

**STATEMENT OF ELAINE L. CHAO
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BEFORE THE
SUBCOMMITTEE ON LABOR,
HEALTH AND HUMAN SERVICES, AND EDUCATION
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE**

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Good morning Mr. Chairman, Senator Harkin, distinguished Members of the Subcommittee, ladies and gentlemen. Thank you for the opportunity to appear before you today to present the Department of Labor's Fiscal Year 2006 Budget.

The total request for the Department in FY 2006 is \$54.5 billion and 16,945 FTE, of which, \$14.3 billion is before the committee. Of that amount, \$11.6 billion is requested for discretionary budget authority. Our budget request will allow us to build on the accomplishments achieved in recent years while meeting the President's call to hold Federal programs to a firm test of accountability and to focus our resources on top priorities. In FY 2006, the Department will continue its record-setting enforcement of worker protections and provide innovative and effective training programs to help prepare workers for good jobs in the 21st Century economy.

In his February 2nd State of the Union Address, the President underscored the need to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and non-security spending be held to levels proposed in the FY 2006 Budget. The savings and reforms in the Budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009, and I urge the Congress to support these reforms. The FY 2006 Budget includes more than 150 reductions, reforms, and terminations in non-defense discretionary programs, of which 11 affect the Department of Labor's programs. The Department wants to work with the Congress to achieve these savings.

RECENT ACCOMPLISHMENTS

To set the stage for our FY 2006 budget, I would like to highlight some of the Department's accomplishments over the last year. I am happy to report that our programs have been getting results and we continue to make steady gains in protecting America's workforce.

Under the Department's new Overtime Security Rule, we strengthened overtime protection for 6.7 million workers. Today, more workers are getting overtime pay and the rules are clearer and easier to understand and apply.

We have also set records in enforcing worker protection laws. For example, worker fatalities are at an all time-low, and the Occupational Safety and Health Administration (OSHA) has consistently exceeded its inspection targets. Workplace fatalities among Hispanic workers have fallen by 11.6% since 2001. And fatalities in the mining industry have now dropped to the lowest level since records were first kept in 1910.

In 2004, more than 288,000 workers received nearly \$200 million in back wages, including overtime, as a result of the Wage and Hour Division's enforcement.

The Employee Benefits Security Administration achieved more than \$3 billion in monetary results in FY 2004, protecting workers' health, benefit, and retirement plans — a 121% increase from FY 2003.

We have also enhanced the transparency and accountability of labor union finances so that union member rights are better protected and they know much more about how their dues money is being spent. Under our union transparency reforms, meaningful information about union financial transactions will be available and easily accessible to union members

FY 2006 PRIORITIES

While we are proud of our accomplishments, we realize that more must be done to improve the lives of America's workers. Our FY 2006 budget focuses on four overall priorities: protecting workers' safety and health; protecting workers' pay, benefits and union dues; protecting veterans' reemployment rights; and preparing workers for new opportunities.

PROTECTING WORKERS

In FY 2006, \$1.4 billion is requested for DOL's worker protection activities. This increase of \$27.6 million will enable the Department to continue our record-setting protection of workers' health, safety, pay, benefits and union dues.

Occupational Safety and Health Administration

The FY 2006 budget request for OSHA is \$467.0 million and 2,208 FTE, an increase of \$2.8 million over FY 2005.

OSHA will continue to target inspections on the worst hazards and the most dangerous workplaces, while providing compliance assistance to workers and employers as they create safe and healthy workplaces. The request for OSHA includes an increase of \$1.0 million for expanded compliance assistance activities in the State plan states. These funds, when matched by OSHA's state plan partners, will enable states to establish more Voluntary Protection Program sites, develop new agreements similar to OSHA Strategic Partnerships and Alliances, and provide additional outreach to workers and employers. An additional increase of \$1.0

million is requested to enhance OSHA's data analysis and performance measurement capability.

Mine Safety and Health Administration

MSHA protects the safety and health of the Nation's miners through enforcement of the Federal Mine Safety and Health Act of 1977. The FY 2006 budget request is \$280.5 million and 2,187 FTE, representing a funding increase of \$1.4 million over FY 2005.

The Administration will seek to strengthen existing enforcement by asking Congress for higher civil monetary penalties. Legislation will be pursued to increase the fine for mine safety violations from \$60,000 to \$220,000.

PROTECTING WORKERS' PAY, BENEFITS, AND UNION DUES

The Department will also continue its high priority programs to protect workers' pay, benefits and union dues.

Employment Standards Administration

The Department's Employment Standards Administration (ESA) administers and enforces a variety of laws designed to enhance the welfare and protect the rights of American workers. The FY 2006 budget request before the Committee for ESA is \$610.7 million and 4,282 FTE. This amount excludes an additional \$31.0 million of H1B fees and \$45.0 million in FECA Fair Share funding available to the agency. This represents an increase of \$81.7 million and 162 FTE from FY 2005, primarily due to the additional responsibilities associated with the Energy Employees Occupational Illness Compensation Program (EEOICPA).

Wage and Hour Division

The FY 2006 budget request for the Wage and Hour Division totals \$167.4 million and 1,346 FTE which excludes \$31.0 million in estimated fee revenue from DOL's portion of an H-1B visa fraud prevention fee authorized by the 2004 H-1B Visa Reform Act. The resources requested will support the Wage and Hour Division's Overtime Security Task Force and its "Off-the-Clock" Initiative to promote compliance through education and enforcement efforts in low-wage industries. It will also support Wage and Hour's YouthRules! Initiative to promote compliance with the youth employment provisions of the Fair Labor Standards Act; enable expansion of enforcement to protect vulnerable workers in low-wage industries; and increase technical assistance and education to encourage compliance with labor laws. The budget also includes a legislative proposal to increase civil monetary penalties for violations causing death or serious injury to youths in the workplace from \$11,000 to \$50,000, and to \$100,000 for repeat or willful violations.

Office of Federal Contract Compliance

The FY 2006 budget request for the Office of Federal Contract Compliance Programs (OFCCP) totals \$82.1 million and 691 FTE. OFCCP is responsible for ensuring equal employment opportunity and non-discrimination in employment for businesses contracting with the Federal government. OFCCP carries out this mandate by conducting compliance reviews to discover instances of systemic discrimination, taking appropriate enforcement action, and providing relevant and effective compliance assistance programs. During FY 2006, the implementation of Active Case Management and Functional Affirmative Action Programs will improve OFCCP's results, meaning more workers will be protected.

Office of Workers' Compensation Programs

The FY 2006 budget request for the Office of Workers' Compensation Programs (OWCP) totals \$341.8 million and 1,758 FTE and supports the Federal Employees' Compensation Act, the Longshore and Harbor Workers' Compensation program, and the Black Lung Benefits program. Included in this request is a \$5 million increase in Fair Share funding to effectively implement the new centralized medical bill processing contract.

The OWCP budget also includes \$96.1 million and 275 FTE to administer Part B of the Energy Employees Occupational Illness Compensation Program, and \$59.9 million and 219 FTE for the Part E program that was established in FY 2005. The two Energy programs provide compensation and medical benefits to employees or survivors of employees of the Department of Energy, and certain of its contractors and subcontractors who suffer from a radiation-related cancer, beryllium-related disease, chronic silicosis or other covered illnesses due to exposure to toxic substances as a result of their work at Department of Energy facilities or those of certain of its contractors.

The 2006 budget also includes two legislative proposals affecting OWCP programs. The first is a proposal to reform FECA to update its benefit structure, adopt best practices of State workers' compensation systems, and strengthen return-to-work incentives. This proposal is expected to generate Government-wide savings of more than \$720 million over ten years. The second is a proposal to restructure and eventually retire the debt of the Black Lung Disability Trust Fund (BLDTF), a debt that is estimated to exceed \$9.6 billion by FY 2006, absent legislative action.

Office of Labor-Management Standards

The FY 2006 budget request for the Office of Labor-Management Standards (OLMS) totals \$48.8 million and 384 FTE. OLMS enforces provisions of Federal law that establish standards for union democracy and financial integrity. OLMS conducts investigative audits and

criminal investigations for embezzlement and other financial mismanagement; conducts civil investigations of union officer elections and supervises remedial elections where required; administers statutory union financial reporting requirements; and provides for public disclosure of filed reports.

To help restore OLMS after deep cuts during the 1990s, the budget request includes program increases of \$6.0 million and 48 FTE to enhance union financial integrity, union advisory services, and compliance assistance activities. The budget also supports legislation that would authorize OLMS to impose civil money penalties on unions and others that fail to file required financial reports on a timely basis.

Employee Benefits Security Administration

The Department's Employee Benefits Security Administration protects the integrity of pensions, health plans, and other employee benefits for more than 150 million workers. The FY 2006 budget includes a \$5.8 million increase to strengthen the retirement security of workers and retirees. These amounts include additional resources for the E-FAST system to maintain current operations.

With regard to pension benefits, this Administration believes that pension promises made to workers and retirees must be kept. The current system does not ensure that pension plans are adequately funded. Underfunded plan terminations threaten workers' retirement security and are placing an increasing strain on the pension insurance system. These underfunded plans also impose an unfair and increasing burden on employers who sponsor healthy pension plans.

The President's Budget for FY 2006 proposes to reform the funding rules, increase disclosures to workers, and protect the pension insurance system, on which 44 million Americans rely to protect their retirement security. The Administration's plan will promote simplicity, accuracy, stability, and flexibility. It will encourage employers to fully fund their defined-benefit pension plans and ensure that benefit promises are kept. It will also expand, and make more timely, disclosures to workers and the public.

The Administration's plan will reform the outdated premium structure to reflect more accurately the cost of the insurance program. The plan proposes to update flat rate premiums and index them to wage growth. We will also propose to shift the emphasis to risk-based premiums for all under funded plans in order to provide greater incentives for responsible funding.

The FY 2006 budget reiterates the Administration's support for Association Health Plan legislation that will allow small businesses and others to pool together through their trade and professional associations to provide health benefits for workers and their families. By joining together, small businesses and other association members would benefit from similar economies of scale, uniform regulation and administrative efficiencies enjoyed by large employers and labor unions. Association Health Plan legislation is a key component of the President's plan to improve access to quality, affordable health coverage for all Americans.

PROTECTING VETERANS' EMPLOYMENT RIGHTS

This Nation's commitment to our veterans must be honored. No veteran should return home without the support that is needed to make the transition back to private life a smooth and successful one.

Veterans' Employment and Training Service

For the Department's Veterans' Employment and Training Service (VETS), we are requesting \$224.3 million and 250 FTE to maximize employment opportunities for veterans and protect their employment rights.

The Department recently issued a notice of proposed rulemaking to strengthen and clarify veterans' rights and employers' responsibilities under the Uniformed Services Employment and Reemployment Rights Act (USERRA). The rule is expected to be finalized during FY 2006. Our budget request also includes \$22 million for the Homeless Veterans Reintegration Program, an increase of \$1.2 million. This program will provide employment and training assistance to homeless veterans, with expected job placements and retention of approximately 10,600 veterans.

PREPARING WORKERS FOR NEW OPPORTUNITIES

Reforming the Workforce Investment System

Overall, the FY 2006 budget request for the Department's Employment and Training Administration is \$9.2 billion in discretionary funds and 1,216 FTE. Our budget request will allow the Department to fulfill the President's call to improve job training and prepare more Americans for the growing and changing economy, ensuring that no worker is left behind. In 2006, we want to double the number of individuals trained under the Workforce Investment Act's major grant programs—including State formula grants and the new Community College Initiative—from 200,000 to 400,000. Just as important, we want to help provide workers with training that prepares them for the jobs of the 21st century.

Under the President's job training reform proposal, we seek legislation to reform the Workforce Investment Act (WIA) that would consolidate four compartmentalized programs into a single funding stream so that Governors and local officials will be able to utilize resources in a way that best meets their communities' specific needs. This proposal, called "WIA Plus," would provide Governors the option of adding resources from up to five additional federally-funded employment and training programs to this consolidated State grant. The major goals include providing flexibility to States and localities and reducing overhead so that more workers can receive training.

In return for this increased flexibility, States will be required to develop strategies to meet increasingly rigorous performance standards each year, leading to a goal in the tenth year of placing in employment 100 percent of the workers trained with Federal funds.

The President's WIA reform proposal would also establish Innovation Training Accounts to provide workers ownership over the education and training they pursue by:

- Allowing individuals to access a broad range of public and private training resources through a single, self-managed account;
- Authorizing longer-term training opportunities, since many skills needed for today's jobs require more than just short-term attention and exposure;
- Providing access to improved labor market information to help individuals make training decisions based on the jobs available in their local area;
- Holding training institutions accountable for results;
- Acknowledging the need for incumbent worker training so workers can update their skills and advance their careers; and,
- Promoting the attainment of industry-recognized credentials and certifications.

High Growth Job Training Initiative

The President's High Growth Job Training Initiative is designed to develop a demand-driven workforce training system. This initiative, which began in 2002, prepares workers to take advantage of new job opportunities in growing industries and sectors of the American economy. The approach is based on grants to partnerships that include the workforce investment system, business and industry, education and training providers, and economic development entities working collaboratively to develop industry-specific workforce solutions. Under this initiative, the Department has awarded \$164.8 million in 88 grants for innovative training programs in high growth industries, such as health-care, biotechnology and advanced manufacturing. By training workers with skills that are in demand, more workers will be able to obtain quality jobs with higher wages and enhanced career opportunities. At the same time, employers will be able to fill critical workforce needs.

Community College Initiative

The budget also provides \$250 million to continue the President's Community College Initiative, which provides for Community Based Job Training Grants. For 2005, the Congress approved and financed this new initiative, and the first grants will be awarded beginning in the summer of 2005. Eighty percent of the jobs in the fastest growing fields require education and

training beyond high school. The Community College Initiative will help fully utilize the expertise of America's community colleges as part of our job training programs and better train workers for jobs in high growth sectors. These competitive grants will build on the High Growth Job Training Initiative and strengthen the role of community and technical colleges as partners of the workforce investment system.

Youthbuild

The President's Budget includes a legislative proposal to transfer the Youthbuild program from the Department of Housing and Urban Development to DOL. This change was recommended by the White House Task Force on Disadvantaged Youth. The Youthbuild program targets disadvantaged youth ages 16-24. The program provides grants to local organizations that train participants for well-paying construction jobs. Their training also results in the building of affordable housing units. Transferring Youthbuild to DOL would provide the program with better contacts with One Stop Career Centers, stronger ties to DOL's Job Corps and apprenticeship programs, new links to the President's High Growth Job Training Initiative, improved access to the post secondary and community college system, and stronger connections to employers and local labor markets. It also promises to offer greater placement opportunities for the youths involved.

Prisoner Re-Entry Initiative

In FY 2006, \$75 million is provided for the second year of the President's four year, multi-departmental Prisoner Re-Entry Initiative. Of this total, \$35 million is for the Department of Labor, \$25 million is for the Department of Housing and Urban Development, and \$15 million is for the Department of Justice. This initiative is designed to strengthen urban communities through an employment-centered program that incorporates job training, short-term housing, mentoring, and other transitional services to help recently released prisoners make a successful transition back to society and long-term employment. It taps the unique contributions and capacities of America's faith-based and community organizations.

Strengthening the Integrity of the Unemployment Insurance System

Building on previous proposals to strengthen the Unemployment Insurance (UI) system and reduce erroneous UI payments, the FY 2006 budget proposes a \$10 million increase in beneficiary eligibility reviews in One-Stop Career Centers. This is projected to save up to \$225 million annually. In addition, a \$30 million increase is requested to prevent and detect fraudulent unemployment benefit claims using stolen personal information — otherwise known as identity theft — that would result in annual trust fund savings of as much as \$105 million. These two discretionary proposals are part of the Administration's proposal to fund efforts to reduce improper payments across several agencies using a new budget enforcement mechanism of spending cap adjustments. In addition, the Budget includes a package of

legislative changes to prevent and recover overpayments of Unemployment Insurance benefits, saving an estimated \$4.7 billion over 10 years. These budget and legislative proposals are not only an important protection for American workers, but are also a responsible use of public funds.

OTHER PROGRAMS

Bureau of Labor Statistics

In order to maintain the development of timely and accurate statistics on major labor market indicators, the FY 2006 budget provides the Bureau of Labor Statistics with \$542.5 million and 2,475 FTE, which is an increase of \$13.5 million over FY 2005. This funding level provides the BLS with the necessary resources to continue producing sensitive and important economic data, including the Consumer Price Index, the Producer Price Index, and the Quarterly Census of Employment and Wages.

Office of Disability Employment Policy

The 2006 budget request provides the Office of Disability Employment Policy (ODEP) with a total of \$27.9 million and 59 FTE. In past years, the request for ODEP included a large research and grant making function. ODEP has invested these funds in testing a variety of pilot projects, and we now have several years of results to determine which of these pilots work, and which ones don't. ODEP will now focus on improving access by disabled Americans to DOL's programs, and on developing proven approaches to helping Americans with disabilities find meaningful employment opportunities.

Women's Bureau

To continue its outreach to working women, the FY 2006 budget includes \$9.7 million and 60 FTE for the Women's Bureau, an increase of \$0.3 million above FY 2005.

International Labor Affairs Bureau

The request for the International Labor Affairs Bureau (ILAB) in FY 2006 is \$12.4 million and 95 FTE. The budget returns ILAB to its core mission of developing international labor policy, and performing research, analysis, and advocacy.

The requested funding levels would allow ILAB to implement the labor supplementary agreement to NAFTA and the labor provisions of trade agreements negotiated under the Trade Act of 2002, participate in the formulation of US trade policy and negotiation of trade agreements, conduct research and report on global working conditions, assess the impact on

U.S. employment of trade agreements, and represent the U.S. government before international labor organizations, including the International Labor Organization.

ILAB will continue to implement ongoing efforts in more than 70 countries funded in previous years to eliminate the worst forms of child labor and promote the application of core labor standards, and reduce employment discrimination against persons living with HIV/AIDS.

President's Management Agenda and Department-wide Management Initiatives

Before I close today, Mr. Chairman, I also want to highlight the Department's ongoing efforts to implement the President's Management Agenda. In August 2001, President Bush sent to Congress his President's Management Agenda (PMA), a strategy for improving the management and performance of the Federal government. The agenda called for focused efforts in the following five government-wide initiatives aimed at improving results to citizens: Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government, and Budget and Performance Integration. DOL is also responsible for three of the PMA initiatives that are found only in selected departments. The first of these three is Faith-Based and Community Initiatives. In the fourth quarter of 2004, DOL began working in earnest on another selected PMA component, Real Property. Also, in the first quarter of 2005, DOL began tracking its status and progress on a new PMA initiative to Eliminate Improper Payments.

The Department is one of only three cabinet departments that earned "green" status ratings on four of the five government-wide scorecards for the first quarter of 2005, without a single red score. For progress during this period, DOL achieved five of five green scores. On the basis of its favorable ratings for status and progress in implementation of these initiatives, DOL was honored with two Presidential Quality Awards and is recognized as one of the best managed Cabinet agencies.

CONCLUSION

With the resources we have requested for FY 2006, the Department will continue to improve its protection of workers' safety and health, protect workers' pay, benefits, and union dues, secure the employment rights of America's veterans, and prepare workers for the jobs of the 21st Century.

Mr. Chairman, this is an overview of the programs we have planned at the Department of Labor for FY 2006.

I would be happy to respond to any questions members of the subcommittee may have.

Thank you.