

*Laws and Legislation*

# *American Recovery and Reinvestment Act*

*History, Overview, Impact*



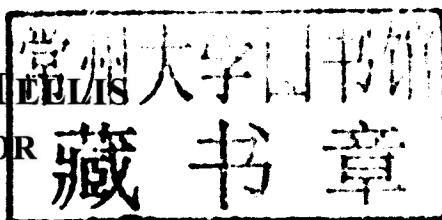
**Paul G. Tellis**  
Editor

NOVA

**LAWS AND LEGISLATION**

**AMERICAN RECOVERY AND  
REINVESTMENT ACT: HISTORY,  
OVERVIEW, IMPACT**

**PAUL G. TELLIS**  
EDITOR



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## PREFACE

On February 13, 2009, both the House and Senate passed the conference version of H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA). The primary purposes of the ARRA focus on promoting economic recovery, assisting those most affected by the recession, improving economic efficiency by "spurring technological advances in science and health," investing in infrastructure, and stabilizing state and local government budgets. This book provides a brief overview of the key provisions of the ARRA including the agriculture, nutrition, and rural provisions; medicaid provisions; a summary and legislative history of the Act; and the estimated impact on employment and economic output as of September 2009.

Chapter 1 - On February 13, 2009, both the House and Senate passed the conference version of H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA). The primary purposes of the ARRA focus on promoting economic recovery, assisting those most affected by the recession, improving economic efficiency by "spurring technological advances in science and health," investing in infrastructure, and stabilizing state and local government budgets. The House had previously passed its version of H.R. 1 (House-passed bill) on January 28, 2009, while the Senate passed S.Amdt. 570, an amendment in the nature of a substitute to H.R. 1 (Senate-passed bill), on February 10, 2009.

The ARRA provides funds to several existing workforce development programs administered by the U.S. Department of Labor (DOL), including programs authorized by the Workforce Investment Act (WIA).

This chapter provides a brief overview of the key provisions related to workforce development programs administered by DOL that were included in the ARRA under Division A, Title VIII, Department of Labor, and provides estimates of state grants for programs for which these estimates are relevant and for which data needed to produce the estimates are available. It also includes a discussion of relevant provisions that were included in the House- and Senate-passed versions of H.R. 1.

Chapter 2 features a letter to the U. S. House of Representatives.

Chapter 3 - On February 17, 2009, President Obama signed into law H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5). The ARRA is a response to the depth of the economic recession facing the United States (and the rest of the world) at the beginning of 2009. It is billed as an economic stimulus package to improve the situation of individuals and businesses. The ARRA boosts government spending on various infrastructure programs and government benefits programs, and offers individual and business tax benefits. The Congressional Budget Office (CBO) estimates that the ARRA will

cost \$787 billion over 10 years, although most of its budget authority is slated for two fiscal years (FY2009-FY2010).

Chapter 4 - The economy officially was considered in a recession in December 2008, but many forecasters had long recognized the downturn and some believed this economic contraction would be more severe than other post-World War II slowdowns. A combination of factors combined to present policymakers with difficult decisions on how best to stimulate the economy. Troubling instability in the housing and financial services sectors, weak auto manufacturing demand, and high energy costs earlier in 2008 had slowed growth dramatically and forced millions into unemployment. With declining tax revenue and increasing costs to provide unemployment and other benefits to unemployed workers, states were implementing measures to rein in spending, including restricting Medicaid eligibility and services.

Congress considered legislation aimed at stimulating economic activity in selected industrial sectors to save existing and create new jobs, reduce taxes, invest in future technologies, and fund infrastructure improvements. In addition to reducing some taxes and funding infrastructure projects, ARRA provisions were designed to provide: temporary support to families and individuals by increasing unemployment compensation benefits; financial assistance for individuals to maintain their health coverage under provisions in the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA); temporary increases in Medicaid matching rates; and increases in disproportionate share hospital allotments.

The House approved the American Recovery and Reinvestment Act of 2009 (H.R. 1) on January 28, 2009. The Senate passed an amendment (S.Amdt. 570) as a replacement for the House- approved version of ARRA on February 10, 2009. ARRA was referred to a joint House and Senate conference committee. The joint Senate and House Conference Committee reached agreement, and ARRA was passed by the House and Senate on February 13, 2009. President Obama signed ARRA (P.L. 111-5) into law on February 17, 2009. This chapter is a summary of ARRA's Medicaid provisions.

Chapter 5 - President Barack Obama signed H.R. 1, the American Recovery and Reinvestment Act (ARRA) of 2009, into law on February 17, 2009, as P.L. 111-5 (123 Stat. 115-521). The act is seen as one of the most significant legislative responses made thus far to the current economic turmoil. This chapter provides a summary and legislative history of ARRA and identifies other resources that provide additional information regarding its content and implementation.

ARRA is a relatively lengthy and complex act, amounting to just over 400 pages (in slip law form) and melding together hundreds of billions of dollars in discretionary spending, mandatory spending, and revenue provisions encompassing the jurisdiction of several House and Senate committees. The act consists of two major divisions. Division A (Appropriations Provisions) includes supplemental appropriations for FY2009 (and later fiscal years) covering by separate titles all 12 of the regular appropriations acts, as well as four additional titles dealing with health information technology, a state fiscal stabilization fund, accountability and transparency, and general provisions. Division B (Tax, Unemployment, Health, State Fiscal Relief, and Other Provisions) consists of seven separate titles. Division A includes the discretionary spending provisions, but some significant substantive provisions as well; Division B includes the mandatory spending and revenue provisions, with some exceptions.

ARRA provides almost \$800 billion through extensive discretionary spending, mandatory spending, and revenue provisions that the Administration estimates will save or create some 3.5 million jobs. Funding is provided for existing and some new programs in the 15 Cabinet-

level departments and 11 independent agencies. Some of the funds are distributed to states, localities, other entities, and individuals through a combination of formula and competitive grants and direct assistance. In addition to new spending and tax provisions, new policies are created regarding unemployment compensation, health insurance, health information technology, broadband communications, and energy, among others.

Numerous oversight, accountability, and transparency provisions are contained in the act. They include various reporting requirements and funding for offices of inspector general, the Government Accountability Office, and a newly established Recovery Accountability and Transparency Board.

With regard to its specific impact on the budget, the act is estimated by the Congressional Budget Office to increase the deficit by \$787.2 billion over the 11-year period covering FY2009-FY2019. The estimated deficit impact reflects spending increases of \$575.3 billion (in outlays) and revenue reductions of \$211.8 billion. The total spending increases consist of \$311.2 billion in discretionary new budget authority (yielding \$308.3 billion in outlays) and \$269.5 billion in mandatory new budget authority (yielding \$267.0 billion in outlays).

About 21% of total outlays (\$120.1 billion) under ARRA are estimated to occur by the end of FY2009. By the end of FY2010, 59% of total outlays (\$339.4 billion) are expected to occur, and by the end of FY2011, 81% of total outlays (\$465.6 billion) are expected to occur. Revenue reductions occur more quickly, with reductions of \$64.8 billion in FY2009 and \$180.1 billion in FY2010, offset somewhat in later years by modest revenue increases.

Chapter 6 - In the wake of a rapidly deteriorating economic picture and year-long recession that the Congressional Budget Office has called the most severe since World War II, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5). This chapter discusses ARRA's "general oversight provisions" and several related issues for Congress. For purposes of this chapter, the term "general oversight provision" means an oversight-related provision that addresses multiple programs, agencies, or appropriations accounts. Provisions that are specific to a single program or appropriation (e.g., appropriations set-asides and reporting requirements) are excluded from the report's scope.

The report includes tabular presentations of ARRA's general oversight provisions. The provisions provide for, among other things, establishment of a Recovery Accountability and Transparency Board, numerous reporting and evaluation requirements, and increased resources for agency Inspectors General (IGs) and the Government Accountability Office (GAO).

Even before considering experience with implementation, several broad issues related to ARRA oversight may be of interest to Congress. These include assessments of ARRA's role in achieving economic objectives. Typical objectives of a fiscal stimulus policy relate to increasing economic activity in the short term, compared to what would have happened without a stimulus. In addition, some stakeholders have emphasized that stimulating the economy in the short term alone is not a sufficient definition of "success." From this perspective, the manner in which spending, tax, and other public policies are implemented, and also the impacts of these policies, may be important.

All of these perspectives appear to have been included among the law's explicit purposes and "general principles concerning use of funds." Given ARRA's direction to "commenc[e] expenditures and activities as quickly as possible consistent with prudent management," difficult trade-offs among goals may be inevitable. Over time, Congress may consider whether existing management and oversight mechanisms, in combination with ARRA's

additional provisions, adequately support effective management and oversight of ARRA implementation. The experience with ARRA also may offer lessons learned for the “normal,” non-ARRA systems of oversight.

Beyond the immediate situation, additional oversight issues for Congress may relate to longer-term questions. These include how to build and monitor capacity within agencies to respond effectively to crises. Questions also may arise regarding how to build and monitor capacity in agencies and government overall to anticipate crises, mitigate their risks, and avoid preventable crises. This chapter analyzes these and other issues after reviewing how the oversight provisions were developed and providing an overview of the enacted provisions themselves, including related appropriations and reporting requirements.

Chapter 7 - Under the American Recovery and Reinvestment Act of 2009 (ARRA), also known as the economic stimulus package, certain recipients of funds appropriated in ARRA (most grant and loan recipients, contractors, and subcontractors) are required to report the number of jobs they have created or retained with ARRA funding since the law’s enactment in February 2009. The law also requires the Congressional Budget Office (CBO) to comment on that reported number.<sup>1</sup>

Chapter 8 - The following list of authoritative resources is designed to assist in responding to a broad range of questions and concerns about the American Recovery and Reinvestment Act (ARRA), P.L. 111-5. Links to the full text of the act, Congressional Budget Office (CBO) estimates, White House fact sheets, and federal, state, and municipal government websites are included, along with other useful information. This list reflects information that is currently available on the Internet. It will be updated regularly as other relevant material becomes available.



# CONTENTS

<b>Preface</b>		<b>vii</b>
<b>Chapter 1</b>	Funding for Workforce Development in the American Recovery and Reinvestment Act (ARRA) of 2009 <i>David H. Bradley and Ann Lordeman</i>	<b>1</b>
<b>Chapter 2</b>	Summary of Estimated Cost of the Conference Agreement for H.R. 1, the American Recovery and Reinvestment Act of 2009 <i>The House Committee on Rules</i>	<b>17</b>
<b>Chapter 3</b>	Agriculture, Nutrition, and Rural Provisions in the American Recovery and Reinvestment Act (ARRA) of 2009 <i>Jim Monke, Joe Richardson, Megan Stubbs, Taklock Cowan, Ralph M. Chite, Geoffrey S. Becker and Remy Jurenas</i>	<b>29</b>
<b>Chapter 4</b>	American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5): Title V, Medicaid Provision <i>Cliff Binder, Evelynne P. Baumrucker, April Grady and Elicia J. Herz</i>	<b>55</b>
<b>Chapter 5</b>	American Recovery and Reinvestment Act of 2009 (P.L. 111-5): Summary and Legislative History <i>Clinton T. Brass, Carol Hardy Vincent, Pamela J. Jackson, Jennifer E. Lake, Karen Spar and Robert Keith</i>	<b>71</b>
<b>Chapter 6</b>	General Oversight Provision in the American Recovery and Reinvestment Act of 2009 (ARRA): Requirements and Related Issues <i>Clinton T. Brass</i>	<b>119</b>
<b>Chapter 7</b>	Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output as of September 2009 <i>Congressional Budget Office</i>	<b>163</b>
<b>Chapter 8</b>	Authoritative Resources on the American Recovery and Reinvestment Act of 2009 (ARRA) <i>Kim Walker Klarman and Julie Jennings</i>	<b>175</b>
<b>Index</b>		<b>183</b>

*Chapter 1*

# **FUNDING FOR WORKFORCE DEVELOPMENT IN THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009\***

***David H. Bradley and Ann Lordeman***

Labor Economics  
Social Policy

## **SUMMARY**

On February 13, 2009, both the House and Senate passed the conference version of H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA). The primary purposes of the ARRA focus on promoting economic recovery, assisting those most affected by the recession, improving economic efficiency by “spurring technological advances in science and health,” investing in infrastructure, and stabilizing state and local government budgets. The House had previously passed its version of H.R. 1 (House-passed bill) on January 28, 2009, while the Senate passed S.Amdt. 570, an amendment in the nature of a substitute to H.R. 1 (Senate-passed bill), on February 10, 2009.

The ARRA provides funds to several existing workforce development programs administered by the U.S. Department of Labor (DOL), including programs authorized by the Workforce Investment Act (WIA).

This chapter provides a brief overview of the key provisions related to workforce development programs administered by DOL that were included in the ARRA under Division A, Title VIII, Department of Labor, and provides estimates of state grants for programs for which these estimates are relevant and for which data needed to produce the estimates are available. It also includes a discussion of relevant provisions that were included in the House- and Senate-passed versions of H.R. 1.

The report will be updated as warranted by legislative action.

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\* This is an edited, reformatted and augmented version of a CRS Report for Congress publication dated February 2009.

On February 13, 2009, both the House and the Senate passed the conference version of H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA, hereafter referred to as the “conference version”). The primary purposes of the ARRA focus on promoting economic recovery, assisting those most affected by the recession, improving economic efficiency by “spurring technological advances in science and health,” investing in infrastructure, and stabilizing state and local government budgets. The House had previously passed its version of H.R. 1 (hereafter referred to as the “House bill”) on January 28, 2009, while the Senate passed S.Amdt. 570, an amendment in the nature of a substitute to H.R. 1 (hereafter referred to as the Senate bill), on February 10, 2009.

Under the House bill and the Senate bill, funds would have been provided to several existing workforce development programs administered by the U.S. Department of Labor (DOL), including programs authorized by the Workforce Investment Act (WIA). The conference version provides \$4.81 billion in funding for these workforce development programs.<sup>1</sup>

This chapter provides a brief overview of the key provisions related to workforce development programs administered by DOL that were included in the conference version under Division A, Title VIII, Department of Labor. It also provides estimates of state grants for programs for which these estimates are relevant and for which data needed to produce the estimates are available. The estimates are shown in appendix tables that present state-by-state allocations for adult, youth, and dislocated worker programs.<sup>2</sup> It also includes a discussion of relevant provisions that were included in the House- and Senate-passed versions of H.R. 1.

## Funding Overview

Under the House bill, an additional \$5.0 billion would have been provided for existing workforce development and related programs administered by DOL; the Senate bill would have provided \$3.93 billion for these same programs. The conference version provides \$4.81 billion for workforce development programs. **Table 1** gives an overview of the specific funding provided under the House and Senate bills and the conference version. The remainder of this chapter provides a more detailed discussion of the specific funding provisions.

**Table 1. Summary of Appropriations for Workforce Investment and Related Programs Included in H.R. 1**

Program	Total Appropriation (\$) House Bill	Total Appropriation (\$) Senate Bill	Total Appropriation (\$) Conference Version
Title I-B Grants to States for Adult Employment and Training Activities (WIA)	500,000,000	500,000,000	500,000,000
Title I-B Grants to States for Youth Activities (WIA)	1,200,000,000	1,200,000,000	1,200,000,000

**Table 1. (Continued)**

<b>Program</b>	<b>Total Appropriation (\$) House Bill</b>	<b>Total Appropriation (\$) Senate Bill</b>	<b>Total Appropriation (\$) Conference Version</b>
Title I-B Grants to States for Dislocated Worker Employment and Training Activities (WIA)	1,000,000,000	1,000,000,000	1,250,000,000
Title I-D National Reserve Assistance for Dislocated Workers (WIA)	500,000,000	200,000,000	200,000,000
Title I-D YouthBuild Activities (WIA)	50,000,000	100,000,000	50,000,000
Title I-D Worker Training and Placement in High Growth and Emerging Industry Sectors (WIA)	750,000,000	250,000,000	750,000,000
Office of Job Corps	300,000,000	160,000,000	250,000,000
Community Service Employment for Older Americans	120,000,000	120,000,000	120,000,000
Employment Service Operations	500,000,000	400,000,000	400,000,000
Departmental Management	80,000,000	3,000,000	86,000,000
<b>Total</b>	<b>5,000,000,000</b>	<b>3,933,000,000</b>	<b>4,806,000,000</b>

Source: Table prepared by CRS, February 13, 2009, based on H.R. 1 as passed by the House of Representatives, January 28, 2009, S.Amdt. 570, released by the Senate Committee on Appropriations, February 9, 2009, and conference report to accompany H.R. 1. See footnote 2 for references to online versions.

## **FUNDING FOR WORKFORCE DEVELOPMENT**

The House and Senate bills would have provided, and the Conference version did provide, funding for a number of existing workforce development programs, including the three state formula grant programs that provide funding for youth, adults, and dislocated workers—Title I-B of the WIA. Other programs authorized by the WIA will receive funding from the Conference version (and would have received funding under the House and Senate bills): National Reserve (WIA Title I-D, Section 173), YouthBuild (WIA Title I-D, Section 173A), and Pilot and Demonstration Programs (WIA Title I-D, Section 171). Additional workforce development programs provided for in the ARRA include state unemployment insurance and employment service operations, Title V of the Older Americans Act of 1965, and DOL management. Provisions applicable to each of these programs are discussed below.

## **WIA Title I Programs Included in the ARRA**

The Workforce Investment Act of 1998 (P.L. 105-220) provides job training and related services to unemployed and underemployed individuals. WIA programs are administered by the DOL, primarily through its Employment and Training Administration (ETA). State and local WIA training and employment activities are provided through a system of One-Stop Career Centers. Authorization of appropriations under WIA expired in FY2003 but is annually extended through appropriations acts.<sup>3</sup>

WIA authorizes numerous job training programs, including:

- state formula grants for Youth, Adult, and Dislocated Worker Employment and Training Activities;
- Job Corps; and
- national programs, including the Native American Program, the Migrant and Seasonal Farmworker Program, the Veterans' Workforce Investment Program, Responsible Reintegration for Young Offenders, the Prisoner Reentry Program, Community-Based Job Training Grants, and YouthBuild.

In FY2008, programs and activities noted above were funded through the WIA at \$5.2 billion, including \$3.1 billion for state formula grants for adult, youth, and dislocated worker training and employment activities.

This section discusses WIA Title I programs that received additional funding through the ARRA. Where appropriate, appendix tables provide estimates of the amounts that states will receive.

### ***Title I-B Grants to States for Adult Employment and Training***

The adult program provides training and related services to individuals ages 18 and older through formula grants allocated to states, which in turn allocate funds to local entities. Any individual may receive "core" services (e.g., job search assistance). To receive "intensive" services (e.g., individual career planning and job training), an individual must have received core services and need intensive services to become employed or to obtain or retain employment that allows for self-sufficiency. To receive training services (e.g., occupational skills training), an individual must have received intensive services and need training services to become employed or to obtain or retain employment that allows for self-sufficiency.

Both the House and Senate bills would have provided an additional \$500 million for Title I-B grants to states for adult employment and training activities, which would have been available for obligation on the date of enactment of the ARRA. The Senate bill would have required that priority for use of these funds be given to recipients of public assistance and other low-income individuals for intensive services and training. The House bill, however, did not indicate prioritization for use of funds under this section of the act.

The conference version provides an additional \$500 million for Title I-B grants to states for adult employment and training activities. Similar to the Senate bill, the conference version requires that priority for use of these funds be given to recipients of public assistance and other low-income individuals for intensive services and training.



Funds for adult employment and training are allocated through the state grant formulas. Estimated state grants were calculated using these formulas after reserving 0.25% of the total appropriation for the outlying areas (as is done when making regular Title I-B allocations).

**Appendix Table A1** details the results of these calculations.

### ***Title I-B Grants to States for Youth Activities***

The youth program provides training and related services to low-income youth ages 14-21 through formula grants allocated to states, which, in turn, allocate funds to local entities.

Both the House and Senate bills would have provided a total of \$1.2 billion for grants for youth activities, including summer employment, which would be available for obligation on the date of enactment of the ARRA.<sup>4</sup> Each measure includes provisions affecting the expenditure of these funds:

- The House and Senate bills specified that no portion of this additional funding would be available for Youth Opportunity Grants.<sup>5</sup>
- The House and Senate bills would have changed the age for an “eligible youth” in these programs from 21 to 24.
- The House bill would have stipulated that the only performance measure to be used in assessing the effectiveness of summer jobs for youth is attainment of basic skills and, as appropriate, work readiness or occupational skills. The Senate bill would have required the use of the same performance indicator but would have applied it to all youth activities supported with funds from this section.

The conference version provides \$1.2 billion for grants for youth activities and specifies that:

- no portion of this additional funding is available for Youth Opportunity grants;
- the age for an “eligible youth” in these programs from will increase from 21 to 24 years of age;
- the only performance measure to be used in assessing the effectiveness of summer employment for youth is attainment of basic skills and, as appropriate, work readiness or occupational skills; and
- the formula allocation for grants provided under this section is to remain the same as if the total allocation were less than \$1 billion.<sup>6</sup>

**Appendix Table A-2** provides estimated state grants under this program.

### ***Title I-B and I-D Grants to States for Training and Employment of Dislocated Workers***

A majority of WIA dislocated worker funds are allocated by formula grants to states (which in turn allocate funds to local entities) to provide training and related services to individuals who have lost their jobs and are unlikely to return to those jobs or similar jobs in

the same industry. The remainder of the appropriation is reserved by DOL for a National Reserve account, which in part provides for National Emergency Grants to states or local entities (as specified under Section 173).

Both the House and Senate bills would have provided a total of \$1.0 billion for formula grants to states for employment and training activities for dislocated workers, which would have been available for obligation on the date of enactment of the ARRA.

The House bill would have provided a total of \$500 million for the Dislocated Workers National Reserve for grants to eligible entities serving areas of high unemployment or high poverty and experiencing major economic dislocations. Additionally, the House bill would have directed the Secretary of Labor to ensure that applicants for these funds demonstrate the manner in which supportive services (e.g. income support, child care) necessary for participation in job training would be provided.

The Senate bill would have provided a total of \$450 million for the Dislocated Workers National Reserve, \$200 million of which would have been for national emergency grants.<sup>7</sup> Additionally, the Senate bill would have directed the remaining \$250 million for competitive grants to train workers for high growth and emerging industry sectors (see details in section on “Title I-D Grants for High Growth and Emerging Industry Sectors,” below).

The conference version provides a total of \$1.25 billion for formula grants to states for employment and training for dislocated workers. In addition, the conference version provides \$200 million for the Dislocated Workers National Reserve, which is used for technical assistance, projects, and emergency grants.

**Appendix Table A-3** provides estimated state grants under this program.

### ***Title I-D Grants for YouthBuild***

This competitive grant program funds projects that provide education and construction skills training for disadvantaged youth. Since its inception in 1992, the program was administered by the Department of Housing and Urban Development, but was moved to DOL by the YouthBuild Transfer Act (P.L. 109-281), effective for FY2007. Participating youth work primarily through mentorship and apprenticeship programs to rehabilitate and construct housing for homeless and low-income families.

Both the House and Senate bills would have provided additional funding for YouthBuild, which would be available for obligation on the date of enactment of the ARRA. The House bill would have provided \$50 million for YouthBuild activities, but, unlike the Senate bill, did not specify any stipulations on expenditures. The Senate bill would have provided \$100 million for YouthBuild grants. However, the Senate bill would have allowed, in program years 2008 and 2009, participation for individuals who have dropped out of high school and re-enrolled in an alternative school.<sup>8</sup> In addition, the Senate bill would have allowed a local YouthBuild board to award a training contract to an institution of higher education if such a choice would facilitate the training of multiple individuals in high-demand occupations.

The conference version provides \$50 million for YouthBuild and, similar to the Senate bill, allows, in program years 2008 and 2009, participation for individuals who have dropped out of high school and re-enrolled in an alternative school, if that re-enrollment is part of a “sequential service strategy” (see footnote 8).

***Title I-D Grants for High Growth and Emerging Industry Sectors***

Funds for this program would be distributed by a competitive grant process to provide worker training and placement in high growth and emerging industry sectors.

The House bill would have provided a total of \$750 million for these grants. Of the total proposed allotment in the House bill, \$500 million would have been reserved for research, labor exchange, and job training projects that prepare workers for careers in the following energy efficiency and renewable energy industries:<sup>9</sup>

- energy-efficient building, construction, and retrofits industries;
- renewable electric power industry;
- energy-efficient and advanced drive train vehicle industry;
- biofuels industry;
- deconstruction and materials use industry;
- energy efficiency assessment industry serving the residential, commercial, or industrial sectors; and
- manufacturers that produce sustainable products using environmentally sustainable processes and materials.

In the House bill, the remainder of \$250 million would have been allocated on the basis of priority for projects preparing workers for careers in the health care industry.

The Senate bill would have required the Secretary of Labor, in awarding the \$250 million from the Dislocated Workers National Reserve, to give priority to projects that prepare workers for careers in the energy efficiency and renewable energy industries listed above and for careers in the health care sector.

The conference version provides \$750 million for competitive grants for worker training in high- growth and emerging sectors. The conference version specifies that:

- of the \$750 million, \$500 million is reserved for research, labor exchange, and job training projects that prepare workers for careers in energy efficiency and renewable energy industries (listed above);
- the Secretary of Labor should give priority to projects in the health care industry when granting the remaining \$250 million;
- a local workforce investment board may award a training contract to an institution of higher education if such a choice would facilitate the training of multiple individuals in high-demand occupations; and
- the \$750 million is to remain available through June 10, 2010.

***Job Corps***

Job Corps is a residential job training program first established in 1964 that provides services to low-income individuals ages 16-24 primarily through contracts administered by DOL with corporations and nonprofit organizations. Currently, there are 122 Job Corps centers in 48 states, the District of Columbia, and Puerto Rico. On February 8, 2007, DOL announced that three new centers will open, including the first centers in each of the remaining two states, New Hampshire and Wyoming.