
- Pension protection
- Labor law enforcement
- Employment statistics

MEETING PRESIDENTIAL GOALS

Promoting Economic Opportunity and Ownership

- Training more workers by giving Governors and individuals more flexibility and setting higher performance standards for job training and employment programs.
- Improving workers' access to health benefits by allowing small businesses to band together to offer health insurance for their workers and their families.
- Giving working families more flexibility by offering them the options of compensatory time off and flex-time.
- Safeguarding workers' pensions by restoring the solvency of the Pension Benefit Guaranty Corporation.
- Protecting workers' safety, health, pay, and benefits through strong enforcement of our Nation's labor laws and compliance assistance for employers.
- Helping veterans to return to civilian life by enforcing their re-employment rights.
- Matching employers to willing workers through an electronic search engine and more efficient foreign labor certification process that protects American jobs.

Supporting a Compassionate Society

- Helping troubled communities by giving ex-offenders a second chance.

MEETING PRESIDENTIAL GOALS—Continued

Making Government More Effective

- Preventing and recovering overpayments of Unemployment Insurance benefits.
- Refocusing the International Labor Affairs Bureau on its original mission of research, analysis, and advocacy.
- Improving Federal workers' compensation programs by strengthening return-to-work incentives, adopting effective State practices, and restoring the solvency of the Black Lung Disability Trust Fund.
- Eliminating the duplicative and ineffective Migrant and Seasonal Farmworkers program.

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP

Expanding Access to Job Training

In April 2004 the President proposed significant reforms to the Department of Labor's (DOL's) job training programs to double the number of workers trained and to give workers more choice about their training and career paths. The 2006 Budget builds on that proposal by:

- *Giving Governors more flexibility.* The President's proposal would merge the four major DOL Federal job training and employment grant programs into a single $4 billion grant program. In addition, Governors would be able to supplement this consolidated grant with their State's resources from a "menu" of several other Federal job training and employment programs.
- *Eliminating unnecessary overhead.* In exchange for more flexibility, the proposal would place strict limits on overhead costs. This would free resources to allow more workers to be trained.
- *Giving workers more choice.* The President's proposal would give workers greater control over their training through the use of personal Innovation Training Accounts.
- *Demanding greater accountability*. The proposal would establish increasingly rigorous performance standards each year, leading to a goal in the tenth year that States place in employment 100 percent of the workers trained with grant resources. To ensure that individuals are placed in high-quality jobs, States would also be required to show improvements in earnings and job retention. States' performance would be ranked and published each year.

These reforms, together with the President's $250 million Community College job training initiative, will train 400,000 workers annually—twice as many as are trained under the current system.

Improving Workers' Access to Health Benefits

The Nation's eight million small business employers are only half as likely as large employers to offer health benefits. More than half of the Nation's uninsured are small business employees and their families. To help these small businesses and give more working families access to health coverage, the President wants to allow small businesses to join together through industry and professional associations to purchase affordable health benefits for their workers. These Association Health Plans (AHPs), which would also be available to a broad range of civic, faith-based, and community organizations, would give small businesses and groups the same kind of purchasing power and options that large firms and unions provide, expanding health coverage and saving participants as much as 25 percent on their health insurance premiums. DOL would be charged with oversight and regulation of AHPs, and would ensure that they meet strict solvency and other requirements.

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP—Continued

Giving Working Families More Flexibility

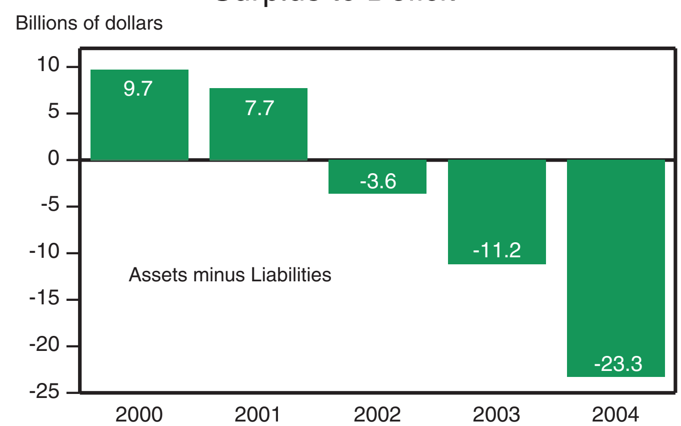
Many labor laws are outdated, designed generations ago when few women worked outside the home. In 2003, almost 61 percent of two-parent families had both parents working, versus 49 percent in 1976. The President has called on the Congress to give private-sector workers the same flexible scheduling options that Federal employees now enjoy. Offering choices like whether to receive overtime pay as cash or as paid time off will help workers successfully juggle the demands of the workplace with the needs of their families.

> *It seems that Americans are getting stretched in every direction these days. It's hard to work 40 hours or more a week, find time to make dinners, take your father to a doctor's appointment, attend a school play and go to a parent-teacher conference. . . . There is no doubt that Americans need more time. The President wants to work with Congress to make flex time and comp time more widely available, so that people can work a flexible schedule and have more control over how they spend the hours of their day.*
>
> September 14, 2004
>
> First Lady Laura Bush

Safeguarding Workers' Pensions

The Pension Benefit Guaranty Corporation (PBGC) insures the defined-benefit pensions of 44 million Americans against employer bankruptcy or other plan failures. Nearly 1 million individuals now receive, or are owed, benefits under plans that have been taken over by the PBGC. At the end of 2004, PBGC's liabilities exceeded its assets by more than $23 billion—more than double the $11.2 billion deficit recorded a year earlier—due to the termination and anticipated termination by U.S. businesses of a number of large pension plans.

PBGC Has Gone from Accounting Surplus to Deficit



Source: PBGC.

The Administration is committed to addressing this problem as part of its comprehensive strategy to strengthen the retirement security of America's workers. Although no payments for workers who currently receive PBGC benefits are threatened, the defined-benefit pension system must be reformed or future worker benefits will be at risk. The 2006 Budget proposes comprehensive reforms designed to protect workers' pensions and stabilize the defined-benefit pension system by updating the 30-year-old legislation that created the PBGC. The proposals contained in the 2006 Budget would:

- *Require employers to fund their plans responsibly.* PBGC estimates that private-sector single-employer defined-benefit plans are underfunded by more than $450 billion. The Administration's proposals would require companies to make up their funding shortfall within a reasonable period of time. In addition, the Administration would give companies greater flexibility to contribute funding above their current liabilities and would reduce volatility in plans' required contributions.

- *Estimate plan liability more accurately and simply*. Under current law a variety of statutory provisions determine a company's pension plan liability. This makes it difficult to know whether a company is funding its plan adequately, thereby allowing companies to minimize their pension contributions and understating PBGC's exposure. The Administration's proposals would provide a better measure of liabilities and establish appropriate funding targets based on a plan's risk of termination.
- *Set insurance premiums based on cost and risk.* Defined-benefit plans pay premiums to PBGC in return for coverage. Current premiums do not properly reflect the plan's risk of insolvency and are inadequate to cover losses to PBGC. The President's proposals would reform the current premium structure to restore PBGC to a sound financial state by increasing the share of premium income tied to the plan's risk of termination. The risk-based premium would reflect the new funding targets and be re-examined on a periodic basis to ensure PBGC's solvency. Flat-rate premiums would be adjusted to reflect wage growth. These reforms would provide PBGC with the assets needed to pay future benefits and would strengthen companies' incentives to ensure adequate funding.
- *Prevent companies from making empty promises to workers.* Currently companies may promise future benefits to their workers (in lieu of immediate compensation) that they fail to provide for and in many cases can neither keep nor pay insurance premiums to cover. This places the burden of these increased benefits on PBGC and the financially healthy companies that fund it. The Administration's proposals would require companies to pay for additional benefits immediately if they are financially weak or have a significantly underfunded pension plan.
- *Make pension plans more transparent.* Current law does not require adequate disclosure to workers, retirees, investors, and policymakers about a plan's funding status. As a result, workers are surprised when promised benefits are lost, and investors and policymakers are unable to make informed decisions. The Administration's proposals would require plans to provide workers with timely information on the true financial health of pension plans and make such information publicly available.

For further information on these proposals, please see *www.dol.gov/ebsa.*

Protecting Workers

The 2006 Budget includes the resources DOL needs to fulfill its responsibilities under more than 180 worker protection laws, providing $1.4 billion for labor law enforcement. DOL will continue to meet its responsibilities to workers through a combination of enforcement and compliance assistance and will continue to update its regulations so they make sense, protect workers, and minimize unnecessary burdens on employers. The 2006 Budget will:

- *Ensure safe and healthy workplaces.* The Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA) are responsible for assuring the safety and health of the Nation's workers. From 2002 to 2003, the occupational injury and illness rate declined from 5.3 to 5 cases per 100 full-time workers and the number of injuries and illnesses fell by 7.1 percent. The 2003 workplace fatality rate of 4 per 100,000 workers was also a record-low level. The 2006 Budget provides $747 million for OSHA and MSHA to allow these agencies to maintain a strong enforcement presence and work with employers to ensure the physical well-being of their workers. Included in this amount is $1 million to improve OSHA's ability to get timely data on worker injuries and illnesses, based on a recommendation in OSHA's Performance Assessment Rating Tool (PART) review.

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP—Continued

> **Safeguarding Union Members' Dues**
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> Even relatively small embezzlements can have a devastating impact on the resources available to union members and their locals. For example, a routine OLMS audit in Wisconsin revealed payments to a union's former business manager for mileage and meals totaling more than $30,000. The subsequent OLMS criminal investigation confirmed fraudulent payments over a number of years and led to a conviction for embezzlement of $135,198 (an amount representing more than one-third of the union's assets), a 25-month prison sentence, and full restitution to the union. To strengthen Labor-Management Reporting and Disclosure Act protections, OLMS is rebuilding an effective audit program and enhancing its compliance assistance efforts. OLMS will also place a renewed emphasis on auditing large international unions, some of which have never been audited in the 45-year history of the Act.

- *Protect union members.* In collaboration with DOL's Office of Inspector General and other Federal agencies, the Office of Labor-Management Standards (OLMS) ensures that labor unions remain financially secure and free from fraud and corruption. The 2006 Budget includes a $7 million (17-percent) increase to reinvigorate OLMS audit and compliance assistance programs. The Budget includes $5 million to help OLMS hire 48 new auditors and investigate and combat embezzlement of union funds and $1 million to create a new, contractor-operated unit to advise unions on how to comply with the law. This funding would help restore critical capacity lost during the 1990s.
- *Protect workers' pensions and benefits.* The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health plans, and other employee benefits for more than 150 million people, and works with the three million employers who offer benefits to ensure their compliance with the law. In 2004, EBSA's work resulted in the recovery of $3.1 billion in retirement, health, and other benefits for American workers and their families—a 121-percent increase over the previous year. In addition EBSA closed 4,500 criminal and civil investigations, nearly 70 percent of which resulted in correction of violations under the Employee Retirement Income Security Act. EBSA also received a record 474 applications to participate in its program that helps employers and plan officials voluntarily correct specific violations. The 2006 Budget includes $137 million for EBSA.
- *Boost penalties for non-compliance.* In some cases, employers' compliance with Federal requirements hinges on the threat of enforcement and monetary sanctions. Some of DOL's current civil monetary penalties have not been raised in decades (other than for inflation) and are not high enough to deter repeated or egregious offenses. To strengthen the deterrence, the Administration again calls for an increase in civil monetary penalties for violations of laws administered by the Employment Standards Administration and MSHA. Penalties for the death or serious injury of youths caused by child labor violations would increase from $11,000 to $50,000, and to $100,000 for repeat or willful violations. MSHA proposes to raise the maximum penalty for egregious violations from $60,000 to $220,000, bringing its penalties more in line with those assessed by OSHA. The 2006 Budget also supports allowing OLMS to impose civil monetary penalties on unions, employers, and others that fail to file their required financial reports on a timely basis. These new penalties would strengthen DOL's ability to enforce labor laws when cooperative approaches are not enough.

Honoring Our Commitment to the Nation's Veterans

The Administration is taking steps to help safeguard the employment rights and benefits of the Nation's servicemembers as they return to civilian life. For the first time since the passage of the Uniformed Services Employment and Reemployment Rights Act of 1994, DOL has proposed regulations that spell out the rights and responsibilities of employers to honor veterans' service. Under the President's leadership, DOL will back up these regulations with aggressive outreach and enforcement to ensure the job security of returning veterans. The 2006 Budget includes $224 million to support the Veterans Employment and Training Service by expanding its transition assistance efforts to help service men and women reintegrate into the workforce, raising awareness in the employer community of the skills that veterans can provide, and ensuring that our military members are secure in the knowledge that their jobs will be protected when they return from their service to our Nation.

Helping Employers Find Willing Workers

To help employers who, despite their best efforts, cannot find willing Americans to meet their needs, the 2006 Budget supports a new Temporary Worker Program. On January 7, 2004, the President outlined this proposal and significant reforms to the current immigration system. As part of this initiative, DOL will develop a quick and simple way for employers to search for American workers, building on America's Job Bank, DOL's Internet-based labor exchange system.

The Administration also has improved the process for employers to permanently hire foreign workers when U.S. workers are not available. Employers wishing to hire foreign workers on a permanent basis must receive from DOL a certification that qualified U.S. workers are not available for the job being offered to the foreign worker and that such hiring would not hurt the wages and working conditions of similarly employed U.S. workers. As of the end of 2004 there was a backlog of more than 300,000 applications, and employers waited up to six years for a certification. DOL recently finalized major reforms to this process that will drastically reduce application processing time, prevent future backlogs, and strengthen anti-fraud protections. To help implement the new program and purge the backlog remaining from the old program, the Administration is proposing a cost-based employer fee for new permanent program applications (including applications re-filed by those waiting in the old program's queue).

SUPPORTING A COMPASSIONATE SOCIETY

Strengthening Communities by Helping Ex-Offenders with Transition Assistance

Each year more than 600,000 inmates leave State and Federal detention facilities and return to their communities and families, many without the skills or support necessary to enter and compete in the workforce. Without help, a majority of these individuals probably will return to criminal activity. A 1994 Department of Justice study following almost 300,000 former State prisoners found that approximately two-thirds were re-arrested within three years of their release, and more than half had been re-incarcerated.

The 2006 Budget includes a total of $75 million for the second year of funding for the President's four-year Prisoner Re-entry Initiative, which teams Federal agencies with faith-based and community organizations to help recently released prisoners make a successful transition back to society and long-term employment. Given their close connection to the communities they serve, faith-based and community organizations are well situated to help returning prisoners. Many are already serving this population with promising results. Through the collaborative efforts of the Departments of Labor, Justice, and Housing and Urban Development, the Prisoner Re-entry Initiative will provide job training, transitional housing assistance, and mentoring to tens of thousands of non-violent ex-offenders.

MAKING GOVERNMENT MORE EFFECTIVE

Preventing and Recovering Overpayments of Unemployment Insurance Benefits

The Unemployment Insurance (UI) program provides monetary benefits to eligible workers who are unemployed through no fault of their own. UI is a Federal-State partnership, in which the Federal Government pays for administrative expenses and States levy taxes to pay UI benefits and determine eligibility and benefits. Despite States' efforts to reduce improper UI payments, in 2003 improper payments accounted for $3.8 billion, or more than nine percent of the nearly $41 billion in State UI payments. The 2006 Budget proposes a package of legislative changes that would reduce improper payments, saving an estimated $4.7 billion over 10 years. The legislation would:

- *Boost States' incentives to go after benefit overpayments by permitting them to use a portion of recovered funds on fraud and error reduction.* Currently, all recoveries of overpayments must be used to pay UI benefits. Allowing States to retain a small percentage of recovered funds to further reduce improper payments would reward them for taking aggressive steps to reduce fraudulent and erroneous payments, give them the resources they need to continue their efforts, and save $229 million over 10 years.
- *Impose a penalty for UI fraud.* The proposal would require States to impose a minimum 15-percent penalty on fraudulent overpayments, and require the proceeds to be used only for improper payment reduction. The State of Washington has imposed such a penalty, and has seen a dramatic increase in overpayment collections as a result. This proposal would save an estimated $798 million over 10 years.
- *Enlist private collection agencies in the recovery of overpayments and delinquent employer taxes.* Several States have explored using private collection agencies, but balked at paying excessive fees, which can be as much as 25 percent of collections, from UI administrative funds. The Administration would permit States to allow collection agencies to retain a limited portion of the amounts they recover, resulting in recoveries totaling $369 million over a 10-year period. To guard against collectors' use of abusive or unfair tactics to recover funds, the proposal would require that any contract entered into by the State explicitly follow the Fair Debt Collection Practices Act.
- *Charge employers when their actions lead to overpayments.* Employers sometimes fail to respond to State queries about worker separations (like whether claimants were fired), which can lead to improper UI payments. Despite the costs associated with these mistakes, States do not always penalize employers when their actions contribute to overpayments. The Administration would require States to charge employers for any UI benefits improperly paid in such cases, thereby encouraging employers to respond promptly to State requests for information about their former workers' UI eligibility and generating 10-year savings of $227 million.
- *Collect delinquent UI overpayments through garnishment of tax refunds.* Each year an estimated $500 million in UI overpayments go unrecovered. Under current law, individuals' Federal tax refunds are used to offset delinquent child support obligations, debts owed to Federal agencies, and State income tax debts. The Administration reproposes to add delinquent UI debts to the list of debts that can be offset by tax refunds. This proposal would recover overpayments of $3.1 billion over 10 years.

MAKING GOVERNMENT MORE EFFECTIVE—Continued

Refocusing the Bureau of International Labor Affairs

As noted by the PART assessment, the Bureau of International Labor Affairs (ILAB) has a broad and ill-defined mission. ILAB had historically played a research, analysis, and advocacy role, but has evolved to include a large and duplicative grantmaking function. Between 1996 and 2003, ILAB's funding rose by 1,500 percent, and now covers a host of activities that are already addressed by larger international grants programs run by the State Department and the Agency for International Development. The 2006 Budget provides $12 million for ILAB and returns the agency to its original mission of research, analysis, and advocacy.

Improving Federal Workers' Compensation Programs

DOL administers a number of Federal workers' compensation programs designed to provide economic stability to families that have been affected by occupational injury, illness, or death. The 2006 Budget proposes critical reforms to improve the operation and stability of two of these programs.

- *The Federal Employees' Compensation Act (FECA).* FECA, which pays workers' compensation to Federal civilian employees, has not been substantially updated since 1974. The Budget re-proposes reforms that would adopt "best practices" of State workers' compensation programs, encourage individuals to return to work as early as possible, streamline claims processing, and update benefit levels. These proposals would save the Federal Government more than $720 million over 10 years.
- *The Black Lung Benefits program.* The Black Lung Benefits Act provides benefits to coal miners who have been totally disabled by occupational black lung disease. Benefits in some cases are paid from the Black Lung Disability Trust Fund, which is financed through an excise tax on coal. Although excise tax revenues have been sufficient to finance the program's benefit and administrative costs for the past decade, they have not been enough to cover ever-growing interest costs on the Trust Fund's debt. As a result, DOL has had to borrow more just to pay interest on a debt that now approaches $9 billion. DOL's Inspector General has repeatedly identified the debt as a threat to the Black Lung program's financial stability and integrity. To fix this problem, the Administration will repropose legislation to refinance the Trust Fund's debt and eventually retire it.

Eliminating the Migrant and Seasonal Farmworkers Program

The 2006 Budget reproposes ending the Migrant and Seasonal Farmworkers training program, which was rated ineffective in a PART assessment. The assessment found that the services provided under this program duplicate Federal efforts in other programs administered by DOL and other agencies (such as the Departments of Health and Human Services, Agriculture, and Housing and Urban Development) and primarily consist of supportive services like emergency cash assistance, rather than job training and employment services to help participants secure more stable and permanent employment. The PART also noted the program's poor performance accountability and limited use of competition to award funding. These workers can be served better through the Nation's system of One-Stop Career Centers.

Update on the President's Management Agenda

The table below provides an update on DOL's implementation of the President's Management Agenda as of December 31, 2004.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status	●	●	●	●	●
Progress	●	●	●	●	●

In the past year, DOL has earned status upgrades on each of the five initiatives and attained green status in four of the Government-wide initiatives. In Human Capital, DOL adopted: competency models to assess and improve employee skills; multi-faceted, well-targeted staff development and mentoring programs; and well-planned systems to evaluate rank-and-file performance and strengthen managerial accountability. In 2004 DOL completed six streamlined competitions and one standard competition that will yield savings of more than $3 million. DOL showed that program managers use financial information to improve operations and that it has a plan to expand the use of financial data to increase efficiency. In E-Government, DOL established a new management system to ensure the efficient and effective management of all its E-Government and IT projects. DOL also uses performance information to make operational decisions, evaluate employees, and establish long-term and annual goals. DOL is able to provide full and marginal costs for key program areas and continues to improve program efficiency measures.

Initiative	Status	Progress
Faith-Based and Community Initiative	●	●
Real Property Asset Management	●	●
Eliminating Improper Payments	●	○

DOL has made significant progress in providing outreach and technical assistance to enhance opportunities for faith-based and community organizations (FBCOs) to compete for Federal funding. In 2004, DOL awarded 170 grants totaling $71 million to FBCOs. To support the Real Property initiative, DOL is developing an asset management plan. The Department has assessed its programs to determine which are susceptible to significant improper payments and has plans to measure and reduce improper payments. (Because this is the first quarter that agency efforts in the Eliminating Improper Payments Initiative were rated, progress scores were not given.)

Department of Labor
(In millions of dollars)

	2004 Actual	Estimate 2005	Estimate 2006
Spending			
Discretionary Budget Authority:			
Training and Employment Services	5,129	5,319	5,844
Unemployment Insurance Administration	2,619	2,674	2,633
Employment Service/One-Stop Career Centers [1]	964	963	84
Community Service Employment for Older Americans	438	436	437
Bureau of Labor Statistics	518	529	543
Occupational Safety and Health Administration	458	464	467
Mine Safety and Health Administration	269	279	280
Employment Standards Administration	392	401	416
Employee Benefits Security Administration	124	131	137
Veterans' Employment and Training	219	223	224
Bureau of International Labor Affairs	110	93	12
Office of Disability Employment Policy	47	47	28
All other	500	475	396
Total, Discretionary budget authority [2]	11,786	12,034	11,501
Memorandum: Budget authority from enacted supplementals	*1*	—	—
Total, Discretionary outlays	12,281	11,873	11,173
Mandatory Outlays:			
Unemployment Insurance Benefits:			
Existing law	42,525	35,461	36,891
Legislative proposal	—	—	−281
Trade Adjustment Assistance	699	880	966
Black Lung Benefits Program: [3]			
Existing law	1,433	1,428	1,405
Legislative proposal	—	—	3,343
Federal Employees' Compensation Act:			
Existing law	127	230	234
Legislative proposal	—	—	−6
Energy Employees Occupational Illness Compensation Program	380	1,209	931
Pension Benefit Guaranty Corporation: [4]			
Existing law	−247	−543	−315
Legislative proposal	—	—	−2,195
All other [4]	−401	−447	−408
Total, Mandatory outlays	44,516	38,218	40,545
Total, Outlays	56,797	50,091	51,718

[1] 2006 reflects the transfer of Employment Service Grants to Training and Employment Services.

[2] 2004 and 2005 rescissions of mandatory funding are now reflected in mandatory outlays.

[3] 2006 reflects the Black Lung debt refinancing, which includes a one-time payment to Treasury. There is no Government-wide budgetary effect until 2014, when the excise tax rates would be extended.

[4] Net mandatory outlays are negative when offsetting collections exceed outlays.