

**FY 2008**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**EMPLOYMENT STANDARDS ADMINISTRATION**

**EMPLOYMENT STANDARDS ADMINISTRATION  
SALARIES AND EXPENSES**

**PERFORMANCE BUDGET**

	<b>Page No.</b>
General Statement.....	1
Organization Chart.....	10
Appropriation Language.....	11
Analysis of Appropriation Language.....	12
Amounts Available for Obligation.....	13
Summary of Changes.....	14
Summary Budget Authority and FTE by Activity.....	15
Budget Authority by Object Class.....	16
Appropriation History.....	17
Budget Activities:	
Enforcement of Wage and Hour Standards.....	18
<i>Issue Paper: WH Program Increase for Enhanced Strategic Compliance</i> .....	27
Federal Contractor and EEO Standards Enforcement.....	30
Federal Programs for Workers' Compensation.....	38
Office of Labor-Management Standards.....	66
<i>Issue Paper: LMRDA Union Financial Integrity and Reporting Compliance</i> .....	74
Program Direction and Support.....	77

## GENERAL STATEMENT

### **Introduction**

The Employment Standards Administration (ESA) administers and enforces a variety of laws and an Executive Order that protect wages and working conditions; ensure that workers are recruited, hired, promoted, and compensated in a nondiscriminatory manner by Federal contractors; provide benefits to covered workers who suffer a work-related injury, disease, or death; and promote democracy, transparency and financial integrity within labor unions. ESA's more than 4,000 employees and over 2,600 contract staff are distributed nationwide in over 360 offices in one of four component programs: the Wage and Hour Division (WHD), the Office of Workers' Compensation Programs (OWCP), the Office of Labor-Management Standards (OLMS), and the Office of Federal Contract Compliance Programs (OFCCP); and in the Office of the Assistant Secretary (OAS), an Equal Employment Opportunity (EEOU) enforcement unit, a Division of Legislative and Regulatory Analysis (DLRA) and the Office of Management, Administration and Planning (OMAP), collectively referred to as Program Direction and Support (PDS).

---

***ESA's mission is to enhance the welfare and protect the rights of American workers.***

---

ESA enhances the welfare and protects the rights of nearly every working American through one or more of its component programs. WHD promotes compliance with minimum wage, overtime, child labor and other employment protections. OWCP provides benefits, treatment, and rehabilitation to certain workers who experience work-related injury or occupational disease. OLMS enforces democracy and fiscal responsibility in labor organizations. OFCCP promotes compliance with equal employment and non-discrimination among Federal contractors. PDS leads, directs, and supports this multifaceted organization.

The four accounts that constitute ESA's appropriation are: 1) Salaries and Expenses, (S&E) which provides funding resources for administering relevant statutes; 2) Special Benefits, which provides funding for payments to Federal civilians and Longshore and Harbor Workers and their dependents for work-related injuries and illnesses; 3) Special Benefits for Disabled Coal Miners, which provides funding for income maintenance and medical payments to miners suffering from Black Lung disease and eligible survivors for claims filed under Part B of the Black Lung Benefits Act between December 30, 1969, and June 30, 1973; and 4) the Energy Employees Occupational Illness Compensation Program (Part B and Part E), which provides compensation to employees and survivors of employees for illness or death stemming from work in the Department of Energy nuclear weapons complex. The Salaries and Expenses account is discretionary while the other accounts are mandatory.

---

## EMPLOYMENT STANDARDS ADMINISTRATION

---

ESA also jointly administers, with the Secretaries of Treasury and Health and Human Services, the Black Lung Disability Trust Fund. This Fund was established under the Black Lung Benefits Reform Act of 1977, which provides for payment of benefits (income maintenance and medical payments to miners suffering from Black Lung disease and eligible survivors), administrative expenses, and interest on repayable advances. Resources for this Fund are derived from excise taxes on coal, reimbursements from responsible mine operators, interest, as well as fines and penalties assessed against responsible mine operators and, when needed, funds transferred from the advances to the Unemployment Trust Fund. The Trust Fund also pays all Part C Black Lung benefits, including income maintenance and medical benefits, when no coal mine operator can be held liable for payments.

ESA also administers the Panama Canal Commission (PCC) Compensation Fund and the Longshore and Harbor Workers' Special Workers' Compensation Expenses Fund. The PCC Fund was established to provide for the accumulation of funds to meet the Commission's future Federal Employees' Compensation Act (FECA) workers' compensation cost obligations. The Panama Canal Commission was dissolved on December 31, 1999, under the Panama Canal Treaty of 1977; however, PCC's liability for workers' compensation payments extended beyond the Commission's termination date. The PCC Compensation fund was set up to continue payments until all beneficiaries are deceased or no longer eligible. This Fund was established in conjunction with the transfer of the administration of the FECA program from the Commission to the Department of Labor, ESA, effective January 1, 1989.

The Longshore and Harbor Workers' Special Workers' Compensation fund is comprised of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Compensation Act accounts. These trust funds are derived from amounts received from employers for the death of an employee where no person is entitled to compensation for such death, for fines and penalty payments, and pursuant to an annual assessment of the industry, for the general expenses of the fund under the Longshore and Harbor Workers' Compensation Act, as amended. These funds are available for payment of additional compensation for second injuries and to pay one-half of the increased benefits provided under the Longshore and Harbor Workers' Compensation Act for persons on the rolls prior to 1972.

For FY 2008, ESA requests **\$6,814,732,000** and **4,082 FTE**. ESA's mission is essential to achieve two of the Department's Strategic Goals: *Safe and Secure Workplaces and Strengthened Economic Protections*.

Under *Performance Goal 3c—Ensure Workers Receive the Wages Due Them*, this request includes a base funding increase of **\$5,000,000 and 36 FTE** for the Wage and Hour Division that would increase its FTE ceiling to 1,336. With this additional staff, WHD could increase its performance output levels to 34,000 compliance actions. The FY 2008 budget includes a proposal to amend section 286(v)(2)(c) of the Immigration and Nationality Act (8 U.S.C. 1356), to permit a more effective use of the fees collected under that statute's H1-B Fraud Prevention and Detection Account. The budget also

---

**EMPLOYMENT STANDARDS ADMINISTRATION**

---

includes a legislative proposal to increase civil money penalties (CMP) for violations of the Fair Labor Standards Act's youth employment provisions that result in the death or serious injury of a young worker.

The Office of Labor Management Standards requests an increase of **\$2,000,000 and 13 FTE** under *Strategic Goal 4: Strengthened Economic Protection*, to enforce provisions of the LMRDA requiring special activity reports from union officials, employers, and others; provide additional support for LMRDA criminal enforcement, and continue efforts to re-establish an effective union audit program.

The Office of Workers' Compensation Programs supports achievement of *Performance Goal 4B, Reduce the impact of work-related injuries*, and requests an increase of **\$3,022,000** for the Energy Employees Occupational Illness Compensation Program, for the National Institute of Occupational Safety and Health (NIOSH) to fund additional staff for development, review, and implementation of Program Evaluation Reports and Special Exposure Cohort reviews.

**FY 2008**

The Wage and Hour Division requests \$182,365,000 and 1,336 FTE, including a base funding increase of \$5,000,000 and 36 FTE for enhanced strategic compliance.

The Office of Federal Contract Compliance Programs requests \$84,182,000 and 625 FTE to enable the program to exercise its legislative mandates, accomplish its mission, and continue to maintain a strong enforcement program.

The agency request level for the Office of Labor Management Standards is \$56,888,000 and 369 FTE, including a program increase of \$2,000,000 and 13 FTE. This request level would support the Department of Labor goal to achieve a secure workforce by increasing compliance with worker protection laws, specifically LMRDA union financial integrity and reporting standards. Requested resources will also be used to conduct union funds embezzlement investigations. Many of these cases involve embezzlement or other instances of fraud uncovered during union audits. In FY 2006, courts ordered over \$13,000,000 in restitution to unions as a result of criminal prosecutions resulting from OLMS investigations.

The administrative request for the Federal Employees' Compensation Act (FECA) program is \$93,374,000 and 768 FTE. Another \$52,280,000 and 127 FTE are provided in FECA Fair Share funding. This will support a review of new Disability Management approaches to revitalize the COP Telephonic Nurse program, continue the Safety, Health, and Return to Employment and Periodic Roll Management initiatives, and improve the quality of claims processing and communication strategies.

For the Longshore and Harbor Workers' Compensation program, the request for FY 2008 is \$13,215,000 and 99 FTE, of which \$11,104,000 and 90 FTE is for the General Fund and \$2,111,000 and 9 FTE is for the Trust Fund. This funding will enable the program to

---

## *EMPLOYMENT STANDARDS ADMINISTRATION*

---

exercise its legislative mandate, accomplish its performance goal, address the increasing Defense Base Act workload, and continue its regulation of the Longshore insurance industry.

The total new budget authority requested for Special Benefits is \$4,193,442,000 including a direct appropriation of \$200,000,000 for FECA; \$3,000,000 is for Longshore and Harbor Workers' benefits and \$2,501,300,000 in offsetting collections from other Federal agencies. The estimated carryover balance for FY 2007 is \$1,489,142. The requested funding will provide resources necessary to meet required payments for compensation, medical costs, vocational rehabilitation, and other benefits made to eligible claimants or their survivors.

The agency requests \$32,365,000 and 184 FTE for Black Lung Part C Salaries and Expenses. This funding will pay monthly compensation and ongoing medical treatment benefits to an estimated 31,800 recipients under Part C, and will continue to monitor medical treatment benefits disbursed by coal mine operators in the private sector to approximately 5,650 additional recipients under Part C. A total of \$1,068,000,000 is needed to meet FY 2008 obligations for Part C, including \$270,763,000 for benefit payments; \$396,000 for Program Direction and Support (Black Lung IV); \$24,785,000 for the administrative costs from the Departmental Management account; \$335,000 for the Office of the Inspector General; \$739,000,000 for the interest on BLDTF Debt; \$32,365,000 for ESA Administration; and \$356,000 for the Department of Treasury.

The agency request for Black Lung Part B (Special Benefits for Disabled Coal Mine Workers) is \$276,222,000, including \$203,000,000 for benefits, \$5,221,000 for administration, and an additional \$68,000,000 in advance appropriations requested in the FY 2007 Budget for benefit payments. The \$203,000,000 amount for benefits is a reduction of \$21,000,000 due to a continual decline in the number of Part B beneficiaries.

The Energy Employees Occupational Illness Compensation Program requests Part E funding in the amount of \$56,885,000 and 189 FTE. These resources will be used to reduce the backlog of claims filed under Part D, Part E new claims processing, benefit payments, and program management. The funding request for Part B is \$104,745,000 for both DOL and HHS/NIOSH activities; DOL's request is \$49,387,000 and \$55,358,000 is for HHS activities. HHS/NIOSH requests a funding increase of \$3,022,000 to complete their projected 3,000 dose reconstructions for FY 2008. Part B funding will also fund 275 FTE and ongoing program activities such as outreach, employment verification contracts, bill processing services, and administrative and legal support.

### **Issues, Outcomes and Strategies**

Over the past 15 years, an increasing number of immigrant workers who often fill lower-skilled, low-wage jobs in labor intensive industries, have entered the U.S. labor force. At times employers in these industries such as agriculture, garment, health care, guard and janitorial services, restaurants, hotels/motels, and day-haul, have paid unfair wages and benefits to these workers who are less likely than other types of workers to complain.

Additionally, the steadily increasing reliance on foreign-born labor and the proliferation of informal work relationships in these low wage industries continue to challenge ESA's ability to ensure that workers are paid the wages that they are entitled to.

---

*ESA must ensure that its protections are appropriate for America's rapidly changing workforce.*

---

The Office of Labor Management Standards faces continuing challenges in the 21<sup>st</sup> century workplace, including investigating in an environment with increasingly complex union finances, organizational structures, state of the art embezzlement and election schemes, and the need to ensure that the workforce is adequately trained to deal with these impediments. The continued growth in Internet use and increased networking capabilities have encouraged American businesses to shift from traditional "brick and mortar" organizational structures to business operations with lines of authority stretching across the globe and structures based strictly on function, regardless of geographic location. New approaches are required since traditional methods of tracking, analyzing, and reporting on employer personnel practices often do not align with current business models.

Finally, the workers' compensation programs administered by ESA face increasingly aging populations, rising health care costs, and the need for better medical case management. The challenge for ESA programs in helping to build a competitive workforce for a global economy is to ensure that ESA's protections are appropriate and keep pace with these changes.

Legislative reform is needed in the FECA program in order to improve program management, strengthen program integrity, and make the Act easier to administer. The FY 2008 Budget contains a proposal for legislative reform of the FECA to update the FECA program's benefit structure, adopt best practices of State workers' compensation systems, and strengthen return-to-work incentives. Legislative remedies are also needed to restructure and ultimately retire the Black Lung Disability Trust Fund debt, which is approaching \$10 billion. The Administration has proposed legislation that will restructure the debt at currently lower Treasury interest rates, extend at current rates until the debt is repaid the Trust Fund excise tax levels, and provide a one-time appropriation to the Trust Fund to cover the loss to the Treasury as a result of the restructuring. These efforts are needed in order to ensure the long-term solvency of these programs, improve outcomes for claimants, improve efficiency, and yield cost savings for the American taxpayer.

ESA has adopted a strategy of developing coordinated compliance assistance to help ensure that employers and labor unions subject to investigation understand and comply with the law. Compliance assistance is preventative in nature - it aims at intervening before harm is done, rather than solely enforcing the law afterward. ESA will continuously monitor and evaluate the efficacy of the compliance assistance it provides,

---

## ***EMPLOYMENT STANDARDS ADMINISTRATION***

---

and focus on sharing the “best practices” most useful to the regulated community. In conjunction with compliance assistance, ESA will continue vigorous law enforcement, while maintaining a level of flexibility in carrying out its mission, particularly in emergency situations.

---

***ESA will continue vigorous law enforcement, while maintaining a level of flexibility in carrying out its mission, particularly in emergency situations.***

---

ESA continually reviews program activities and processes for innovative ways to apply and manage technology to achieve greater efficiencies and improve service delivery. For example, ESA emphasizes expanded use of electronic reporting formats to ensure reporting completeness and accuracy.

ESA will also take a number of steps to improve its coordination of medical treatment for Federal employees who suffer work-related injuries or illnesses, including the continued implementation of the quality case management program in which new injury cases receive early intervention, providing better medical care, communicating more effectively with medical providers, and screening cases for appropriateness of medical and pharmacological treatment.

ESA maintains centralized Information Technology (IT) services that support 13 separate program systems and activities, most of which are mission critical. By centralizing these services, ESA has been able to ensure that a cadre of robust services are provided to and shared by ESA’s programs, at a cost beneficial to the government. ESA will maintain these services, as it expands its user base for new requirements, including PART E and OLMS. The Agency uses additional technology and software applications to accomplish program goals and better serve its customers, and will incorporate strategies to provide the support required to allow greater access to ESA information, increase efficiency and reliability, and improve security.

### **Cost Models**

ESA requests **\$6,814,732,000** and **4,082 FTE** to support two strategic goals: *Safe and Secure Workplaces and Strengthened Economic Protections*. For achievement of the safe and secure workplaces goal, the ESA budget request includes **\$189,865,000** for enforcement of wage and hour standards and **\$84,182,000** for enforcement of Federal contractor equal employment standards. For achievement of the economic protections goal, this budget request contains **\$6,101,681,000** for workers’ compensation benefits, **\$358,085,000** for workers’ compensation program administration, and **\$56,888,000** for enforcement of labor-management standards. ESA’s request also includes **\$6,000,000** for the Panama Canal Commission (PCC) Compensation Fund, and **\$18,031,000** for the Program Direction and Support (PDS) activity portion of the budget. PDS activity includes the Office of the Assistant Secretary (OAS), the Equal Employment Opportunity Unit (EEOU), the Division of Legislative and Regulatory Analysis (DLRA), and the



---

**EMPLOYMENT STANDARDS ADMINISTRATION**

---

Office of Management, Administration and Planning (OMAP); and supports the achievement of all ESA program goals. Of the \$6,823,732,000 requested, administrative resources account for \$707,051,000 of which \$699,551,000 is direct budget authority and \$7,500,000 is reimbursables.

Of the requested resources outlined above, minimal amounts are non-inflationary/non-mandatory increases. The Wage and Hour Division is requesting **\$5,000,000 and 36 FTE** to support enforcement of wage and hour standards; the Office of Labor Management Standards is requesting **\$2,000,000 and 13 FTE** for enforcement of labor-management standards; the Office of Workers' Compensation Programs is requesting **\$3,022,000** from Energy Part B for HHS/NIOSH in support of workers' compensation benefits.

ESA's anticipated resources are outlined on the next page by appropriation. Note that special benefits resources consist of Federal Employees' Compensation Act (FECA) benefits, Longshore and Harbor Workers' Compensation (LHWC), Energy Employees Occupational Illness Compensation Program (EEOICP), Disabled Coal Mine Workers (DCMW) (Part B), and Black Lung Disability Trust Fund (BLDTF).

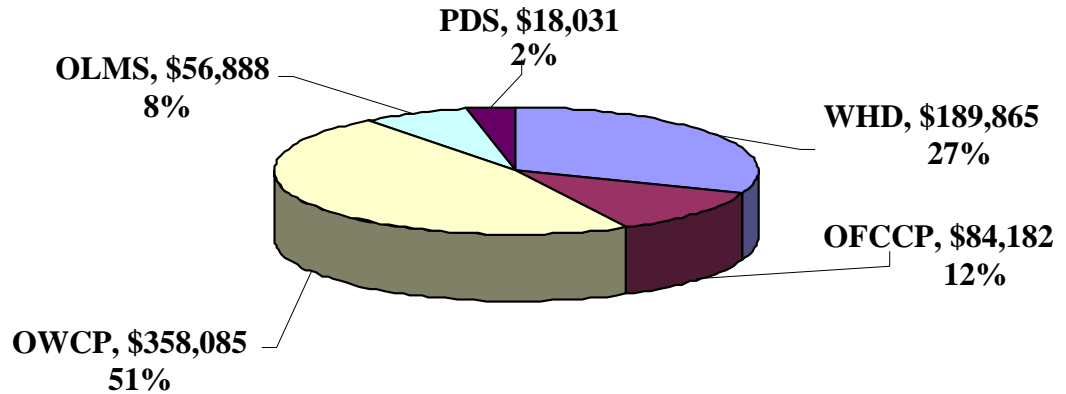
---

**EMPLOYMENT STANDARDS ADMINISTRATION**

---

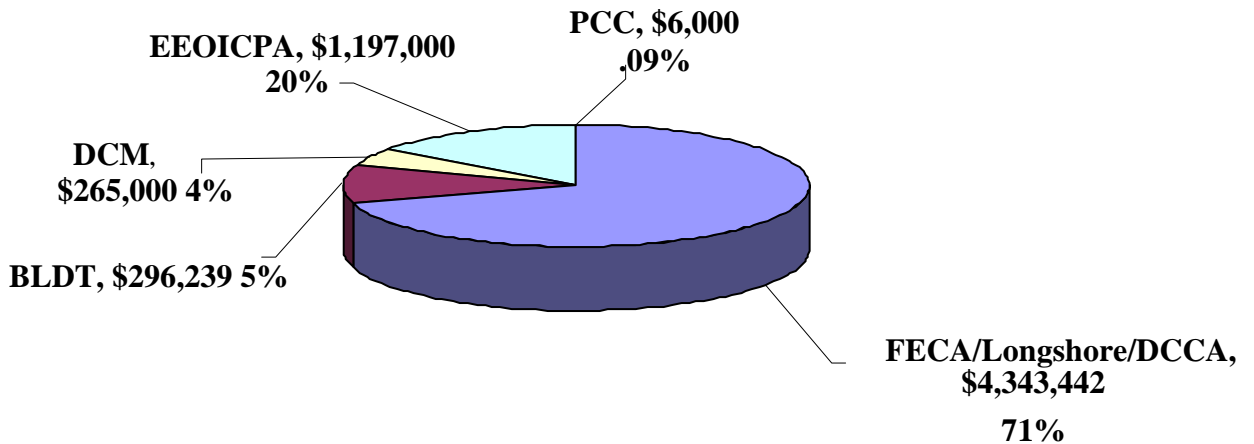
**Cost Allocation per Program Activity:** The chart below illustrates ESA resources identified and allocated by program activity<sup>1</sup>:

**FY 2008 Budget Request by ESA  
Total Administrative Budget Request \$707,051  
(Dollars in Thousands)**



<sup>1/</sup> Reimbursable Civil Money Penalties of \$2,800,000 and \$4,700,000 for H1B are included in WHD.

**FY 2008 Budget Request by ESA  
Total Benefits Budget Request \$6,107,681  
(Dollars in Thousands)**



**EMPLOYMENT STANDARDS ADMINISTRATION**

Program	FY 2008 FTE	FY 2008 Resources (\$000)
<b>ESA Administrative Expenses</b>		
<b>Wage &amp; Hour</b>	<b>1,336</b>	<b>182,365</b>
<b>OFCCP</b>	<b>625</b>	<b>84,182</b>
<b>OWCP Total Admin. Expenses</b>	<b>1,659</b>	<b>358,085</b>
FECA (General Funds)	768	93,374
FECA Fairshare (Special Benefits)	127	52,280
LSHW (General Funds)	90	11,104
SWC (Longshore Trust)	9	2,111
BLDTF (Part C)	184	32,365
DCM (Part B)	17	5,221
<b>EEOICPA</b>	<b>464</b>	<b>161,630</b>
Part B	275	49,387
Part B (HHS)	0	55,358
Part E (Indefinite)	189	56,885
<b>OLMS</b>	<b>369</b>	<b>56,888</b>
<b>PDS Total Admin. Expenses</b>	<b>93</b>	<b>18,031</b>
PDS (General Funds)	90	17,635
BLDTF (Part C)	3	396
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>4,082</b>	<b>699,551</b>
Reimbursables (WH-CMP)		2,800
H1-B User Fees		4,700
<b>TOTAL ADMIN with Reimbursables</b>	<b>4,082</b>	<b>707,051</b>
<b>ESA Benefits</b>		
<b>FECA Special Benefits</b>	<b>0</b>	<b>4,193,442</b>
Appropriation <sup>1/</sup>	0	203,000
Offsetting Collections <sup>2/</sup>	0	2,501,300
FY 07 Carryover Balance	0	1,489,142
<b>SWC</b>	<b>0</b>	<b>150,000</b>
Longshore	0	139,000
DCCA	0	11,000
<b>Black Lung Disability Trust Fund (Pt. C)</b>	<b>0</b>	<b>296,239</b>
Benefit Payments & Interest on Advances	0	270,763
DM S&E	0	24,785
OIG S&E	0	335
Treasury Admin. Costs	0	356
<b>DCM (Part B)</b>	<b>0</b>	<b>265,000</b>
Advanced Approp. for FY 09	0	62,000
Appropriation	0	203,000
<b>EEOICPA</b>	<b>0</b>	<b>1,197,000</b>
Part B <sup>3/</sup>	0	312,000
Part E (Indefinite) <sup>4/</sup>	0	885,000
<b>PCC</b>	<b>0</b>	<b>6,000</b>
<b>TOTAL BENEFITS</b>	<b>0</b>	<b>6,107,681</b>
<b>TOTAL RES RESOURCES w/o Reimbursables</b>	<b>4,082</b>	<b>6,807,232</b>
<b>Total ESA Resources with Reimbursables</b>	<b>0</b>	<b>6,814,732</b>

<sup>1/</sup>Includes \$3,000 for Longshore

<sup>2/</sup>Offsetting collections includes Fairshare

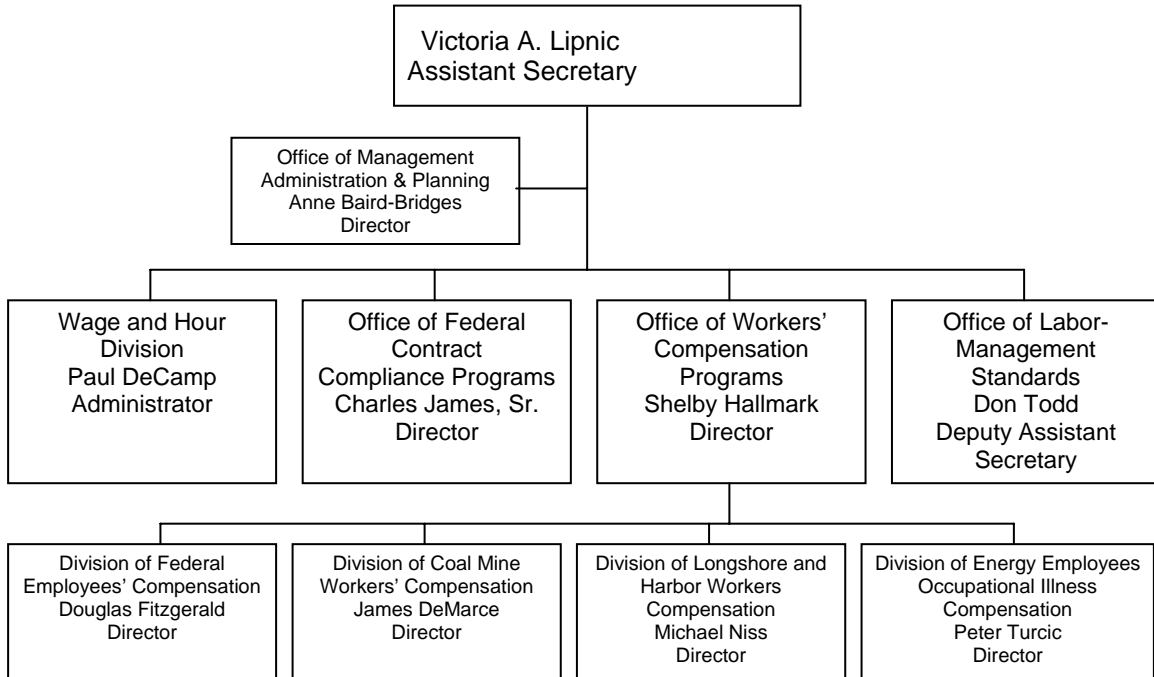
<sup>3/</sup>Includes \$32,000 for RECA supplemental benefits

<sup>4/</sup>Includes \$64,000 for RECA section 5 Benefits

---

**EMPLOYMENT STANDARDS ADMINISTRATION**

---



---

**EMPLOYMENT STANDARDS ADMINISTRATION**

---

**EMPLOYMENT STANDARDS ADMINISTRATION**

**APPROPRIATION LANGUAGE**

**SALARIES AND EXPENSES**

*For necessary expenses for the Employment Standards Administration, including reimbursement to State, Federal, and local agencies and their employees for inspection services rendered, \$445,548,000, together with \$2,111,000 which may be expended from the Special Fund in accordance with sections 39(c), 44(d) and 44(j) of the Longshore and Harbor Workers' Compensation Act: Provided, That the Secretary of Labor is authorized to establish and, in accordance with 31 U.S.C. 3302, collect and deposit in the Treasury fees for processing applications and issuing certificates under sections 11(d) and 14 of the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 211(d) and 214) and for processing applications and issuing registrations under title I of the Migrant and Seasonal Agricultural Worker Protection Act (29 U.S.C. 1801 et seq). Of the unobligated funds collected pursuant to section 286(v) of the Immigration and Nationality Act, \$50,000,000 is hereby cancelled. (Department of Labor Appropriations Act, 2007.)*

“Note-A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.”

**EMPLOYMENT STANDARDS ADMINISTRATION**

**ANALYSIS OF APPROPRIATION LANGUAGE**

**SALARIES AND EXPENSES**

“...44(d) and...”

This language provides authority for the transfer of resources from the Longshore and Harbor Workers’ Compensation Act special fund to defray expenses incurred by the Department of Labor in conducting special fund inspections and/or audits and to defray expenses incurred by the Department in direct administration of the fund.

“...*Provided*, That the Secretary of Labor is authorized to establish and, in accordance with 31 U.S.C. 3302, collect and deposit in the Treasury fees for processing applications for issuing certificates under sections 11(d) and 14 of the Fair Labor Standards Act ... and for processing applications and issuing registrations under title I of the Migrant and Seasonal Agricultural Worker Protection Act...”

This language provides authority for the assessment of fees to cover the costs of certain services, which are necessitated by law, and, generally, without which the user would not be allowed to conduct certain employment practices. This authority enables the Employment Standards Administration to assess, and collect fees to defray the cost for processing applications for homeworker and special minimum wage certificates as well as applications for registration under MSPA. The funds collected are deposited in the miscellaneous receipts account of the Treasury.

**EMPLOYMENT STANDARDS ADMINISTRATION**

AMOUNTS AVAILABLE for OBLIGATIONS							
Salaries and Expenses							
(Dollars in Thousands)							
	FY 2006 Enacted		FY 2007 C.R. <sup>1/</sup>		FY 2008		
	FTE	Amount	FTE	Amount	FTE	Amount	
<b>A.</b>	<b>Appropriation (Amount shown in Appropriation Language)</b>	<b>3,338</b>	<b>413,168</b>	<b>3,078</b>	<b>409,036</b>	<b>3,278</b>	<b>445,548</b>
	Reduction pursuant to (P.L. 109-148) in FY 2006	0	-4,132	0	0	0	
	Other Supplementals and Rescissions		0				
	Appropriation, Revised	3,338	409,036	3,078	409,036	3,278	445,548
	Real Transfer to:						
	(enter the account title) <i>[negative entry]</i>						
	Real Transfer from:						
	(enter the account title) <i>[positive entry]</i>						
	Comparative Transfer To:						
	Working Capital Fund for centralized services	0	0	0	0	0	0
	Comparative Transfer From:	0	0	0	0	0	0
	A.1) Subtotal Appropriation (adjusted)	3,338	409,036	3,078	409,036	3,278	445,548
	Offsetting Collections From:						
	Reimbursements	0	2,800	0	2,800	0	2,800
	Trust Funds	219	35,078	203	35,606	196	34,872
	H-1B L Fraud	0	31,000	0	4,700	0	4,700
	H-1B Fees	0	0	0	0	0	0
	A.2) Subtotal <i>[positive entry]</i>	219	68,878	203	43,106	196	42,372
<b>B.</b>	<b>Gross Budget Authority [sum of A.1 and A.2]</b>	<b>3,557</b>	<b>477,914</b>	<b>3,281</b>	<b>452,142</b>	<b>3,474</b>	<b>487,920</b>
	Offsetting Collections						
	Deduction: (all entries are negative)						
	Reimbursements	0	-2,800	0	-2,800	0	-2,800
	H-1B L Fraud	0	-31,000	0	-4,700	0	-4,700
	H-1B Fees	0	0	0	0	0	0
	B.1) Subtotal <i>[negative entry]</i>	0	-33,800	0	-7,500	0	-7,500
<b>C.</b>	<b>Budget Authority [sum of B. and B.1]</b>	<b>3,557</b>	<b>444,114</b>	<b>3,281</b>	<b>444,642</b>	<b>3,474</b>	<b>480,420</b>
	Before Committee						
	Offsetting Collections From: <i>[all entries are positive]</i>						
	Reimbursements	0	2,800	0	2,800	0	2,800
	H-1B L Fraud	0	31,000	0	4,700	0	4,700
	H-1B Fees	0	0	0	0	0	0
	IT Crosscut	0	0	0	0	0	0
	Legal Services	0	0	0	0	0	0
	C.1) Subtotal <i>[positive entry]</i>	0	33,800	0	7,500	0	7,500
<b>D.</b>	<b>Total Budgetary Resources</b>	<b>3,557</b>	<b>477,914</b>	<b>3,281</b>	<b>452,142</b>	<b>3,474</b>	<b>487,920</b>
	Other Unobligated Balances	0	0	0	0	0	0
	Unobligated Balance Expiring	-290	-652	0	0	0	0
<b>E.</b>	<b>Total, Estimated Obligations</b>	<b>3,267</b>	<b>477,262</b>	<b>3,281</b>	<b>452,142</b>	<b>3,474</b>	<b>487,920</b>

<sup>1/</sup>The 2007 level is the assumed current rate under the terms of P.L. 109-289, as amended.

## EMPLOYMENT STANDARDS ADMINISTRATION

<b>SUMMARY OF CHANGES</b>			
(Dollars in Thousands)			
	FY 2007 C.R.	FY 2008 Request	Net Change
<b>Budget Authority</b>			
General Funds	409,036	445,548	+/- 36,512
Trust Funds	35,606	34,872	+/- -734
<b>Total</b>	<b>444,642</b>	<b>480,420</b>	<b>+/- 35,778</b>
<b>Full Time Equivalent</b>			
General Funds	3,078	3,278	+/- 200
Trust Funds	203	196	+/- -7
<b>Total</b>	<b>3,281</b>	<b>3,474</b>	<b>+/- 193</b>

Explanation of Change	FY 2007 Base		Trust Funds		FY 2008 Change General Funds		Total		
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	
<b>Increases:</b>									
<b>A. Built-Ins:</b>									
To provide for:									
Costs of pay adjustments	3,281	\$249,735	348		0	\$5,909	0	\$6,257	
Personnel benefits		44,778	64		0	1,440	0	1,504	
Employee health benefits		15,165	24		0	488	0	512	
Moving Allowance		1,341	0		0	3	0	3	
Two More Days of Pay		0	116		0	1,834	0	1,950	
Federal Employees Compensation Act (FECA)		3,856	-21		0	-318	0	-339	
Benefits for Former Personnel		24	0		0	0	0	0	
Travel		6,897	4		0	149	0	153	
Transportation of Things		207	0		0	4	0	4	
GSA Space Rental		27,430	28		0	1,676	0	1,704	
All Other Rental		687	3		0	6	0	9	
Communications, utilities & miscellaneous charges		5,459	6		0	309	0	315	
Printing and reproduction		694	1		0	12	0	13	
Advisory and assistance services		1,764	0		0	39	0	39	
Other services		7,384	85		0	74	0	159	
Working Capital Fund		34,614	0		0	2,195	0	2,195	
Homeland Security		2,014	29		0	545	0	574	
Purchase of goods and services from other Government accounts		7,337	10		0	133	0	143	
Operation and maintenance of facilities		26	0		0	0	0	0	
Operation and maintenance of equipment		28,738	215		0	601	0	816	
Supplies and materials		1,988	5		0	39	0	44	
Equipment		4,319	1		0	93	0	94	
Ins. Claims.Ind.		185	0		0	-52	0	-52	
<b>Subtotal</b>	<b>3,281</b>	<b>444,642</b>	<b>0</b>	<b>918</b>	<b>0</b>	<b>15,179</b>	<b>+</b>	<b>0</b>	<b>16,097</b>
<b>B. Programs:</b>									
To provide an increase for Wage and Hour to Enhance Strategic Compliance					36	5,000	+	36	5,000
To provide an increase for Labor-Management Standards for Union Financial Integrity Reporting					13	2,000	+	13	2,000
To restore funds for staff and other inflationary costs that were not provided under the assumed full-year CR level in FY 2007	0	0	0	27	151	14,333	+	151	14,360
<b>Programs Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>200</b>	<b>21,333</b>	<b>+</b>	<b>200</b>	<b>21,360</b>
<b>C. Built-In Decrease</b>									
Reduction to workload in Black Lung Admin. Cost	0	0	-7	-1,679	0	0	-	-7	-1,679
<b>Programs Subtotal</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>-1,679</b>	<b>0</b>	<b>0</b>	<b>+</b>	<b>-7</b>	<b>-1,679</b>
<b>C. Financing:</b>									
<b>Financing Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>+</b>	<b>0</b>	<b>0</b>
<b>Total Increase</b>	<b>3,281</b>	<b>444,642</b>	<b>-7</b>	<b>-734</b>	<b>200</b>	<b>36,512</b>	<b>-</b>	<b>193</b>	<b>35,778</b>
<b>Total Change</b>	<b>3,281</b>	<b>\$444,642</b>	<b>-7</b>	<b>-\$734</b>	<b>200</b>	<b>\$36,512</b>	<b>+/-</b>	<b>193</b>	<b>\$35,778</b>



**EMPLOYMENT STANDARDS ADMINISTRATION**

<b>SUMMARY BUDGET AUTHORITY and FTE by ACTIVITY</b>						
<b>Salaries and Expenses</b>						
<b>(Dollars in Thousands)</b>						
	<b>FY 2006 Enacted <sup>1/</sup></b>		<b>FY 2007 C.R. <sup>2/</sup></b>		<b>FY 2008 Request</b>	
	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>
<b>Budget Activity #1 (Enforcement of Wage and Hour Standards)</b>	<b>1,300</b>	<b>165,685</b>	<b>1,200</b>	<b>165,685</b>	<b>1,336</b>	<b>182,365</b>
General Funds	1,300	165,685	1,200	165,685	1,336	182,365
Trust Funds	0	0	0	0		
<b>Budget Activity #2 (Federal Contractor EEO Standard Enforcement)</b>	<b>670</b>	<b>81,285</b>	<b>625</b>	<b>81,285</b>	<b>625</b>	<b>84,182</b>
General Funds	670	81,285	625	81,285	625	84,182
Trust Funds	0	0	0	0		
<b>Budget Activity #3 (Federal Programs for Workers' Compensation)</b>	<b>1,110</b>	<b>133,815</b>	<b>1,050</b>	<b>134,327</b>	<b>1,051</b>	<b>138,913</b>
General Funds	<b>894</b>	<b>99,128</b>	<b>850</b>	<b>99,128</b>	<b>858</b>	<b>104,478</b>
Federal Employees' Compensation	801	88,446	760	88,446	768	93,374
Longshore Harbor Workers' Compensation	93	10,682	90	10,682	90	11,104
Trust Funds	<b>216</b>	<b>34,687</b>	<b>200</b>	<b>35,199</b>	<b>193</b>	<b>34,476</b>
Black Lung Disability Trust Funds	205	32,659	191	33,171	184	32,365
Longshore Trust Funds	11	2,028	9	2,028	9	2,111
<b>Budget Activity #4 (Labor-Management Standards)</b>	<b>384</b>	<b>45,737</b>	<b>313</b>	<b>45,737</b>	<b>369</b>	<b>56,888</b>
General Funds	384	45,737	313	45,737	369	56,888
Trust Funds	0	0	0	0		
<b>Budget Activity #5 (Program Direction and Support)</b>	<b>93</b>	<b>17,592</b>	<b>93</b>	<b>17,608</b>	<b>93</b>	<b>18,031</b>
General Funds	90	17,201	90	17,201	90	17,635
Trust Funds (Black Lung Disability Trust Funds )	3	391	3	407	3	396
<b>Total</b>	<b>3,557</b>	<b>444,114</b>	<b>3,281</b>	<b>444,642</b>	<b>3,474</b>	<b>480,420</b>
<b>General Funds</b>	<b>3,338</b>	<b>409,036</b>	<b>3,078</b>	<b>409,036</b>	<b>3,278</b>	<b>445,548</b>
<b>Trust Funds</b>	<b>219</b>	<b>35,078</b>	<b>203</b>	<b>35,606</b>	<b>196</b>	<b>34,872</b>

<sup>1/</sup>FY 2006 reflects enacted levels, not actual levels.

<sup>2/</sup>The 2007 level is the assumed current rate under the terms of P.L. 109-289, as amended.

**EMPLOYMENT STANDARDS ADMINISTRATION**

<b>BUDGET AUTHORITY by OBJECT CLASS</b>				
<b>SALARIES AND EXPENSES</b>				
<b>(Dollars in Thousands)</b>				
	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 08 Request / FY</b>
	<b>Enacted</b>	<b>C. R.</b>	<b>Request</b>	<b>07 NTE Curr. Rate</b>
Total Number of Full Time Permanent Positions				
Full-Time Equivalent				0
Full-Time Permanent	3,557	3,281	3,474	193
Other				0
Reimbursable				0
<b>Total</b>	<b>3,557</b>	<b>3,281</b>	<b>3,474</b>	<b>193</b>
Average ES Salary	\$153,170	\$151,014	\$154,306	\$3,292
Average GM/GS Grade	11.60	10.99	11.23	0.24
Average GM/GS Salary	\$61,093	\$70,828	\$72,372	\$1,544
Average Salary of Ungraded Positions	0	0	0	0
11.1 Full-Time Permanent	\$243,016	\$245,848	\$263,672	\$17,824
11.3 Other than Full-Time Perm.	619	592	613	21
11.5 Other Personnel Compensation	4,900	3,295	3,594	299
11.8 Special Personnel Services	0	0	0	0
<b>11.9 Total Personnel Compensation</b>	<b>\$248,535</b>	<b>\$249,735</b>	<b>\$267,879</b>	<b>\$18,144</b>
12.1 Civilian Personnel Benefits	65,137	65,140	69,832	4,692
13.0 Benefits for Former Personnel	0	24	24	0
21.0 Travel and Trans. Of Persons	6,867	6,897	9,079	2,182
22.0 Transportation of Things	201	207	272	65
23.1 Rental Payments to GSA	26,766	27,430	30,335	2,905
23.2 Rental Payments to Others	587	687	730	43
23.3 Comm., Utilities & Misc.	5,685	5,459	5,903	444
24.0 Printing and Reproduction	725	694	714	20
25.1 Advisory and Assistance Services	1,483	1,764	1,803	39
25.2 Other Services	4,239	7,384	7,674	290
25.3 Purchases of Goods and Services From Other Government Accounts <sup>1/</sup>	45,347	43,965	47,321	3,356
25.4 Operation/Maint. Of Facilities	176	26	26	0
25.5 Research and Development	0	0	0	0
25.7 Oper. And Maint. Of Equip.	30,533	28,738	31,578	2,840
26.0 Supplies and Materials	2,290	1,988	2,117	129
31.0 Equipment	5,356	4,319	5,000	681
41.0 Grants, subsidies and contributions	0	0	0	0
42.0 Insurance Claims & Indemnities	187	185	133	-52
<b>Total</b>	<b>\$444,114</b>	<b>\$444,642</b>	<b>\$480,420</b>	<b>\$35,778</b>

<sup>1/</sup> Other Purchases of Goods and Services From Government Accounts

Working Capital Fund	32,562	34,614	36,809	2,195
DOL Assessments	703	771	782	11
GSA	579	523	534	11
DOL (EW/LS)	658	538	550	12
Other Federal Agencies	9,462	5,505	6,036	531
Department of Homeland Security Services (DHS)	1,383	2,014	2,608	594

**EMPLOYMENT STANDARDS ADMINISTRATION**

**EMPLOYMENT STANDARDS ADMINISTRATION**

**APPROPRIATION HISTORY  
SALARIES AND EXPENSES  
(Dollars in Thousands)**

	Budget Estimates to <u>Congress</u>	House <u>Allowance</u>	Senate <u>Allowance</u>	<u>Appropriation</u>	Direct <u>FTE</u>	Reimburse- ment <u>FTE</u>	Total <u>FTE</u>
1998*	314,203	299,000	300,653	339,793	3,806	17	3,823
1999*	316,191	312,333	311,333	313,437 <sup>1/</sup>	3,711	17	3,728 <sup>2/</sup>
2000*	342,787	314,000	342,787	338,770 <sup>3/</sup>	3,707	17	3,724 <sup>4/</sup>
2001*	363,476	338,770	352,764	362,716 <sup>5/</sup>	3,745	17	3,762 <sup>6/</sup>
2002*	364,715 <sup>7/</sup>	369,631	377,145	370,048 <sup>8/</sup>	3,756	16	3,772 <sup>6/</sup>
2003*	380,757 <sup>9/</sup>	381,578	384,096	381,114	3,698	17	3,715 <sup>6/</sup>
2004*	397,753 <sup>10/</sup>	397,753	392,061	392,872 <sup>11/</sup>	3,801	17	3,818 <sup>6/</sup>
2005*	409,294	402,818	405,870	400,848 <sup>12/</sup>	3,595	17	3,612 <sup>6/</sup>
2006*	415,216	416,332	412,616	411,064 <sup>13/</sup>	3,587	17	3,603 <sup>6/</sup>
2007*	409,099 <sup>14/</sup>						
2008*	447,659						

\*Includes reimbursement from the Special Fund established by the Longshore and Harbor Workers' Compensation Act: \$993,000 in FY 1998, \$1,924,000 in FY 1999, \$1,732,000 in FY 2000, \$1,981,000 in Fiscal Year 2001, \$1,970,000 in Fiscal Year 2002, \$2,029,000 in FY 2003, \$2,056,000 in FY 2004, \$2,058,000 in FY 2005, \$2,121,000 in FY 2006, \$2,028,000 in FY 2007 and \$2,111,000 in FY 2008.

- <sup>1/</sup> Reflects a \$563,000 reduction pursuant to P.L. 106-51.
- <sup>2/</sup> Does not include FTE in ESA's Special Benefits Account using "Fairshare" funding (140 FTE ceiling; 102 actual).
- <sup>3/</sup> Reflects a \$230,000 reduction pursuant to P.L. 106-113.
- <sup>4/</sup> Does not include FTE in ESA's Special Benefits Account using "Fairshare" funding (129 FTE ceiling, 102 actual).
- <sup>5/</sup> Reflects a \$760,000 reduction pursuant to P.L. 106-554.
- <sup>6/</sup> Does not include FTE in ESA's Special Benefits Account using "Fairshare" funding or in the Energy Employees' Occupation Illness Compensation Program account.
- <sup>7/</sup> Includes \$80,281 and 845 FTE for proposed FECA Surcharge.
- <sup>8/</sup> Includes a reduction of \$698,000 pursuant to P.L. 107-116 and a reduction of \$455,000 pursuant to P.L. 107-206.
- <sup>9/</sup> Includes \$86,442 and 839 FTE for the proposed FECA Surcharge.
- <sup>10/</sup> Includes \$86,260 and 839 FTE for the proposed FECA Surcharge.
- <sup>11/</sup> Includes a Labor-HHS Rescission of \$4,052,000 and a Govt-wide Rescission of \$2,333,000 pursuant to P.L. 108-199.
- <sup>12/</sup> Includes a Labor-HHS Rescission of \$3,479,088 pursuant to P.L. 108-434.
- <sup>13/</sup> Includes a rescission in the amount of \$4,152.
- <sup>14/</sup> The 2007 level is the assumed current rate under the terms of P.L. 109-289, as amended.

## ENFORCEMENT OF WAGE AND HOUR STANDARDS

### *Budget Activity 1: Enforcement of Wage and Hour Standards*

(Dollars in Thousands)						
	FY 2006 Enacted	FY 2007 C. R.	FY 2007 Estimate	Diff FY 06 Enact. FY 07 C. R.	FY 2008 Request	Diff FY 07 C. R. / FY 08 Request
<b>Activity Appropriation</b>	<b>\$165,685</b>	<b>\$165,685</b>	<b>\$165,685</b>	<b>\$0</b>	<b>\$182,365</b>	<b>\$16,680</b>
Other Appropriation <sup>1/</sup>	31,000	4,700	4,700	-26,300	4,700	0
Other Resources	2,800	2,800	2,800	0	2,800	0
<b>Total Resources</b>	<b>\$199,485</b>	<b>\$173,185</b>	<b>\$173,185</b>	<b>-\$26,300</b>	<b>\$189,865</b>	<b>\$16,680</b>
FTE	1,300	1,200	1,200	-100	1,336	136

<sup>1/</sup> WHD's FY 2006 appropriation included a \$31,000,000 estimate of the funds available from the Fraud Protection and Detention Account of which only \$4,149,149 was spent. The FY 2007 and FY 2008 amounts have been revised to reflect the estimated amount of fees that WHD can actually use in a fiscal year under current law.

### **Introduction**

The Wage and Hour Division (WHD) is responsible for administering and enforcing a variety of laws that establish the minimum standards for wages and working conditions in the United States. Collectively, these labor standards cover most private, state, and local government employment. They protect over 130,000,000 workers in more than 7,300,000 establishments throughout the United States and its territories. These labor laws range from some of the first labor protections passed by Congress to some of the most recent. WHD's mission is to "promote and achieve compliance with labor standards to protect and enhance the welfare of the Nation's workforce."

WHD is comprised of a nationwide staff of investigators, supervisors, analysts, technicians, and administrative employees who share responsibilities for enforcing the minimum wage, overtime, and child labor provisions of the Fair Labor Standards Act (FLSA); the requirements and wage determination provisions of the Davis-Bacon Act (DBA) and the McNamara-O'Hara Service Contract Act (SCA); the Migrant and Seasonal Agricultural Worker Protection Act (MSPA); the Family and Medical Leave Act (FMLA); and the Employee Polygraph Protection Act (EPPA). WHD is also responsible for the enforcement of field sanitation and temporary labor camp standards in agriculture and certain employment standards and certain worker protections of the Immigration and Nationality Act (INA).

The WHD mission and its performance outcomes directly support the Department of Labor's strategic goal of safe and secure workplaces, and in particular, to guarantee workers receive the

---

**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

---

wages due them. To this end, WHD has established enforcement priorities in three key areas: greater compliance in low-wage industries that employ vulnerable workers (including young and immigrant workers); fewer employers with repeat violations; and the strategic use of complaint investigations to increase labor protections for the greatest number of workers. The Back Wage Financial System (BWFS) is the agency's IT system for collecting and disbursing back wages to workers [ESA - WHD — Back Wage Financial System \(BWFS\)](#). A fourth priority encourages program efficiencies in the establishment of wage determinations and seeks to guarantee appropriate worker compensation levels by ensuring timely and accurate prevailing wage determinations. The Wage Determination System (WDS) supports the Davis Bacon Act and McNamara-O'Hara Service Contract Act wage determination programs [ESA - WHD — Wage Determination System \(WDS\)](#).

WHD is requesting a total of \$189,865,000 and 1,336 FTE. Of that amount, \$165,685,000 and 1,200 FTE is base funding. WHD is requesting a program increase of \$5,000,000 and 36 FTE. Also included in WHD's total request is \$4,700,000 in H-1B fees that can only be used for enforcement programs and activities described in Section 212(n) of the INA; and \$2,800,000 in civil money penalty reimbursements authorized under Section 16(e) of the FLSA. Previous WHD budgets included \$31,000,000 in H-1B fees. However, this estimate significantly overstated the amount of the fees that WHD, is authorized to use due to restrictions under current law. Based on the last two years of experience in utilizing the H-1B fees, the amount has been revised to \$4,700,000 – the amount estimated for use in enforcing the H-1B worker protections. Amending section 286(v)(2)(C) of the INA (8 U.S.C. 1356) as proposed by the Department, would permit a more effective use of the fees collected under that statute's Fraud Prevention and Detection Account.

WHD's FY 2008 request would enable WHD to increase the number of investigators to approximately 816 by the end of FY 2008.

**Five-Year Budget Activity History**

<b>Fiscal Year</b>	<b>Funding</b>	<b>FTE</b>
<b>2003</b>	<b>\$155,626,000</b>	<b>1,392</b>
<b>2004</b>	<b>\$160,095,829</b>	<b>1,442</b>
<b>2005</b>	<b>\$164,494,758</b>	<b>1,346</b>
<b>2006</b>	<b>\$165,685,410</b>	<b>1,300</b>
<b>2007</b>	<b>\$165,685,410</b>	<b>1,200</b>

For FY 2007, WHD estimated an affordable FTE level under a year-long continuing resolution at 1,200 FTE, which is the FTE level that WHD expects to have on board by the end of the fiscal year. This is below the FTE level supported by the 2007 President's Budget. The FY 2008 request allows WHD to restore funding and resources for the FY 2007 pay increase and other inflation adjustments that were not enacted because of the year-long continuing resolution. As a result, WHD expects to be able to hire to the FY 2007 FTE ceiling plus the additional 36 FTE included in the FY 2008 program increase by the end of FY 2008.

---

***ENFORCEMENT OF WAGE AND HOUR STANDARDS***

---

**FY 2008**

In FY 2008, WHD requests a total of \$189,865,000 and 1,336 FTE. Of the total amount, \$4,700,000 is H-1B fees and \$2,800,000 is civil money penalty reimbursements. The increasing reliance on foreign-born labor and proliferation of informal work relationships in many low-wage industries challenges WHD's ability to ensure that workers are paid the wages that they are entitled to under the law. In FY 2008, WHD will continue its efforts to ensure that the nation's workers are employed in compliance with wage and hour laws, the immigrant worker population continues to receive protections under the law, and those immigrants who establish new businesses are familiar with WHD's worker protection statutes. As an adjunct to its compliance priorities in low-wage industries, WHD continues to participate in inter-agency efforts to stem the practice of human trafficking for labor. In support of these efforts to increase compliance in low-wage industries, WHD will propose legislation to amend section 286(v)(2)(C) of the INA (8 U.S.C. 1356), as amended, to permit the more effective use of the fees collected under that statute's Fraud Prevention and Detection Account. If enacted, this proposal would enable the Department to expand its enforcement programs and activities that focus on low-wage industries likely to employ and recruit recent immigrants and non-immigrants.

In addition, the Department's FY 2008 budget will include a legislative proposal to increase civil money penalties for violations of the Fair Labor Standards Act's youth employment provisions that result in the death or serious injury of a young worker. The proposal would increase the maximum penalty from \$11,000 to \$50,000 for any type of child labor violations that leads to death or serious injury. The Department also proposes to raise to \$100,000 the maximum penalty for willful or repeat violations that lead to the death or serious injury of a young worker.

With additional funds to hire new investigators in FY 2008, WHD would expect to complete an estimated 32,200 cases and conduct over 1,700 compliance assistance events. Back wage estimates would be approximately \$161,500,000 for 250,000 workers.

---

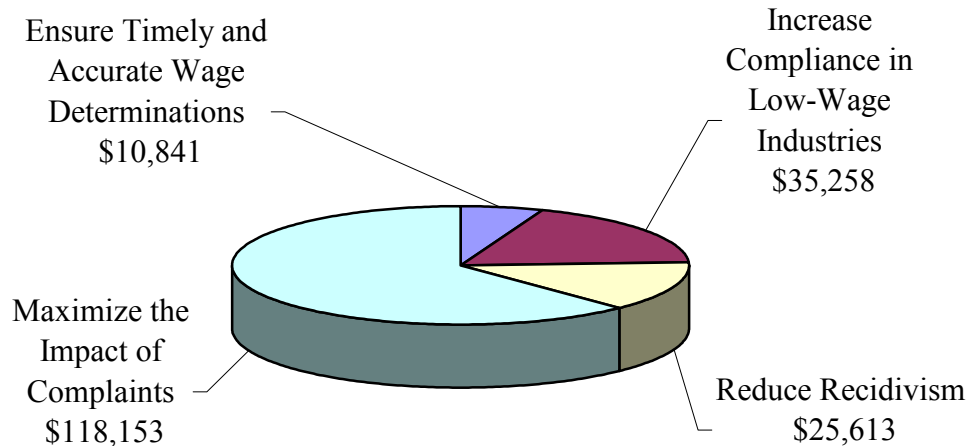
**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

---

**Cost Model**

The funding request will enable WHD to support the Department’s strategic goal of safe and secure workplaces and undertake program mandates outlined in the following chart.

**FY 2008 Budget Request by Enforcement of Wage and Hour Standards**  
**Total WHD Budget Request \$189,865**  
**(Dollars in Thousands)**



**FY 2007**

Throughout FY 2007, WHD will continue to allocate enforcement resources to the Gulf Coast region, explore new strategies and partnerships to reach vulnerable workers, and pursue all opportunities to meet any new compliance challenges that may arise along the U.S. Gulf Coast.

In support of its low-wage compliance priority, WHD will analyze the results of its FY 2006 investigation-based compliance survey to improve targeting and strengthen enforcement of the FLSA in low-wage industries for FY 2008. WHD will also complete its survey of compliance with the FLSA youth employment provisions in retail establishments in FY 2007.

WHD regions have planned regional and local initiatives for FY 2007. The initiatives are a balance of activities in enforcement, compliance assistance, partnerships and alliances. Each region has a regional initiative designed to decrease employer recidivism. All of the regions have planned for ongoing and prospective partnership and alliance activities in support of the agency’s compliance assistance plan, including increased participation in human trafficking task forces. Each WHD region has developed region-wide enforcement and compliance assistance initiatives to increase compliance with the FLSA, MSPA, and SCA in forestry and reforestation, and with the H-2A program in agriculture. WHD district offices have also planned 112 initiatives in low-wage industries.

---

## ***ENFORCEMENT OF WAGE AND HOUR STANDARDS***

---

WHD plans several strategies to promote compliance and encourage the safe and legal employment of young workers. WHD plans to continue the *YouthRules!* public awareness campaign. In FY 2007, all of the WHD regions will undertake separate youth employment initiatives in industries that have an increased potential for injuries. WHD plans to publish a regulatory proposal to update the child labor hazardous occupation orders consistent with the Department's Semi-Annual Regulatory Agenda.

To promote efficiencies in its complaint-based enforcement program, WHD will seek to increase the number of workers that WHD assists through the resolution of complaint cases per every 1,000 hours expended. WHD is comparing industries that have high complaint rates with probable wage violations. This analysis will help the agency decide in which industries it may be more cost effective to conduct less resource intensive conciliations versus full investigations. This will also help the agency make informed decisions for conducting directed investigations in industries that have the potential for high violation rates and in which WHD receives very few complaints. WHD is also examining complaint data to determine which characteristics of complaints may signal underlying compliance conditions. WHD's recidivism efforts in FY 2007 will be augmented by targeted investigations of previous willful H-1B violators.

Also in FY 2007, WHD will continue to augment its wage determination IT systems to increase efficiencies and productivity in its wage determination programs, specifically, programs implementing the Davis-Bacon Act (DBA) and McNamara O'Hara Service Contract Act (SCA).

### **FY 2006**

WHD achieved its performance targets in FY 2006. WHD established a baseline that tracks the number of workers helped for every 1,000 of enforcement hours expended. WHD also completed its fourth investigation-based compliance survey of prior FLSA violators finding 76% of prior violators in compliance – an increase of four percentage points over the FY 2005 result.

In FY 2006, WHD conducted a nationwide survey of establishments across a broad spectrum of low-wage industries establishing a baseline of 92% of workers in the identified industries in compliance with the minimum wage and overtime provisions. The results of this compliance study will provide the baseline from which changes in industry behavior can be assessed over the long-term, and will inform the agency of the nature and patterns of non-compliant behavior. WHD will use this information to design and implement strategies for improving compliance during the years between surveys and to better targeting industries and establishments that have a higher probability of violations.

In the DBA program, WHD improved its wage survey efficiency measures when it processed 1,834 wage data forms per 1,000 hours exceeding its target of 1,684. WHD also exceeded its 80 percent target for DBA survey wage determinations by issuing 100% within 60 days.

WHD recovered more than \$171,900,000 in back wages for over 246,000 employees in FY 2006. Back wage collections represent a 30% increase over back wages collected in fiscal year 2001. The number of workers who received back wages in FY 2006 increased by 14% over the number receiving back wages in FY 2001.



---

## ***ENFORCEMENT OF WAGE AND HOUR STANDARDS***

---

The circumstances encountered in the aftermath of the 2005 hurricanes provided unique challenges to WHD's ability to respond to the changing working conditions and secure the rights of workers in the region. In response, WHD opened over 300 hurricane-related cases in FY 2006, which resulted in the recovery of more than \$1,300,000 in back wages for 2,699 employees.

### **Issues, Outcomes and Strategies**

The various labor standards statutes for which WHD is responsible provide basic protections to all workers in this country. Although they vary in specifics, all of the statutes enforced by WHD are intended to protect the health and welfare of the nation's workforce and to ensure fair compensation for work performed. The FLSA minimum wage, overtime and prevailing wage laws are designed to ensure that employees are paid the wages to which they are entitled. The MSPA and immigration programs establish working conditions that are intended to both protect vulnerable workers and ensure that the local labor force is not displaced by foreign labor. The FMLA was enacted to help workers balance the demands of the workplace with the needs of families and the child labor provisions of the FLSA ensure the safe employment of young workers and encourage their education.

A number of factors influence WHD's ability to accomplish its mission. These factors are complex and vary from industry to industry and over time. For example, the steadily increasing reliance on foreign-born labor and proliferation of informal work relationships in many low-wage industries continue to challenge WHD's ability to ensure that workers are paid the wages that they are entitled to under the law. Moreover, WHD must maintain flexibility in carrying out its mission so that it can respond to emerging compliance situations such as those experienced during the clean-up and reconstruction of the Gulf Coast region following the hurricanes of 2005.

To meet these challenges, WHD has prioritized its statutory enforcement responsibilities to maximize protections for workers, including the most vulnerable in the workforce – low-wage workers, immigrants, and young workers. The agency's performance outcomes are intended to increase compliance on behalf of low-wage workers in industries with the most persistent and serious violations; maximize benefits for the greatest number of workers through efficient complaint resolution; promote long-term sustaining compliance among employers that the agency investigates; and ensure that established wage rates are accurate and timely.

The statutory protections afforded to the workforce and administered by WHD can only be reasonably guaranteed through an effective compliance program. WHD balances three complementing strategies – compliance assistance; partnerships and collaborations; and strong enforcement, complaint driven and targeted. WHD's compliance assistance activities promote

---

***ENFORCEMENT OF WAGE AND HOUR STANDARDS***

---

voluntary compliance among employers and within industries. WHD's partnership and collaborative activities are used to leverage resources and broaden the impact of other strategies. WHD's directed enforcement program in identified low-wage industries serves to detect, remedy, penalize, and deter violations of the law, particularly in industries where many workers are reticent to exercise their rights. WHD's complaint program not only serves the individual worker making the complaint, but is a means for detecting and remedying violations on behalf of similarly affected employees.

---

**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

---

<b>WORKLOAD SUMMARY</b>			
	<b>FY 2006 Actual</b>	<b>FY 2007 Target</b>	<b>FY 2008 Target</b>
<b>Enforcement of Wage and Hour Standards</b>			
Compliance Actions	31,987	30,580	32,165
Compliance Assistance Events	1,724	1,672	1,746
Wage Determinations Issued	21,000	21,000	21,000
<b>Budget Activity Total</b>	<b>54,711</b>	<b>53,252</b>	<b>54,911</b>

\*The productivity measures can be found in the Wage and Hour Performance section.

---

**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

---

**CHANGES IN FY 2008**  
(Dollars in Thousands)

**Activity Changes**

**Built-ins:**

To provide for:	
Costs of pay adjustments	\$2,138
Personnel Benefits	519
Employee Health Benefits	206
Two More Days of Pay	724
Federal Employees Compensation Act (FECA)	1
Travel	68
Transportation of Things	3
GSA Space Rental	227
Communications, utilities, and miscellaneous charges	250
Printing and reproduction	9
Advisory and assistive services	33
Other services	19
Working Capital Fund	677
Purchases of goods and services from other government accounts	362
Operation and Maintenance of equipment	369
Supplies and materials	10
Equipment	16
Ins. Claims & Indeminties	1
<b>Total Built-in</b>	<b>\$5,632</b>
<b>Net Program</b>	<b>\$11,049</b>
Direct FTE	136

	<b>Estimate</b>	<b>FTE</b>
<b>Base:</b>	\$165,685	1,200
<b>Program Increases <sup>1/</sup></b>	11,049	136
<b>Program Decreases</b>		

<sup>1/</sup> Included in the \$11,049,000 is \$6,049,000 and 100 FTE to restore funds for staff and other inflationary costs that were not provided under the assumed full-year CR level in FY 2007.

---

***ENFORCEMENT OF WAGE AND HOUR STANDARDS***

---

**U.S. Department of Labor  
Wage and Hour Division  
Performance Budget Issue Paper  
Wage and Hour Program Increase for Enhanced Strategic Compliance**

**Applicable Performance Goal:**

This request supports the Department’s performance outcome goal 3C: *Ensure workers receive the wages due them.* Protecting workers’ wages and working conditions, especially among the most vulnerable labor force population, is central to the agency’s mission. The Wage and Hour Division (WHD) has specific goals to increase worker protections in low-wage industries; to maximize the impact of its complaint program on employees; and to reduce employer recidivism.

**Requested Resources:**

A total of \$5,000,000 and 36 FTE are requested.

**Rationale/Strategy and Performance Impact Related to Resource Increase:**

Two interrelated, socio-economic dynamics challenge WHD’s ability to ensure continued compliance with this country’s most basic labor protections – the increased reliance on foreign-born labor over the past 15 years and the growth in the number of illegal or undocumented immigrants currently working in the United States.

There is a high correlation between a worker’s status immigrant and the probability that they will be underpaid, housed in unhealthy conditions, or transported in unsafe vehicles. Based on WHD’s experience, young immigrants are particularly vulnerable to employment in hazardous occupations in agriculture and construction. Foreign-born workers are also at risk for exploitation by those who engage in human trafficking for labor. Finally, undocumented workers are reluctant to seek governmental assistance in remedying their employment situation.

Low-wage industries, such as janitorial, retail, construction and landscaping, draw on the temporary day labor or other “informal” work arrangements to meet workforce demands. The increasing use of contingent workers and temporary help services has resulted in the restructuring of other traditional industries with increasing reliance on subcontracting arrangements. For example, many immigrant workers relocated to the U.S. Gulf Coast in the aftermath of Hurricanes Katrina and Rita in search of employment opportunities. This rapid increase in the supply of immigrant, low-skilled labor into the region allowed for multiple layers of subcontracting with reduced employer accountability for wages and working conditions.

Any viable comprehensive strategy for addressing the increasing employment of immigrants, the rise in day labor employment relationships, and the proliferation of “informal” economy sectors, must include strategic and proactive enforcement of the fundamental workplace standards.

---

**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

---

In the past, WHD has devoted 25 to 30% of its enforcement resources to self-directed investigations, *i.e.*, non-complaint investigations in industries that employ vulnerable low-skilled and immigrant workers. The balance (70 to 75%) was used to respond to employee complaints. However, due to reduced resources, the percentage of directed investigations has declined. If this trend continues it will severely hamper the agency's ability to detect and deter violations in industries where many workers are reluctant to exercise their rights.

The requested resources will enable WHD to employ additional front-line staff to ensure it has sufficient resources in the Gulf Coast and an effective balance between its directed enforcement program in low-wage industries, including child labor and agriculture, and its complaint-driven enforcement program. WHD can sustain a proactive enforcement program by dedicating 25 to 30 percent of enforcement resources to directed activities in low-wage industries. WHD can also preserve its current practice of resolving complaint investigations in a timely and efficient manner and promoting future compliance among employers.

The requested program increase plus the restored funding for the FY 2007 pay increase and other inflation adjustments that were not enacted because of the year-long continuing resolution will allow WHD to increase its FTE ceiling to 1,336.

**Base Level Funding:**

Base:  
Estimate:           \$165,685,000   FTE:           1,200

Program Performance at Base Level: WHD collected more than \$171,900,000 for more than 246,000 workers in almost 32,000 cases in FY 2006. In FY 2006, the agency completed 7,250 directed investigations (22.6% of all investigations). These directed cases, however, resulted in nearly \$34,500,000 on behalf of over 63,000 workers – which represents about 20% of back wages collected and 25% of workers. WHD completed 24,730 complaint investigations and collected \$137,500,000 on behalf of 183,800 workers.

With just the base level funding WHD estimates it would complete approximately 30,500 cases in FY 2007 and collect back wages of about \$150,000,000 for 230,000 workers. WHD would expect a growing backlog of complaint cases averaging about 7,000 cases per year.

**Program Performance at Request Level:**

Program Increase:  
Estimate:           \$5,000,000   FTE:           36

Program Performance at Request Level: With additional staff, WHD could reasonably increase its estimated performance output levels to 32,200 and may show a slight increase if investigator productivity increases faster than anticipated. Back wage estimates would be approximately \$161,500,000 for 250,000 workers for whom back wages were collected.

---

**ENFORCEMENT OF WAGE AND HOUR STANDARDS**

---

**Object Class (\$ in thousands):**

	Object Class	FY 2008 Agency Request
11.1	Full-time permanent	\$1,753
12.0	Personnel Benefits	929
21.0	Travel and Transportation of Persons	800
22.0	Transportation of Things	61
23.1	Space	292
23.3	Other Rent, Communications & Utilities	69
24.0	Printing and Reproduction	7
25.2	Other Services	46
25.3	Purchases from Government Accounts	447
25.7	Operation and Maintenance of Equipment	451
26.0	Supplies and Materials	18
31.0	Equipment	127
	TOTAL	\$5,000

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

***Budget Activity 2: Federal Contractor and EEO Standards Enforcement***

<b>(Dollars in Thousands)</b>						
	<b>FY 2006 Enacted</b>	<b>FY 2007 C.R.</b>	<b>FY 2007 Estimate</b>	<b>Diff FY 06 Enact. FY 07 C.R.</b>	<b>FY 2008 Request</b>	<b>Diff FY 07 C.R./ FY 08 Request</b>
<b>Activity Appropriation</b>	<b>\$81,285</b>	<b>\$81,285</b>	<b>\$81,285</b>	<b>\$0</b>	<b>\$84,182</b>	<b>\$2,897</b>
FTE	670	625	625	-45	625	0

**Introduction**

The Office of Federal Contract Compliance Programs (OFCCP) ensures that employers doing business with the Federal government comply with the laws and regulations requiring non-discrimination and operate equal employment opportunity workplaces. OFCCP also ensures that Federal contractors meet contractual requirements mandated by FAR Part 48, subparts 22.8, 22.13 and 22.14. Specifically, OFCCP administers and enforces the following equal employment opportunity (EEO) laws and regulations: Executive Order 11246 prohibits employment discrimination on the basis of race, religion, color, national origin and sex; Section 503 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990 prohibit employment discrimination against individuals with disabilities; and the Vietnam Era Veterans' Readjustment Assistance Act of 1974 prohibits employment discrimination against certain protected veterans.

OFCCP's mission of monitoring Federal contractors is essential to ensure equal opportunity in the workplace. The program enforces its mandate by detecting and preventing systemic discrimination and by providing relevant and effective compliance assistance programs. Emphasis is placed on a balanced approach of compliance evaluations, complaint investigations, compliance assistance and, when necessary, strong enforcement.

In FY 2006, OFCCP recovered a record \$51,525,235 for 15,273 American workers who had been subjected to unlawful employment discrimination. Of that record recovery, 88% was collected in cases of systemic discrimination, those involving a significant number of workers or applicants subjected to discrimination because of an unlawful employment practice or policy. The \$51,525,235 reflects a 14% increase over recoveries in FY 2005 and a 78% increase over FY 2001.



---

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

---

During the 41 years since the Executive Order was signed, many Federal contractors have demonstrated their commitment to equal employment opportunity and have adopted inclusive human resource policies and procedures at all levels. Over the last six years, the program has conducted numerous seminars and individual assistance sessions to ensure that contractors are in compliance.

OFCCP directly supports the Department of Labor's (DOL) strategic goal of quality workplaces that are safe, healthy and fair. For FY 2008, OFCCP is requesting \$84,182,000 and 625 FTE.

**Five-Year Budget Activity History**

<b>Fiscal Year</b>	<b>Funding</b>	<b>FTE</b>
<b>2003</b>	<b>\$78,033,000</b>	<b>742</b>
<b>2004</b>	<b>\$79,441,000</b>	<b>749</b>
<b>2005</b>	<b>\$80,059,000</b>	<b>691</b>
<b>2006</b>	<b>\$81,285,000</b>	<b>670</b>
<b>2007</b>	<b>\$81,285,000</b>	<b>625</b>

For FY 2007, OFCCP estimated an affordable FTE level under a year-long continuing resolution of 625 FTE, which is the FTE level that OFCCP expects to have onboard by the end of the fiscal year. This is below the FTE level supported by the 2007 President's Budget. The FY 2008 request will enable OFCCP to maintain its authorized FTE ceiling level at 625 and continue its strong enforcement results.

**FY 2008**

OFCCP requests \$84,182,000 and 625 FTE. This funding includes an increase of \$2,897,000 over the estimated FY 2007 level for the cost of inflation. These resources will enable the program to exercise its Executive Order and legislative mandates, accomplish its mission, meet its performance goals, and maintain its strong enforcement record.

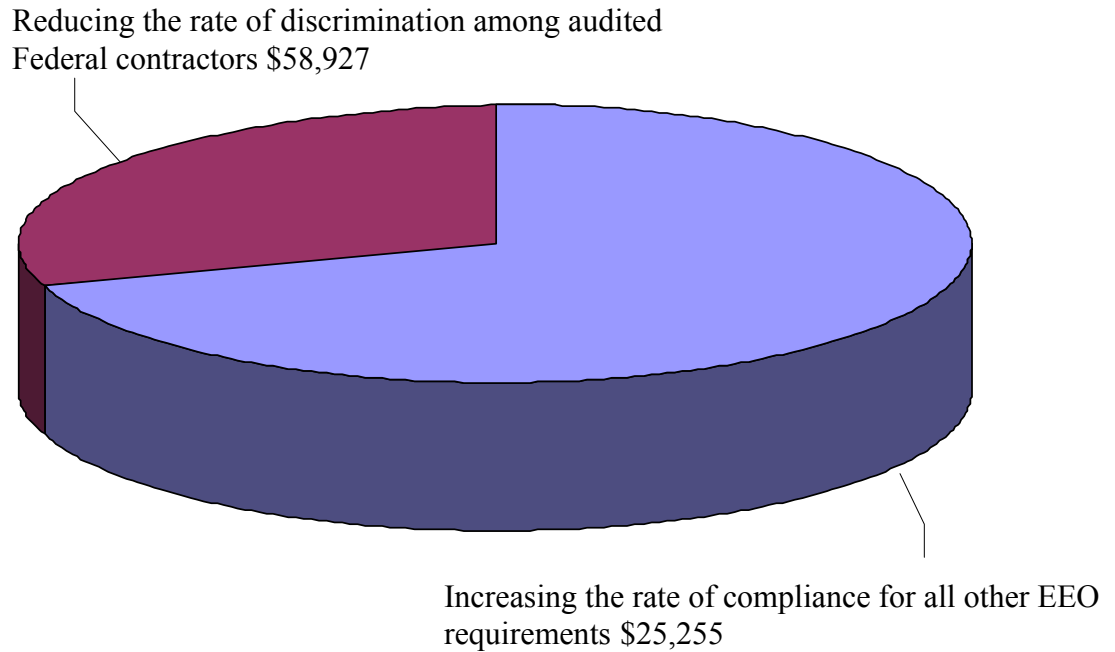
Through the continued use of Active Case Management (ACM), OFCCP will be able to quickly and accurately screen contractor establishments for indicators of potential discrimination and resolve cases of systemic discrimination with greater frequency. Further, the compensation guidelines that were published in FY 2006 provide the agency with a stronger basis for pursuing investigations of possible systemic compensation discrimination because of their transparency and consistency with court rulings.

**Cost Model**

The FY 2008 budget continues to support all efforts that have proven effective in finding and preventing discrimination. All programmatic resources are allocated proportionately between the two performance indicators.

Resources requested for FY 2008 are \$84,182,000; 70% or \$58,927,000 would be allocated to Performance Indicator 3.2D(1), and 30%, or \$25,255,000 would be allocated to Performance Indicator 3.2D(2).

**FY 2008 Budget Request by Federal Contractor and EEO Standards Enforcement**  
**Total OFCCP Budget Request \$84,182**  
**(Dollars in Thousands)**



---

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

---

**FY 2007**

OFCCP requests \$81,285,000 and 625 FTE. Currently, OFCCP is continuing to incorporate the Internet applicant recordkeeping requirements and compensation guidelines that were published in FY 2006 into the compliance evaluation process nationwide. The program is developing methodologies that will allow for the effective enforcement of both requirements. At the same time, OFCCP is continuing its compliance assistance and outreach efforts to educate Federal contractors about the new requirements and assist them in becoming compliant.

OFCCP is preparing to issue new rules concerning the revised Standard Form 100, Employer Information Report EEO-1 that contains changes to race and ethnic reporting categories that are designed to avoid imposing inconsistent burdens on Federal contractors. OFCCP will also propose new regulations to implement the amendments to the affirmative action provisions of the Vietnam Era Veterans' Readjustment Assistance Act of 1974 (VEVRAA) that were made by the Jobs for Veterans Act (JVA). JVA amended VEVRAA by: raising the dollar amount of the Government contracts that are subject to the requirements of VEVRAA; changing the categories of veterans protected under the law; and changing the manner in which the mandatory job listing requirement is implemented.

Early in the fiscal year, the program completed the assessment phase of its OFCCP Information System (OFIS) Enhancement Project. The assessment phase revealed information gaps in the current OFIS application and made recommendations to enhance the system's ability to meet end-user and management information requirements in order to more effectively administer systemic discrimination cases and provide a greater level of functionality for managers and staff. Currently, OFCCP is assessing its funding options for the next phase of this project.

**FY 2006**

In FY 2006, OFCCP recovered a record \$51,525,235 for 15,273 American workers who were subjected to unlawful employment discrimination. The program continued to operate more effectively and efficiently through the implementation of several significant initiatives.

Through the continued use of Active Case Management (ACM), OFCCP was able to more quickly and accurately screen contractor establishments for indicators of potential discrimination. Under ACM, which was first used in FY 2005, the program opened more reviews than it did in past years and utilized tools to rank and prioritize establishments for further review based on the probability that discrimination would be uncovered. OFCCP used ACM to identify and resolve cases of systemic discrimination with greater frequency. ACM proved to be an effective mechanism for targeting systemic discrimination. In FY 2005 and 2006, OFCCP closed an average of 11.7% of evaluations with a conciliation agreement, compared with 6.7% of evaluations closed with a conciliation agreement in FY 2004.

Contracts First (C1) generated a selection list of 1,330 current Federal contractors in FY 2006, in addition to the selection list developed from EEO-1 data. In FY 2006, OFCCP implemented C1 to produce a contractor selection list that is based on evidence of Federal contracts rather than voluntary self-identification provided by EEO-1 summary data. C1 provides more up to date

contract information than the EEO-1 summary data which OFCCP used in the past. Under C1, jurisdictional status of facilities is determined by OFCCP's National Office so compliance officers in the field can focus their time on conducting evaluations. By using the more accurate selection list generated by C1, OFCCP began to reduce problems establishing jurisdiction in FY 2006.

In FY 2006, OFCCP published its final Internet applicant recordkeeping rule and formal standards for interpreting the nondiscrimination requirements of Executive Order 11246 with respect to systemic compensation discrimination – providing contractors with the first definitive guidance on the subject. The Internet applicant rule modified OFCCP's applicant recordkeeping requirements to address challenges presented by the use of the Internet and electronic data technologies in Federal contractors' recruiting and hiring processes and the new compensation guidelines govern OFCCP's analysis of Federal contractors' compensation practices. The compensation standards provide the agency a stronger basis for pursuing investigations of possible systemic compensation discrimination because of their transparency and because of their consistency with court rulings on pay discrimination law.

### **Issues, Outcomes and Strategies**

OFCCP believes that the best method to achieve its mission is by focusing resources on finding and resolving systemic discrimination. "Systemic discrimination" is discrimination under a pattern or practice theory, or under a disparate impact theory, involving a significant number of workers or applicants who are subject to unlawful discrimination.

OFCCP's performance strategy is based on five strategic elements: 1) strong enforcement to focus on "worst offenders" and increase the consequences of violations; 2) a better selection system to obtain maximum leverage from the program's resources so that protection to the greatest number of employees can be achieved with the least burden on Federal contractors who are in compliance; 3) assisting and encouraging employer self audits; 4) enhancement of voluntary compliance through high-quality compliance assistance, and (5) increasing the monitoring and enforcement of hiring, compensation, promotion, and termination discrimination in the face of increasing specialization and complexity in the workforce. These five strategic elements are realized with program stakeholders through Active Case Management (ACM) and the Functional Affirmative Action Program (FAAP).

The results of these five strategic elements combine to provide program performance metrics and, therefore, measure program success through the program's performance goal. OFCCP's performance goal was formulated over several years of intense program review and analysis. It is an outcome goal fully consistent with Departmental objectives. As a result, the program has progressed from "counting closed cases and complaints" to finding and remedying discrimination. The program continually self assesses progress through the use of outside, independent research and evaluation.

Based upon recommendations of the FY 2002 Program Assessment Rating Tool (PART) report, OFCCP conducted an independent comprehensive evaluation to measure the effectiveness of the OFCCP program activities that showed effectiveness in targeting establishments for review, but

---

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

---

with room for improvement in the selection process. The program is also evaluating the effectiveness of various analytical screening procedures for compensation evaluations. This study attempts to further improve the predictive accuracy of the statistical model that is used to select contractors for review. OFCCP will use this improved model to determine the rate of discrimination among Federal contractor establishments. OFCCP will also use the improved model to determine which establishments to select for evaluations in FY 2007 and FY 2008.

OFCCP's program-related strategies to ensure that Federal contractors achieve equal employment workplaces are shaped by the following trends: 1) the total number of Federal contractors; 2) company acquisitions and mergers; 3) the turnover in the Federal contractor community; and 4) the need to determine contractor jurisdiction efficiently.

In FY 2005, OFCCP implemented the Contracts First (C1) project to produce a contractor selection list that is based on evidence of contracts rather than voluntary self-identification provided by EEO-1 summary data. C1 provides more up to date contract information than the EEO-1 summary data which OFCCP used in the past. Under this new project, jurisdictional status of facilities is determined by OFCCP's National Office so compliance officers in the field can focus their time on conducting evaluations. The jurisdiction team will provide a filtered selection list that is projected to decrease the number of cases closed administratively from 30% to 10%. In FY 2006, the C1 generated a selection list of 1,330 current Federal contractors in addition to the selection list developed from EEO-1 data. Using a more accurate selection list, OFCCP has begun to reduce the number of jurisdictional issues and will enable compliance officers to conduct more evaluations (see Workload Summary table).

---

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

---

<b>WORKLOAD SUMMARY</b>			
	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
	<b>Actual</b>	<b>Target</b>	<b>Target</b>
<b>Performance Goal 3.2(A)</b>			
Reduce Incidence of Discrimination	2%	6%	5%
Increase Compliance with EEO Standards	87%	65%	70%
Total Compliance Evaluations Conducted	3,414	8,000	9,000
Total Complaints Investigated/Resolved	116	280	280
Total Complaints Case Inventory	183	100	100
Compliance Assistance Activity Hours	168,600	100,000	120,000
Compliance Assistance Events	843	500	600
Workers in Establishments Evaluated (in Thousands)	1,805	2,660	3,000
Total Other Compliance Actions	1,715	2,400	2,700
<b>Budget Activity Total</b>	<b>\$81,192</b>	<b>\$81,285</b>	<b>\$84,182</b>

\* The productivity measures can be found in OFCCP performance section.

---

**FEDERAL CONTRACTOR AND EEO STANDARDS ENFORCEMENT**

---

**CHANGES IN FY 2008**  
(Dollars in Thousands)

<b>Activity Changes</b>	
<b>Built-ins:</b>	
To provide for:	
Costs of pay adjustments	\$1,240
Personnel Benefits	336
Employee Health Benefits	109
Two More Days of Pay	374
Federal Employees Compensation Act (FECA)	-19
Travel	22
Transportation of Things	1
GSA Space Rental	176
Communications, utilities, and miscellaneous charges	23
Printing and reproduction	2
Advisory and assistive services	0
Other services	13
Working Capital Fund	353
Homeland Security	22
Purchases of goods/services from other government accts	8
Operation and Maintenance of facilities	0
Operation and Maintenance of equipment	56
Supplies and materials	4
Equipment	11
Insurance Claims and Indemnities	-53
<b>Total Built-in</b>	<b>\$ 2,678</b>
<b>Net Program</b>	<b>\$220</b>
Direct FTE	0

	<b>Estimate</b>	<b>FTE</b>
<b>Base:</b>	\$81,285	625
<b>Program Increases<sup>1/</sup></b>	\$220	0
<b>Program Decreases</b>	0	0

<sup>1/</sup> \$220,000 will restore funds for staff and other inflationary costs that were not provided under the assumed full-year CR level in FY 2007.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**Budget Activity 3: Federal Programs for Workers' Compensation**

**(Dollars in Thousands)**

	FY 2006 Enacted	FY 2007 C.R.	FY 2007 Estimate	Diff FY 06 Enact. FY 07 C.R.	FY 2008 Request	Diff FY 07 C.R./ FY 08 Request
<b><u>SALARIES and EXPENSES TOTAL</u></b>	<b>\$133,815</b>	<b>\$134,327</b>	<b>\$134,327</b>	<b>\$512</b>	<b>\$138,954</b>	<b>\$4,627</b>
Federal Employees' Compensation	\$88,446	\$88,446	\$88,446	\$0	\$93,374	\$4,928
Longshore General	\$10,682	\$10,682	\$10,682	\$0	\$11,104	\$422
<b>GENERAL FUNDS TOTAL</b>	<b>\$99,128</b>	<b>\$99,128</b>	<b>\$99,128</b>	<b>\$0</b>	<b>\$104,478</b>	<b>\$5,350</b>
Longshore Trust	\$2,028	\$2,028	\$2,028	\$0	\$2,111	\$83
Black Lung III	\$32,659	\$33,171	\$33,171	\$512	\$32,365	-\$806
<b><u>FTE Total</u></b>	<b>1,110</b>	<b>1,050</b>	<b>1,050</b>	<b>-60</b>	<b>1,051</b>	<b>1</b>
Federal Employees' Compensation	801	760	760	-41	768	8
Longshore General	93	90	90	-3	90	0
<b>GENERAL FUNDS FTE Total</b>	<b>894</b>	<b>850</b>	<b>850</b>	<b>-44</b>	<b>858</b>	<b>8</b>
Longshore Trust	11	9	9	-2	9	0
Black Lung III	205	191	191	-14	184	-7

**Introduction**

The Office of Workers' Compensation Programs supports achievement of Department of Labor performance goal 4B, "**Reduce the impact of work-related injuries**", by providing wage replacement, medical treatment, and vocational rehabilitation benefits through four disability programs:

- The Federal Employees' Compensation Act (FECA) program provides monetary wage-loss and medical compensation to civilian employees of the Federal Government injured at work, and to certain other designated groups.
- The Longshore and Harbor Workers' Compensation Act program provides similar benefits to injured private sector workers engaged in certain maritime and related employment.
- The Black Lung Benefits program provides monetary and medical benefits to totally disabled miners suffering from coal mine pneumoconiosis stemming from mine employment, and monetary benefits to their dependent survivors.
- OWCP also administers the Energy Employees Occupational Illness Compensation Program Act (EEOICPA) under a separate appropriation. Administrative funding



---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

for this program totals \$161,630,000 and 464 FTE in FY 2008 and is discussed in the Energy Compensation program section of the ESA budget.

OWCP's national office includes the OWCP Director and the directors of each of the four program divisions. In addition, strategic planning, performance monitoring, and budget formulation and execution processes are integrated in the Division of Planning, Policy and Standards. Six OWCP Regional Directors manage and direct the operations of district and field offices nationwide.

**Five-Year Budget Activity History**

<b>Fiscal Year</b>	<b>Salaries &amp; Expenses</b>	<b>FTE</b>
<b>2003</b>	<b>\$130,331,000</b>	<b>1,160</b>
<b>2004</b>	<b>\$130,403,000</b>	<b>1,160</b>
<b>2005</b>	<b>\$131,594,000</b>	<b>1,119</b>
<b>2006</b>	<b>\$133,815,000</b>	<b>1,110</b>
<b>2007</b>	<b>\$134,327,000</b>	<b>1,050</b>

**FY 2008 Request**

OWCP requests Salaries and Expenses funding of \$138,954,000 and 1,051 FTE for the Federal Employees' Compensation, Longshore and Harbor Workers' Compensation, and Black Lung Benefits programs, including funding for inflation increases of \$4,627,000.

Other funding requested for OWCP administration in FY 2008 includes 127 FTE and \$52,280,000 financed in the FECA Special Benefits account using "fairshare" funds for periodic roll management and capital improvements. OWCP also requests \$5,221,000 in the Special Benefits for Coal Mine Workers for administration of Part B of the Black Lung Benefits Act. These funding requests are discussed in greater detail in other sections of the ESA budget.

Total administrative resources for all OWCP (including the EEOICPA) programs at the FY 2008 Agency Request Level are \$358,086,000 and 1,659 FTE. Total compensation and medical benefit obligations are \$4,433,237,000.

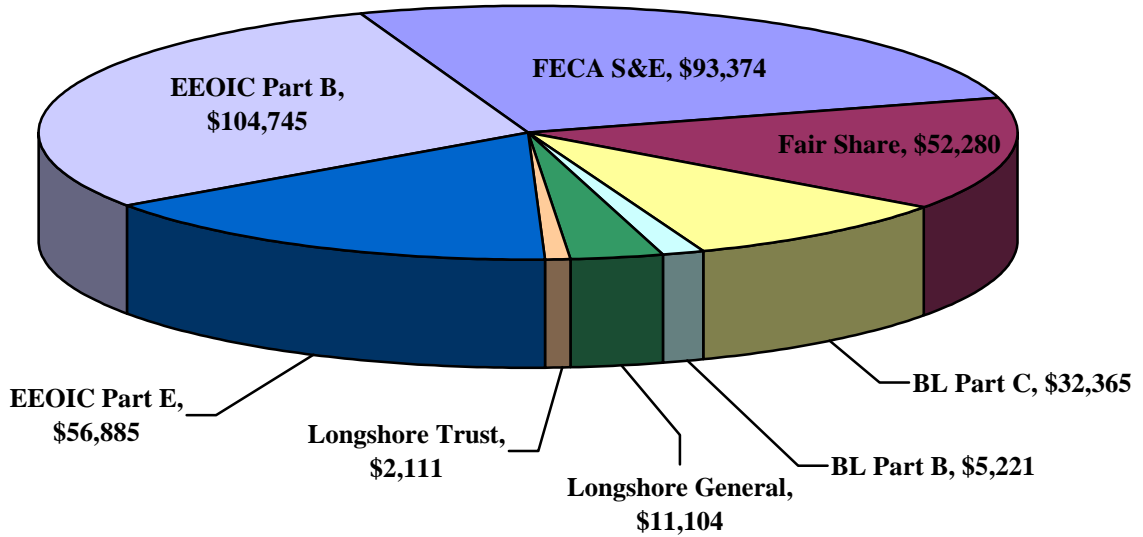
---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

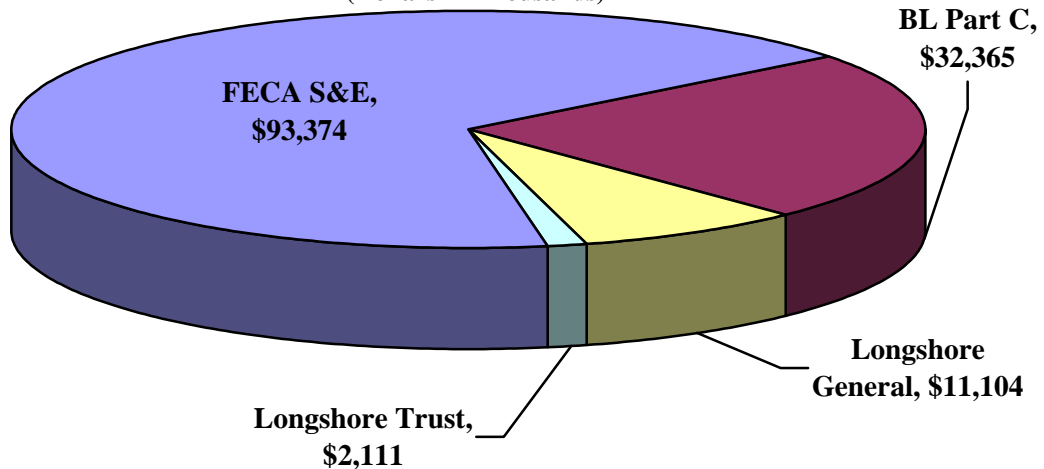
---

**Cost Model**

**FY 2008 Budget Resources by  
Federal Programs for Workers' Compensation  
Total OWCP Administrative Budget Resources \$358,085  
(Dollars in Thousands)**



**FY 2008 Budget Request by  
Federal Programs for Workers' Compensation  
OWCP General Funds Total Request \$138,954  
(Dollars in Thousands)**



### **Issues, Outcomes and Strategies**

OWCP has established a culture of performance, which has served OWCP well in implementing the President's Management agenda. The program's managerial priorities and practices also support the Office of Management and Budget's "Proud to Be" commitments. OWCP utilizes effective management of its production workloads and provides excellent customer service to its claimant populations. OWCP has aligned budget planning with its mission and performance goals and continues to integrate financial performance data into management decision-making; streamlined its organizational structure; actively recruits and develops talented staff; and uses commercial contracts and competitive sourcing to support mission operations.

To stay abreast of program performance, OWCP national and field managers conduct quarterly performance reviews, and develop and implement improvement plans and new strategies as needed. The budget planning and execution processes are always sensitive to meeting production needs. To ensure adequate resource allocations for field office operations, incoming workloads are reviewed. Output and processing objectives are contained in annual plans and personnel performance standards. Financial and performance information is regularly reviewed at each managerial level and results discussed. OWCP is developing a Cost Analysis Manager (CAM) model to measure program cost efficiency, and has developed logic models to correlate program activity investments to outcome performance. These analyses will be used to support future resource allocation decisions and budget requests.

As the Federal government began increasingly to emphasize results-oriented management, OWCP was well positioned to advance from traditional claims processing and benefit payment activities to expand its strategic vision. This vision includes working proactively to achieve better disability case outcomes, adoption of better business practices, advocacy of new roles and levels of participation for employers in injury claims, and expansion of customer services.

Major workload activities in OWCP include: claims adjudication, benefit payment, disability case management, medical bill processing, information services delivery, benefit fund management, and technical assistance to employers. This latter includes assistance to ensure proper compliance with OWCP procedures and requirements including insurance/self-insurance and payment of benefits. Numerous output targets and processing efficiency standards ensure that OWCP operations remain effective in performance of these activities.

OWCP's ten performance measures reflect its results-oriented strategies. Quality Case Management success in FECA is measured as reductions in lost production days (LPD) rates. Communications goals seek to improve customer access to program information and raise service responsiveness and quality levels. Effective mediation of disputes and improved decision quality are measured in the Black Lung and Longshore programs. Financial integrity of the FECA Compensation Fund is the objective of Periodic Roll

---

## *FEDERAL PROGRAMS FOR WORKERS' COMPENSATION*

---

Management reviews and medical benefit cost control. As a new program, Energy Compensation's goals focus on elimination of backlogs and timeliness of case decisions.

Services are being delivered more efficiently and at higher quality levels as a result of acquisition of new technologies, data systems modernization, telecommunications and Web-access upgrades, and development of common architectural solutions. While automation has reduced the difficulty of doing business with the government for OWCP customers, service shortfalls remain for which the program will continue to seek technical solutions.

Economic and workplace trends influence changes in the nature of new injuries and the availability of job opportunities for workers ready to return to duty. OWCP is pursuing strategies to better address these challenges through improvements in Disability Management.

Medical costs continue to push higher as medical technology expands and pharmacology and treatment service utilization increase. Larger than projected medical bill and telephone call volumes and system and process complexities have increased costs for OWCP's Central Bill Processing.

Large per-employee case volumes in FECA continue to challenge the program to adequately service claimants. As business practices have become increasingly automated, customer demands for information and assistance have also become more sophisticated and accelerated, but capabilities remain limited and communications are costly. Also, introduction of new technologies, such as the recent conversion to the iFECs system, produce temporary disruptions in claims production, data entry and record processing.

The Energy Compensation program is challenged to move large inherited backlogs of claims through the complex stages of evidentiary development, adjudication and payment, while still building its management systems, training its staff, and addressing changes and fluctuations in incoming workload. Steady-state processing is not expected to be attained until FY 2008 or later.

Other performance challenges are posed by the potential for greater security threats on American facilities and an increasing volume of War Hazard Act claims. These require additional planning and resource investment in OWCP.

The FECA and Black Lung programs were rated as Moderately Effective under the PART reviews conducted for budget years 2004 and 2005. The Longshore program was rated Adequate in the review for budget year 2007; EEOICPA will receive its first PART evaluation in conjunction with the FY 2009 budget process. An independent evaluation of FECA program effectiveness was completed in March 2004 and a study of the Longshore program in FY 2005; evaluation studies of the Black Lung and Longshore programs will be completed in FY 2007. OWCP also has begun new studies of the FECA, Black Lung, Longshore, and Energy programs and has completed or continues to implement the recommendations of the PART reviews. One initiative is the continuation of the

---

## *FEDERAL PROGRAMS FOR WORKERS' COMPENSATION*

---

Department of Labor's Safety, Health and Return-to-Employment (SHARE) initiative directing Government agencies to reduce Federal injury rates, increase the timeliness of processing of FECA injury reports, and reduce average injury time loss.

The Administration's FY 2008 Budget includes legislative reform of the FECA. The goals of the reform are to improve FECA program management and strengthen program integrity, make the Act more equitable and easier to administer, and ensure that the program does not inadvertently undercut incentives for injured employees to return to work. Specifically, the reform proposes to:

- 1) Convert compensation for new injuries or new claims for disability to a typical retirement benefit at the Social Security retirement age;
- 2) Move the 3-day waiting period during which an injured worker is not entitled to compensation to the point immediately after an injury for all non-Postal workers (P.L. 109-435 implemented this provision for the Postal Service);
- 3) Change the way that schedule awards are paid to allow uniform lump sum payments to Federal employees eligible for such awards;
- 4) Eliminate augmented compensation for dependents but raise the basic benefit level for all claimants;
- 5) Allow OWCP to recover the costs of continuation of pay (COP), a large annual expenditure for Federal agencies, from responsible third parties;
- 6) Increase benefit levels for funeral expenses;
- 7) Increase benefit levels for disfigurement resulting from work injury; and
- 8) Identify unreported work earnings and receipt of FERS retirement benefits through regular database matching with the Social Security Administration.

Estimated savings to the Government over ten years through the enactment of these proposals would be \$608,000,000.

The Administration's FY 2008 Budget also includes proposed legislation to restructure the Black Lung Disability Trust Fund debt. The proposal comprises three principal, inseparable provisions:

- Restructuring of the debt at currently lower Treasury interest rates.
- Extension of the current Trust Fund excise tax rates that are set to expire December 31, 2013, until the year following debt retirement.
- A one-time intergovernmental transfer to the Trust Fund to cover the loss to the Treasury as a result of the restructuring.

Legislation to restructure the debt will be submitted again to Congress jointly by the Department of Labor and Treasury.

## ***FEDERAL PROGRAMS FOR WORKERS' COMPENSATION***

### ***Budget Activity 3A: Division of Federal Employees' Compensation***

#### **Introduction**

The Division of Federal Employees' Compensation (DFEC) directs Federal Employees' Compensation Act (FECA) claims processing operations in 6 regions and 12 district offices. FECA is the exclusive remedy by which Federal employees may obtain compensation from the United States for work-related injury. The Act covers over 2,700,000 civilian Federal employees in more than 70 different agencies, providing benefits to those who sustain an injury or illness in the performance of duty anywhere in the world. Benefits include wage replacement payments and payments for all reasonable and necessary medical treatment as well as training and job placement assistance to help workers return to gainful employment. Injured workers may also be compensated for permanent impairment of limbs and other parts of the body. Survivors are compensated in the event of work-related death.

Approximately 140,000 new injury claims and 20,000 claims for wage loss compensation were filed with the DFEC in FY 2006. Eighty-three percent of new injury claims were for traumatic injuries such as those caused by slips and falls. The rest of the injury claims involve more complex situations in which a medical condition arises because of long-term exposure or exertion. Benefit payments include over \$1,800,000,000 in wage-loss compensation and death benefits and \$668,000,000 in medical benefits to over 260,000 beneficiaries.

The DFEC mission supports the Department of Labor's strategic goal 4, Strengthened Economic Protections, by reducing the consequences of work-related injuries and occupational diseases for workers and their families.

The DFEC mission includes four performance areas: Return to Work, Service to Injured Workers, Fiscal Integrity, and Partnerships with Stakeholders to improve administration of the FECA and better assist injured workers. Strategies aligned with these areas address work injury trends and other issues that affect program administration and injury case outcomes. Performance outcome goals include reduction of lost production days due to workplace injury; compensation cost reduction in long-term cases; containment of medical services costs; and improvement of customer services.

Mission-critical activities funded out of the Salaries and Expenses account include claims adjudication and payment of benefits; disability case management, nurse intervention and vocational rehabilitation; customer services, communications, and information assistance; technical assistance to Federal agencies; and Compensation Fund management and risk mitigation. Fair Share financing from the Special Benefit Fund account provides for operations and maintenance of the Integrated Federal Employees' Compensation System (iFECS); operation of centralized mail intake and centralized medical bill processing; maintenance of DFEC's telecommunications system; and Periodic Roll Management and Medical Bill Review. These investments are aimed at improving services and better managing the expenditure of compensation funds.

**Five-Year Budget Activity History**

<b>Fiscal Year</b>	<b>Salaries &amp; Expenses</b>	<b>FTE</b>
<b>2003</b>	<b>\$86,392,000</b>	<b>839</b>
<b>2004</b>	<b>\$86,260,000</b>	<b>839</b>
<b>2005</b>	<b>\$86,819,000</b>	<b>801</b>
<b>2006</b>	<b>\$88,446,000</b>	<b>801</b>
<b>2007</b>	<b>\$88,446,000</b>	<b>760</b>

**FY 2008**

In FY 2008, the Salaries & Expenses funding request is \$93,374,000 and 768 FTE including inflationary built-in increases over FY 2007 of \$4,928,000. Another \$52,280,000 and 127 FTE are provided for DFEC administration in FECA Fair Share funding which includes \$1,246,000 in inflationary increases. FECA Fair Share funding is discussed in another section of the ESA budget. Total administrative funding for the FECA program is \$145,654,000 and 895 FTE.

The 2008 Budget supports restoration of capacity that was lost under the CR level and will allow an increase in performance levels. In 2008, OWCP will take advantage of new technologies and the improved capabilities of the iFECS system – specifically greater automation of transmission and receipt of claims documentation, data entry and retrieval; claims data is more readily available to DFEC staff, enhancing claims processing and customer service; better assurance of data accuracy and payment controls; and more robust management and performance reporting. Improvement of program effectiveness remains a challenge, particularly to achieve better case management and return-to-work outcomes.

Program strategies in FY 2008 include:

- Review of new Disability Management approaches to revitalize the COP Telephonic Nurse program and expand services to Federal agencies to improve case outcomes and increase return to work;
- Continuing in a lead role for the Safety, Health and Return to Employment (SHARE) initiative to reduce lost production days and increase the average timeliness of Notice of Injury submissions;
- Continuing Periodic Roll Management;
- Continuing to contain medical costs through centralized medical bill processing, fee schedule adjustments, and monitoring of claims;
- Improving quality in claims processing, recognizing that this component along with timely actions and good communication, define good customer service;
- Continuing to emphasize Communications service goals; and Continuing to improve basic business processes, including full leveraging of modernized automated processing through the iFECS system; centralized medical services authorization and medical bill processing; expansion of Electronic Data Interchange (EDI); and increasing use of

---

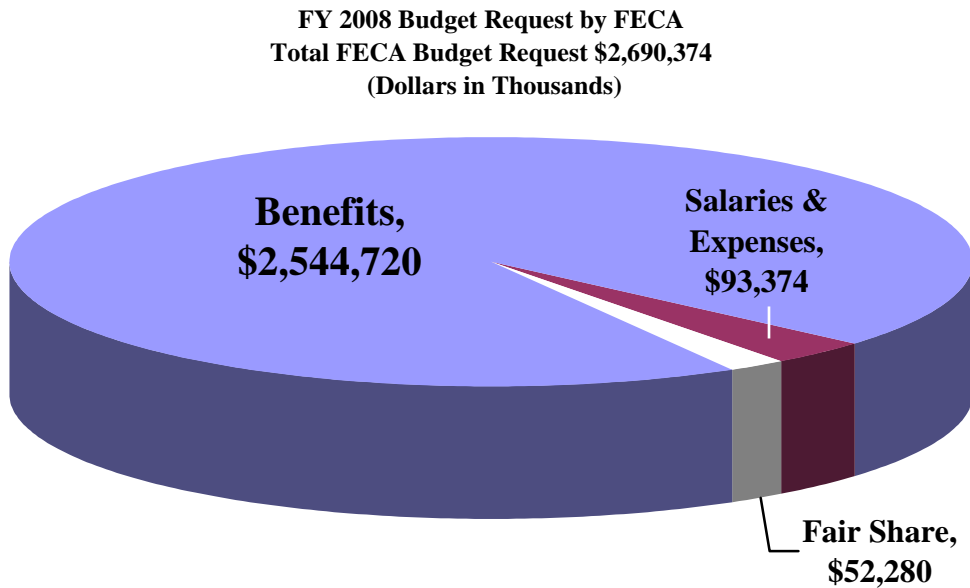
**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

electronic information services. The feasibility of achieving improved efficiency for some functions will be reviewed in conjunction with business process improvement efforts.

**Cost Model**

The total administrative funding request is \$145,654,000, consisting of \$93,374,000 in S&E and \$52,280,000 in Fair Share funding. FECA benefits obligations are estimated at \$2,544,720,000 in FY 2008. The distribution of spending for FY 2008 in the FECA program is illustrated in the following chart.



**FY 2007**

The FY 2007 funding request for the FECA program administration is \$139,480,000 and 887 FTE. Salaries & Expenses (S&E) funding is \$88,446,000, representing no increase from FY 2006. The S&E FTE level is 760 FTE, or 41 FTE (5%) less than the FY 2006 allocation of 801 FTE. FECA Fair Share funding provides \$51,034,000 and 127 FTE of the total.

The first priority for DFEC is to devote sufficient resources for its core mission -- claims adjudication and benefit payment processing activities. The second priority is to adequately support the critical early disability management assistance and return-to-work programs. Adequate investment in these activities make possible the achievement of the majority of FECA's GPRA, President's Management Agenda, and other high-level performance objectives.

The staffing reduction diminishes the prospect of achievement of FY 2007 GPRA performance targets. In addition, as core mission-related activities demand an increasing share of the program's administrative budget, fewer resources will be available to conduct important cost-saving and risk mitigation activities. Operating with fewer staff will also cause disruptions to FECA's initiatives to complete its workload operations and systems processing modernization using the new iFECS system.



---

## **FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

S&E staff is responsible for significant ongoing and labor-intensive claims maintenance, customer assistance, communications, and fiscal operations workloads. Most of this work cannot be deferred and must be attended to in real time, otherwise work backlogs would grow and customer services would be impacted such that workload demands would be compounded.

To mitigate these consequences, DFEC will need to shift maintenance and services work to its Periodic Roll Management units, currently dedicated to review and management of long-term disability cases. As PRM staff take on this work, fewer cases will be reevaluated for recovery from injury and potential for return-to-work. In FY 2006, PRM case reviews produced \$16,073,000 in new compensation benefit savings from adjustment of benefits. DFEC expects those savings to be \$5,000,000 lower in FY 2007. Moreover, these first year savings reduction means higher out-year savings value will also be lost.

### **FY 2006**

For FY 2006, total administrative obligations for the FECA program amounted to \$135,321,000, approximately 5% of total program costs. Administrative costs consisted of \$88,429,000 in Salaries and Expenses and \$46,695,000 in "Fair Share" expenditures out of the FECA Special Benefits account.

DFEC achieved or exceeded targets for each of its five GPRA indicators in FY 2006:

- The Lost Production Days rate (LPD per 100 employees) for U.S. Postal Service cases was 142.5 days, exceeding the target of 146 days; and LPD for all other government cases was reduced from 56.1 days to 52.2 days, exceeding the target of 60 days.
- Through use of Periodic Roll Management, DFEC produced \$16,073,000 in first-year savings, exceeding its target of \$13,000,000.
- The program achieved a rate of increase of 6.3% in per case medical costs in FECA compared to an increase of 8.7% for nationwide health care costs.
- DFEC improved responsiveness to customer assistance by meeting 4 of 5 key Communications targets.

The count of new injuries reported declined in FY 2006 by 7% to approximately 140,000. Initial claims for wage-loss benefits were lower by 8%. Total cases paid declined by approximately 5%. DFEC decided 186,000 initial and recurrence injury cases, conducted 7,400 hearings, and successfully assisted 7,800 workers in returning to work.

OWCP also completed the third year of data collection and performance tracking under the President's Safety, Health and Return-to-Employment (SHARE) initiative. OWCP continued to collaborate with agencies in achieving two of the initiative's four goals: to increase the timely filing of injury notices by at least 5% per year; and to reduce lost production days due to workplace injuries and illnesses by at least 1% per year. Several individual large agencies have made significant progress in achieving their goals. Although results varied among the agencies, overall both the LPD and injury notice filing goals were met.

---

## **FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

The FECA program continued to deploy its new claims adjudication and management system, the integrated Federal Employees' Compensation System (iFECS). Implementation of additional applications yielded improvements to the program that are helping claims examiners become more effective and efficient in case adjudication and management of claims.

The third year of OWCP's centralized medical bill processing services contract achieved even greater improvements in operating efficiencies. DFEC realized a \$54,000,000 reduction in costs charged back to agencies due to further system improvements in the editing of bills.

During FY 2006, the vendor processed 4,844,286 bills and handled 835,741 telephone calls. The vendor enrolled 7,270 new providers in the system, bringing the total of enrolled providers to over 271,000 at the end of the fiscal year. Approximately 99% of bills were being processed within 28 days and authorizations for treatment were processed in an average of 2.9 work days.

### **Issues, Outcomes and Strategies**

DFEC's traditional role has been to provide cash payments to minimize any interruption of income and to cover medical and vocational rehabilitation services to the injured worker. It has done this through efficient, timely and accurate claims adjudication and payment processing.

Because the full impact of injuries on workers extends beyond maintenance of income and coverage for medical bills, DFEC's larger benefit delivery mission extends to disability management (DM) to improve the likelihood of the individual's recovery and return to duty. The keystone DM strategy is FECA's Quality Case Management (QCM), a proactive program of using nurses to coordinate with providers to obtain appropriate medical treatment for newly injured workers and work with employers to facilitate a safe return to work. Early disability management outcomes are expressed as reductions in lost production days and increases in returns-to-work.

Major outcomes of DFEC initiatives can be measured in financial terms since these outcomes reflect the efficiency and quality of benefit payment activities, the impact of case management and services on benefits, and the investment of administrative resources to produce those outcomes. DFEC's emphasis on better injury outcomes produces savings in benefit costs and advances its fiduciary responsibility to Federal employers (who are billed for the cost of their employees' benefits) and taxpayers. For example, the reduction since FY 1996 of 39 days lost from work on average in QCM cases produced over \$42,000,000 in compensation savings for the cases measured in FY 2006 alone. This reduction also served to improve the quality of life of the injured workers involved.

While DFEC has produced a 20% reduction in the length of disability in QCM cases since 1996, it has been difficult to significantly reduce overall Federal agency Lost Production Day rates (total days lost to injury per 100 employees). As supported by recommendations made in the FY 2004 study of the FECA program, DFEC recognizes a need for improved strategies that will expand DM into the Continuation-of-Pay (COP) period and enhance the participation of Federal employers in injury outcomes by providing better assistance and outreach services to the agencies. DFEC is also currently studying its COP Nurse Program. This study is expected to

---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

yield further guidance and recommendations for revamping the DM program. Funding availability will determine FECA's strategy options and the degree to which new approaches can be implemented.

Historically, DFEC has struggled with effectively responding to the millions of telephone calls and information requests generated by claimants, Federal employers, and medical providers. DFEC has reorganized its telephone handling and customer service operation and developed a communications performance goal focused on increasing customer access to information sources, improving responsiveness to callers, and raising the level of call handling quality and information accuracy. Since FY 2003, results have included more than doubling of customers obtaining information from, or submitting documentation through, OWCP automated systems. Average caller wait times have been reduced by 40%. Turnaround time to caller inquiries has been reduced by more than 10%; effectiveness has improved by 30%; and 96% of calls now meet program standards of quality.

As DFEC's new claims, maintenance, disability management, customer service and case maintenance workloads exert continual pressure on resources, DFEC will continue to seek new approaches, which may include centralization and workload shifts to better manage its core activities. The program also seeks to provide better training for staff, employ alternative staff development techniques, and better match staff skills to workloads to improve program effectiveness and work quality.

Technology systems will be used to optimize claims workload distribution, support results analysis and management of resources, maintain fiscal integrity, and provide better services to customers. As the newly implemented iFECS system is fully employed, DFEC will be able to explore business process improvements, such as expansion of Electronic Data Interchange (EDI) claims processing and more robust interface and information exchange with employing agency data systems.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

<b>WORKLOAD SUMMARY</b>			
	<b>2006 Actual</b>	<b>FY 2007 C.R.</b>	<b>FY 2008 Request</b>
<b>Incoming Workload</b>			
Cases Received	139,874	140,000	140,000
Initial Wage-Loss Claims Received	19,819	20,000	20,000
Hearing Requests	6,400	6,400	6,400
Periodic Roll Cases (Long-term disability and Fatal cases)	55,433	55,000	55,000
<b>Output and Performance Measures</b>			
Quality Case Management Lost Production Days per QCM Case	156 days	156 days	156 days
New Rehabilitations and Nurse-assisted Returns-to-Work	7,800	7,050	7,050
Periodic Roll Management (annual new savings)	\$16,073,000	\$8,000,000	\$8,000,000
Communications Services	Met targets for 4 of 5 indicators	Meet targets for 4 of 6 indicators	Meet targets for 5 of 6 indicators
<ul style="list-style-type: none"> <li>• Increase use of electronic services</li> <li>• Increase access to the Claimant Query System 1/</li> <li>• Increase proportion of claims filed via EDI 1/</li> <li>• Reduce/maintain average caller hold times</li> <li>• Reduce/maintain average response times</li> <li>• Increase same-day responses</li> <li>• Increase call handling quality</li> </ul>	4,092,597 -- -- 2.3minutes 2.7 days 75% 96%	-- -- +20% ≤+2% ≤3 minutes 1.25 days 70% 95%	-- -- +40% cum. ≤+4% ≤3 minutes 1.25 days 73% 95%
Process Traumatic Cases (% within 45 days)	93.8	90	90
Process Basic Non-Traumatic Cases 2/			
(% within 90 days)	86.7	85	85
Process Extended Non-Traumatic Cases 3/			
(% within 180 days)	74.2	73	73
(% within 365 days)	95.7	95	95
<b>Budget Activity Total</b>	<b>\$88,446</b>	<b>\$88,446</b>	<b>\$93,374</b>

1/ New for FY 2007.

2/ Basic Non-traumatic cases include less complicated occupation illnesses such as musculoskeletal and respiratory conditions.

3/ Extended Non-traumatic cases include more complicated occupational diseases such as psychosis, hearing loss and cardiac conditions.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

<b>CHANGES IN FY 2008 (Dollars in Thousands)</b>		
<b>Activity Changes</b>		
<b>Built-ins:</b>		
To provide for:		
Costs of pay adjustments		\$1,399
Personnel Benefits		275
Employee Health Benefits		62
Two More Days of Pay		537
Federal Employees Compensation Act (FECA)		-220
Travel		11
Transportation of Things		0
GSA Space Rental		216
Communications, utilities, and miscellaneous charges		24
Printing and reproduction		0
Advisory and assistive services		0
Other services		12
Working Capital Fund		842
Purchases of goods and services from other government accounts		199
Operation and Maintenance of equipment		45
Supplies and materials		16
Equipment		4
Ins. Claims/Ind.		0
<b>Total Built-in</b>		<b>\$3,422</b>
Direct FTE		<b>0</b>
<b>Net Program</b>		<b>\$1,506</b>
Direct FTE		<b>8</b>

<b>Estimate</b>			<b>FTE</b>		
<b>Base:</b>		\$88,446			760
<b>Program Increase</b> <sup>1/</sup>		<b>\$ 1,506</b>			<b>8</b>

<sup>1/</sup> To restore funds for staff and other inflationary costs that were not provided under the assumed full-year CR level in FY 2007.

## **FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

### ***Budget Activity 3B: Division of Longshore and Harbor Workers' Compensation***

#### **Introduction**

The Division of Longshore and Harbor Workers' Compensation (Longshore) implements the Longshore and Harbor Workers' Compensation Act, as amended. Longshore administers a program of income replacement and medical and rehabilitation benefits for individuals who are injured during the course of covered maritime employment or who suffer an occupational disease arising from such employment. Longshore's core mission activities are to provide mediation, adjudicate claims, resolve disputes, oversee benefit delivery by covered employers and insurance carriers, provide technical assistance to all stakeholders, and manage the Special Workers' Compensation Fund for which it has fiduciary responsibility. Longshore also administers injury and occupational disease coverage for non-maritime employees under several extensions of the Act. These include the Defense Base Act (DBA), Outer Continental Shelf Lands Act, Nonappropriated Fund Instrumentalities Act, and the District of Columbia Workmen's Compensation Act (for injuries sustained prior to July 26, 1982). All program full-time equivalents (FTE) and resources support mission critical functions, which in turn support DOL's Performance Goal 4B: "Reduce the consequences of work-related injuries."

The Division currently receives on average 25,000 new lost time injury claims per year and collects assessments for the Special Fund, which provides benefits directly to certain classes of individuals, including bi-weekly recurring benefit payments to over 6,700 beneficiaries. Further, the program annually evaluates and authorizes 800 companies to participate in the fund and maintains over \$2,000,000,000 in securities to ensure the continuing provision of benefits for covered workers in case of employer/carrier insolvency. Program operations are funded from the General Fund. Management of the Special Workers' Compensation Fund is supported by an appropriation from the Fund that is referred to as "Longshore Trust Funds."

#### **Five-Year Budget History**

<b>Fiscal Year</b>	<b>Longshore General</b>		<b>Longshore Trust</b>	
	<b>Funding</b>	<b>FTE</b>	<b>Funding</b>	<b>FTE</b>
<b>2003</b>	<b>\$10,232,000</b>	<b>96</b>	<b>\$1,958,000</b>	<b>11</b>
<b>2004</b>	<b>\$10,490,000</b>	<b>96</b>	<b>\$2,016,000</b>	<b>11</b>
<b>2005</b>	<b>\$10,511,000</b>	<b>93</b>	<b>\$2,012,000</b>	<b>11</b>
<b>2006</b>	<b>\$10,682,000</b>	<b>93</b>	<b>\$2,028,000</b>	<b>11</b>
<b>2007</b>	<b>\$10,682,000</b>	<b>90</b>	<b>\$2,028,000</b>	<b>9</b>

#### **FY 2008**

For FY 2008, the total request for the Longshore program is \$13,215,000 with 99 FTE, of which \$11,104,000 and 90 FTE are funded by the General Fund and \$2,111,000 and 9 FTE for the Longshore Trust Fund. This funding includes an increase over the FY 2007 request of \$505,000 for the cost of inflation. These resources will enable the program to exercise its legislative mandate, accomplish its mission, meet its performance goal, address the significant Defense

---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

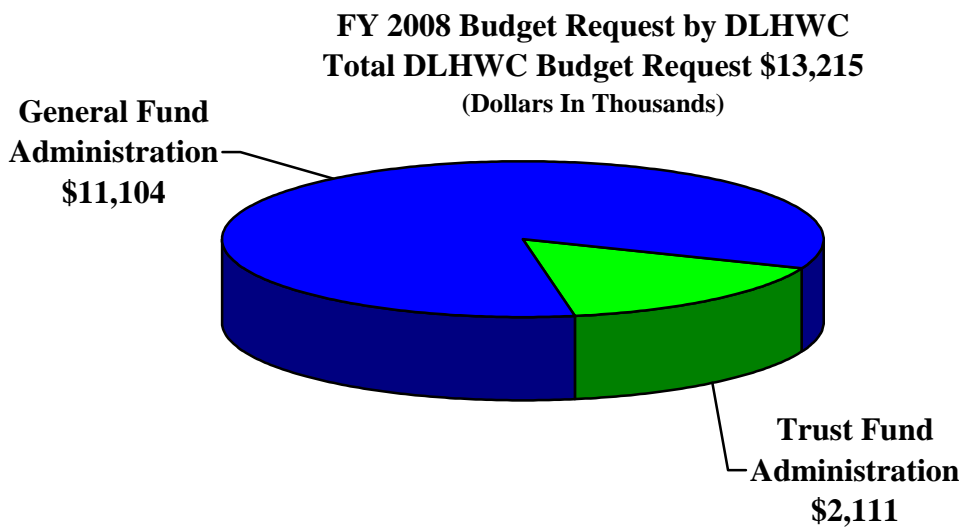
---

Base Act workload, effectively serve its customers and stakeholders, and continue its efficient administration and regulation of the insurance industry.

The Longshore program will continue to address the challenge of fostering cooperation and open communication among parties with claims involving disputed issues. Longshore's efforts are geared toward providing a smoother process and quicker resolutions for all affected parties.

**Cost Model**

The programmatic administrative funding request is \$11,104,000 for Longshore General Funds and \$2,111,000 for the Longshore Trust Fund. The spread of requested funds across cost components is displayed in the chart below:



**FY 2007**

For FY 2007, the total request for the Longshore program is \$12,710,000 with 99 FTE, of which \$10,682,000 and 90 FTE are funded by the General Fund and \$2,028,000 and 9 FTE are funded by the Trust Fund. Longshore will continue to improve the average time required to resolve disputed issues in contested cases in FY 2007. The program will work to increase the ratio of rehabilitation participants who return to work within 60 days of plan completion.

To address Defense Base Act (DBA) claims, resulting from events in Iraq and Afghanistan, Longshore will continue to meet with contracting officers from the leading agencies,

---

## ***FEDERAL PROGRAMS FOR WORKERS' COMPENSATION***

---

including the Department of State, the Defense Department, and the United States Agency for International Development. Additionally, Longshore will continue to organize and conduct seminars to present information to forum participants and industry representatives as needed.

An independent evaluation will be completed in FY 2007, recommending ways to improve the efficiency and effectiveness of the Longshore program. The goal of this evaluation is to assist Longshore in identifying ways or strategies for improvement.

### **FY 2006**

Disputed issues were resolved, on average, in 235 days during FY 2006 exceeding a target of 250 days by six percent. During FY 2006, only 39% of disputed cases required referral to the Office of Administrative Law Judges for formal hearings, a major factor in decreasing overall processing time. Longshore also achieved its new vocational rehabilitation measure by returning to work 51.36% of program participants exceeding the FY 2006 target of 50.18%.

Longshore received 4,998 Defense Base Act cases in FY 2006, a slight increase over the last fiscal year. The overall number of lost time injuries reported in FY 2006 declined by 5.8% when compared to the FY 2005 workload numbers. This is in part attributable to the disruption caused to the industry by Hurricane Katrina.

An independent study was completed in FY 2006 recommending ways to improve the Longshore Case Management System. The goal of this study was to improve information for managers, allow evaluation of program-wide performance, and permit comparison of program performance against other workers' compensation systems nationwide. Longshore is currently pursuing strategies to implement the recommendations resulting from this study.

### **Issues, Outcomes and Strategies**

A major focus for Longshore is on reducing the average amount of time it takes for a disputed claim to be adjudicated, including the time at the Office of Administrative Law Judges (OALJ). Speedier resolutions reduce the cost of claims processing for both the employer and the injured worker. Reaching informal resolutions is a key to achieving this goal. Formal hearing procedures usually add two hundred or more days to the dispute resolution process. The program strives to persuade opposing parties to work together, deliver timely dispute resolution service, and change the culture of the claims community to take a more proactive approach to dispute resolution. When informal compromise is not reached, Longshore works to refer claims to the OALJ for formal hearing procedures as soon as possible to preserve the parties' rights and keep the overall resolution time to a minimum number of days.



---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

In FY 2006, Longshore received 23,537 lost time injuries reports and reduced the average time to resolve disputed issues in contested cases to 235 days. This significant improvement was largely due to the excellent work of the district offices, which resolved 61% of disputes without referral to the OALJ.

Longshore conducts a compliance assistance program for covered employers and insurers to establish proper coverage and regulatory compliance. The Longshore national office and district offices hold DBA seminars and workshops at least annually. These workshops and seminars address industry groups and provide expert guidance and direction in processing or handling this unique group of claims. Longshore also regularly provides technical assistance to the maritime industry union members and officials and maritime workers. The Longshore program staff assists covered workers and their dependents with processing claims and required reports and information, screening, and referrals for medical and vocational rehabilitation services.

To support the Department of Labor's strategic goal of reducing the consequences of work-related injuries, Longshore is pursuing strategies designed to improve service delivery and customer satisfaction with program administration and decision-making. It has elected to measure the success of these strategies in a variety of ways, some focusing on service delivery and others on effective and efficient program administration. In addition, a pilot project is underway to improve the return to work outcome of the vocational rehabilitation program.

Other strategies include an active outreach effort to educate and inform customers about available services, an evolving web presence, better oversight and direction of vocational rehabilitation service providers, a progressive human capital resources plan that includes staff training, recruitment strategies, succession planning, and improved use of mediation skills and other communication tools to help resolve contested cases.

---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

<b>WORKLOAD SUMMARY</b>			
	<b>FY 2006 Actual</b>	<b>FY 2007 Target</b>	<b>FY 2008 Target</b>
Workload A – Number of Claimants	38,035	41,772	42,443
Workload B – Lost Time Injuries Reported	23,537	25,420	25,928
Workload C – Cases Being Compensated	14,498	16,352	16,515
Workload D – Dispute Resolution (Average time required to resolve disputed issues in contested cases)	235 days	248 days	245 days
<b>Budget Activity Total</b>	<b>\$12,667</b>	<b>\$12,710</b>	<b>\$13,215</b>

\*Productivity measures can be found in the Longshore Performance section

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**DIVISION OF LONGSHORE AND HARBOR WORKERS' COMPENSATION TOTAL**

<b>CHANGES IN FY 2008 (Dollars in Thousands)</b>	
<b>Activity Changes</b>	
<b>Built-ins:</b>	
To provide for:	
Costs of pay adjustments	\$223
Personnel Benefits	45
Employee Health Benefits	13
Two More Days of Pay	54
Federal Employees Compensation Act (FECA)	-69
Travel	1
Transportation of Things	0
GSA Space Rental	30
Communications, utilities, and miscellaneous charges	3
Printing and Reproduction	0
Advisory and assistive services	0
Other services	8
Working Capital Fund	94
Purchases of goods and services from other government accounts	31
Operations and Maintenance of equipment	44
Supplies and materials	1
Equipment	0
Ins. Claims/Ind.	0
<b>Total Built-in</b>	<b>\$478</b>
 Net Program	 \$27
Direct FTE	0

	Estimate	FTE
Base:	\$12,710	99
Program Increases <sup>1/</sup>	27	0
Program Decreases	0	0

<sup>1/</sup>\$27,000 will be used to restore funds for staff and other inflationary costs that were not provided under the assumed full-year CR level in FY 2007.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**DIVISION OF LONGSHORE AND HARBOR WORKERS' COMPENSATION  
GENERAL FUND**

**CHANGES IN FY 2008  
(Dollars in Thousands)**

**Activity Changes**

**Built-ins:**

To provide for:	
Costs of pay adjustments	\$204
Personnel Benefits	39
Employee Health Benefits	12
Two More Days of Pay	49
Federal Employees Compensation Act (FECA)	-69
Travel	1
Transportation of Things	0
GSA Space Rental	30
Communications, utilities, and miscellaneous charges	3
Printing and Reproduction	0
Advisory and assistive services	0
Other services	1
Working Capital Fund	94
Purchases of goods and services from other government accounts	25
Operations and Maintenance of equipment	32
Supplies and materials	1
Equipment	0
Ins. Claims/Ind.	0
<b>Total Built-in</b>	<b>\$422</b>

<b>Net Program</b>	<b>\$0</b>
Direct FTE	0

	Estimate	FTE
<b>Base:</b>	<b>\$10,682</b>	<b>90</b>
<b>Program Increases</b>	<b>0</b>	<b>0</b>
<b>Program Decreases</b>	<b>0</b>	<b>0</b>

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**DIVISION OF LONGSHORE AND HARBOR WORKERS' COMPENSATION  
TRUST FUND**

**CHANGES IN FY 2008  
(Dollars in Thousands)**

**Activity Changes**

**Built-ins:**

To provide for:	
Costs of pay adjustments	\$19
Personnel Benefits	6
Employee Health Benefits	1
Two More Days of Pay	5
Federal Employees Compensation Act (FECA)	0
Travel	0
Transportation of Things	0
GSA Space Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and Reproduction	0
Advisory and assistive services	0
Other services	7
Working Capital Fund	0
Purchases of goods and services from other government accounts	6
Operations and Maintenance of equipment	12
Supplies and materials	0
Equipment	0
Ins. Claims/Ind.	0
<b>Total Built-in</b>	<b>\$56</b>

<b>Net Program</b>	<b>\$27</b>
Direct FTE	0

	<b>Estimate</b>	<b>FTE</b>
<b>Base:</b>	<b>\$2,028</b>	<b>9</b>
<b>Program Increases<sup>1/</sup></b>	<b>27</b>	<b>0</b>
<b>Program Decreases</b>	<b>0</b>	<b>0</b>

<sup>1/</sup>\$27,000 will be used to restore funds for staff and other inflationary costs that were not provided under the assumed full-year CR level in FY 2007.

---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

***Budget Activity 3C: Division of Coal Mine Workers' Compensation***

**Introduction**

The Division of Coal Mine Workers' Compensation (DCMWC) draws its mandate from the Coal Mine Safety and Health Act of 1969, as amended, and serves coal industry workers who are totally disabled by pneumoconiosis or black lung as a result of their exposure to coal mine dust, and their survivors. The Division's core mission and budget activities are to adjudicate claims and pay benefits. Its claims examiners and supporting staff process benefit applications and decide cases in nine district offices across the country. In addition, staff members monitor benefit payments and medical treatment provided by self-insured coal mine operators or their insurance carriers. The national office supports the Secretary's fiduciary responsibility for the Black Lung Disability Trust Fund by processing coal mine operator self-insurance requests and making sure that self-insurers post the appropriate amounts to cover potential benefit security liabilities. The Division further supports the Secretary's fiduciary responsibility by working with coal mine operators to encourage voluntary compliance with statutory insurance requirements. Other national office activities include overseeing and managing the program's data and medical bill processing systems and its accounting and debt management functions; coordinating litigation with the Solicitor of Labor (SOL); and providing procedural guidance to field operations.

The Division engages its stakeholders with outreach and educational activities designed to improve the quality of medical evidence submitted with claims for benefits, reinforce the concept of DCMWC as a fair and balanced adjudicator, and foster a better understanding of the claims decisions issued. DCMWC is also aggressively seeking ways to reduce erroneous benefit payments and improve overall program administration.

Historically, the statute divided program administration between the Social Security Administration (Part B) and the Department of Labor (Part C). However, in FY 2002, Congress passed legislation permanently transferring jurisdiction over Part B to the Department of Labor. With the Part B appropriation transferred to the Department on October 1, 2003, all components of program administration were combined resulting in fiscal and operational efficiencies and improved service delivery. Part B funding and activities are discussed in the Special Benefits for Disabled Coal Mine Workers section of the ESA budget.

**Five-Year Budget Activity History**

Black Lung Program Part C Administrative Costs for the Division of Coal Mine Workers' Compensation:

<b>Fiscal Year</b>	<b>Funding</b>	<b>FTE</b>
<b>2003</b>	<b>\$31,632,000</b>	<b>214</b>
<b>2004</b>	<b>\$31,628,000</b>	<b>214</b>
<b>2005</b>	<b>\$32,232,000</b>	<b>214</b>
<b>2006</b>	<b>\$32,659,000</b>	<b>205</b>
<b>2007</b>	<b>\$33,171,000</b>	<b>191</b>

---

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

---

**FY 2008**

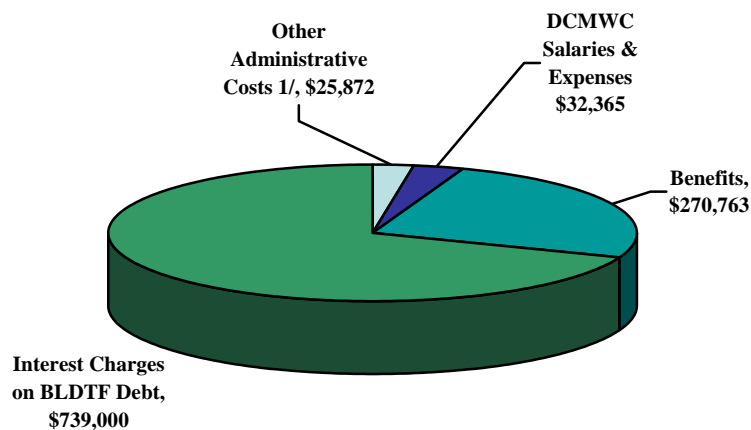
DCMWC requests \$32,365,000 and 184 FTE for Part C Salaries and Expenses to: 1) support core Black Lung program operations in FY 2008; 2) ensure continued compliance with the President's Management Agenda; 3) meet new and evolving financial management, budget and performance integration, and cost accounting requirements; and 4) achieve strategic and operational performance targets. Improved efficiencies of DCMWC's automated systems, along with a reduction in claims workload, will enable the program to reduce staff by 7 FTE from the FY 2007 level and maintain timely service delivery goals and accurate benefit payments.

In FY 2008, DCMWC will pay monthly compensation and ongoing medical treatment benefits to an estimated 32,820 recipients under Part C, and will continue to monitor cash and medical treatment benefits disbursed by coal mine operators in the private sector to approximately 4,900 additional recipients. DCMWC will also process an estimated 4,800 incoming claims. In addition, the Division plans to complete development of a new actuarial model for Part C claims.

**Cost Model**

The 2008 budget requests a total of \$1,068,000,000 for Part C, including: \$32,365,000 and 184 FTE for DCMWC's Salaries and Expenses costs; \$396,000 and 3 FTE for ESA Program Direction and Support (PDS); \$25,476,000 for the administrative costs of the Departmental Management account, the Inspector General, and the Department of Treasury; \$270,763,000 for benefit payments; \$739,000,000 for interest charges on the BLDTF debt; and \$437,000,000 in borrowing authority.

**FY 2008 Budget Request by Black Lung Part C**  
**Total Black Lung Part C Budget Request \$1,068,000**  
**(Dollars in Thousands)**



<sup>1/</sup> Includes amounts transferred to: Departmental Management (\$24,785,000); Office of Inspector General (\$335,000); Treasury (\$356,000); and ESA Program Direction and Support (\$396,000)—Black Lung IV.

---

## ***FEDERAL PROGRAMS FOR WORKERS' COMPENSATION***

---

### **FY 2007**

In FY 2007, DCMWC requested \$33,171,000 and 191 FTE for Part C administration.

In FY 2007, the Division will pay monthly compensation and ongoing medical treatment benefits to an estimated 34,850 recipients under Part C, and will continue to monitor cash and medical treatment benefits disbursed by coal mine operators in the private sector to approximately 5,600 additional recipients. DCMWC will also process an estimated 4,950 claims. Improved efficiencies of DCMWC's automated systems and the declining number of beneficiaries will enable the program to reduce staff by 14 FTE from the FY 2006 level and maintain timely service delivery goals and accurate benefit payments.

In FY 2007, DCMWC also plans to complete migration of the program's current Informix database system to a DB2 database platform, and begin updating the actuarial model for Part C claims.

### **FY 2006**

The enacted funding level for FY 2006 was \$32,659,000 and 205 FTE for DCMWC Part C administration.

In FY 2006, DCMWC paid monthly compensation and ongoing medical treatment benefits to 37,273 recipients under Part C, and monitored cash and medical treatment benefits disbursed by coal mine operators in the private sector to 6,020 additional recipients. DCMWC also processed 4,762 claims.

The Division, continued expanding and enhancing its compliance assistance activities in FY 2006 in two areas. The program performed a comprehensive evaluation of its efforts to reach uninsured operators and focused on increasing voluntary compliance by smaller, uninsured operators with the statutory insurance requirements. The program also expanded its outreach efforts to authorized diagnostic providers to emphasize the need for complete and accurate medical reports that satisfy program requirements and further support understanding and acceptance of initial program adjudication decisions. The Division also strengthened its mandate to ensure proper payment of benefits by tracking payments to representative payees. DCMWC will continue to enhance and improve upon these initiatives in the future.

### **Issues, Outcomes and Strategies**

Although rigorous federal regulations and improved dust suppression technology have combined over the years to reduce the incidence of pneumoconiosis, the Division's services remain essential for those who need them. DCMWC strives to be a premier service organization, viewed by all its stakeholders as a fair and balanced adjudicator that exercises sound case and fiscal management. Its highly trained and experienced professional staff continually seeks to improve the quality of service to their customers. The program has been very successful in meeting management and performance goals through the careful oversight and application of available



---

## *FEDERAL PROGRAMS FOR WORKERS' COMPENSATION*

---

resources. The program will continue to work toward improving the quality and timeliness of its decisions and service delivery and enhancing its financial management tools and oversight.

DCMWC staff expects to continue to meet its annual targets for increasing the percentage of claims for which no request for further action is pending from any party one year after date of filing. Quality and timeliness continue to improve. The FY 2005 move to a common medical bill processing platform provides additional tools for medical bill oversight and control. A baseline cost measure for medical cost containment has been established. DCMWC has identified comparable medical cost measures and will begin comparing its performance against those cost measures beginning with its final cost data at the end of FY 2006.

The Black Lung program has undertaken an effort to convey to stakeholders that our claim decisions are fair, balanced, based on reliable evidence and in accordance with existing law. Using higher-credentialed physicians for diagnostic examinations supports this effort by reinforcing the credibility of initial eligibility decisions. Revisions to the regulations have strengthened initial decisions and made them easier to understand. These strategies will be combined with educational outreach and technical assistance to both customer and provider communities.

Additional FY 2008 strategies include: 1) continued outreach efforts with the authorized diagnostic provider community to emphasize the need for complete and accurate medical reports that satisfy program requirements and further support understanding and acceptance of initial program adjudication decisions; 2) continuing an active compliance assistance program to increase the proportion of smaller, uninsured coal operators who voluntarily comply with legislative insurance requirements; 3) continuing to refine and improve an evolving web presence and e-Government services; 4) supporting automated solutions that improve data access, provide new controls for reducing erroneous payments, and generate administrative efficiencies and economies of scale [ESA - OWCP-Black Lung Automated Support Package](#); 5) continuing to regularly evaluate service delivery timeliness and quality and make appropriate adjustments in workload and resource distribution to ensure timeliness and quality standards are maintained and performance standards are met; 6) continuing to develop program analysis, cost accounting, financial management, and budget and performance integration tools and methodologies that support the President's Management Agenda and satisfy Government accountability and reporting requirements; 7) developing additional ways to utilize program data to enhance management and performance; and 8) continuing to pursue a progressive human capital resources plan that includes staff training, recruitment strategies, key staff relocations and succession planning.

These strategies support key program performance indicators which include three productivity and efficiency measures that track and report on workload outputs per FTE for adjudication and management of claims.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

<b>WORKLOAD SUMMARY</b>			
<b>Part C</b>			
	<b>2006 Actual</b>	<b>2007 Target</b>	<b>FY 2008 Target</b>
<b>Claims Received</b>	4,762	4,950	4,800
<b>Proposed Decisions and Orders (Initial Findings)</b>	4,748	4,500	4,350
<b>Schedules for Submission of Additional Evidence <sup>1/</sup></b>	4,493	4,500	4,350
<b>Beneficiaries</b>			
<b>Trust Fund Beneficiaries</b>	37,273	34,850	32,820
Beneficiaries Paid by Responsible Operators	6,020	5,600	4,900
<b>Budget Activity Total</b>	<b>\$32,642</b>	<b>\$33,171</b>	<b>\$32,365</b>

1/ The Schedule for Submission of Additional Evidence (SSAE) document provides a preliminary analysis of the initial medical evidence considered by the District Office (DO), indicates whether the claimant would be eligible for benefits and identifies the party potentially liable for the payment of benefits. The SSAE also describes what additional evidence may be submitted by the parties and the timeframes for submission.

Productivity measures can be found in Black Lung III performance section.

**FEDERAL PROGRAMS FOR WORKERS' COMPENSATION**

**CHANGES IN FY 2008**  
**Division of Coal Mine Workers' Compensation - Black Lung III**  
**(Dollars in Thousands)**

**Activity Changes**

**Built-ins:**

To provide for:

Costs of pay adjustments	\$324
Personnel Benefits	43
Employee Health Benefits	17
Two More Days of Pay	130
Federal Employees Compensation Act (FECA)	-21
Travel	4
Transportation of Things	0
GSA Space Rental	28
All Other Rental	3
Communications, utilities, and miscellaneous charges	6
Printing and reproduction	1
Advisory and assistive services	0
Other Services	78
Working Capital Fund	0
Purchases of goods and services from other government accounts	31
Operation and Maintenance of equipment	203
Supplies and materials	5
Equipment	1
Reduction in Program Overhead	-1,659
<b>Total Built-in</b>	<b>-\$806</b>
Direct FTE	-7

**Net Program**

    Direct FTE **\$0**  
0

	Estimate	FTE
<b>Base:</b>	\$33,171	191
<b>Program Increase</b>	0	0
<b>Program Decrease</b>	0	0

**OFFICE OF LABOR-MANAGEMENT STANDARDS**

**Budget Activity 4: Office of Labor-Management Standards**

(Dollars in Thousands)						
	FY 2006 Enacted	FY 2007 C. R.	FY 2007 Estimate	Diff FY 06 Enact. FY 07 C. R.	FY 2008 Request	Diff FY 07 C. R. / FY 08 Request
<b>Activity Appropriation</b>	<b>\$45,737</b>	<b>\$45,737</b>	<b>\$45,737</b>	<b>\$0</b>	<b>\$56,888</b>	<b>\$11,151</b>
FTE	384	313	313	-71	369*	56*

\*Of this amount, 43 FTE were funded from restored funds that were not provided under the assumed full-year CR level in FY 2007.

**Introduction**

The Office of Labor-Management Standards (OLMS) ensures union democracy, financial integrity, and transparency under the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA) and related laws. OLMS also certifies fair and equitable protective arrangements for transit employees when Federal funds are used to acquire, improve, or operate a transit system, a responsibility that stems from Federal transit law.

The largest share of OLMS staff and budgetary resources is dedicated to the LMRDA program. LMRDA reporting and public disclosure functions are centralized at the national office through an electronic reporting and Internet public disclosure system. Other critical program activities such as criminal and civil investigations, union audits, and compliance assistance and liaison activities are performed by field-based investigators and auditors. The transit employee protections program is administered through a single unit at the OLMS national office.

OLMS objectives under both the LMRDA and employee protections programs support the Department of Labor goal to strengthen economic protections. Specifically, OLMS activities support DOL Performance Goal 4c: Ensure union financial integrity, democracy, and transparency. To achieve this goal, OLMS seeks to reduce the incidence of fraud in unions; increase compliance with standards for democratic union officer elections; and increase the completeness and accuracy of LMRDA union reports filed for public disclosure. In FY 2008, OLMS plans continuing outreach, compliance assistance, civil and criminal investigations, and a strong program of union audits to support this goal.

**Five-Year Budget Activity History**

Fiscal Year	Funding	FTE
2003	\$34,279,000	297
2004	\$38,580,000	347
2005	\$41,681,000	336
2006	\$45,737,000	384
2007	\$45,737,000	313

**FY 2008**

OLMS requests a total of \$56,888,000 and 369 FTE for FY 2008, which includes an enhancement of \$2,000,000 and 13 FTE for LMRDA compliance. This request also includes a program increase of \$6,669,000 to restore funds for staff and inflationary costs not provided under the assumed full-year Continuing Resolution level for FY 2007. These resources will be used to support the Department of Labor goal to achieve a secure workforce by increasing compliance with worker protection laws, specifically LMRDA union financial integrity, democracy, and reporting standards.

The request will extend LMRDA union democracy and financial protections to a greater number of labor organizations and their members. The requested resources also will be used to support critical LMRDA criminal enforcement responsibilities.

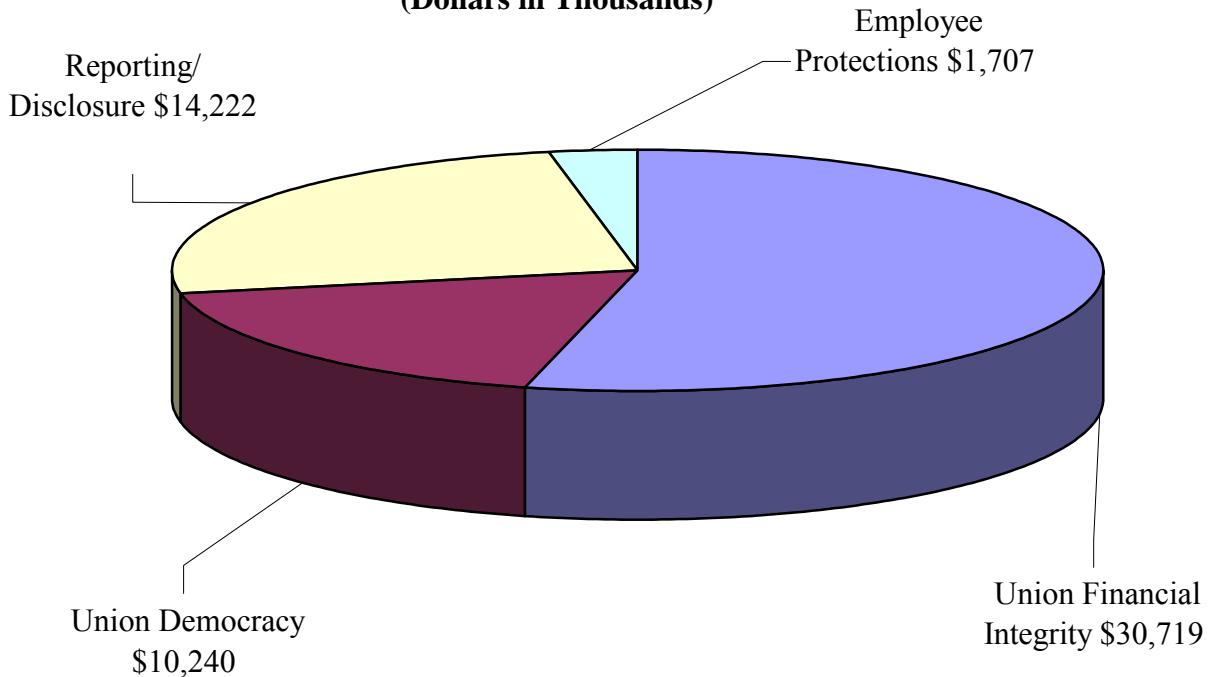
In FY 2008, OLMS plans to continue efforts to re-establish its union audit program to ensure LMRDA compliance and union financial integrity and to perform its criminal enforcement responsibilities. With the enhancement, union compliance audits would increase by 27% to 875 and criminal investigations would increase by 34% to 475. Resources also are needed for planned enforcement initiatives regarding LMRDA special activity report requirements that apply to unions, employers, and others. The LMRDA requires, for example, reports from union officials concerning real or apparent conflicts of interest with regard to union representation responsibilities. Reportable situations are frequently unique, requiring special investigation and analysis to determine whether activities must be reported under the law and whether filed reports meet statutory and regulatory requirements.

OLMS also will continue compliance assistance to safeguard union assets, ensure union transparency and promote union democracy, including a program of union advisory services initiated in FY 2007. These efforts will complement a comprehensive LMRDA enforcement program. LMRDA reporting compliance remains vitally important in providing to union members important public disclosure information needed to ensure union financial integrity and democracy. OLMS will continue efforts to ensure union reporting compliance and plans initiatives to improve compliance with LMRDA provisions requiring special activity reports of union officials, employers, and others.

**Cost Model**

The following chart shows the distribution of costs by program.

**FY 2008 Budget Request by the Office of Labor-Management Standards**  
**Total OLMS Budget Request \$56,888**  
**(Dollars in Thousands)**



**FY 2007**

OLMS assumes under the 2007 CR, it will receive \$45,737,000 to support 313 FTE. In FY 2007, OLMS will continue all core program work to ensure union financial integrity, transparency, and union democracy and will continue to certify transit employee protections.

Liaison and compliance assistance will be emphasized to complement LMRDA enforcement activities to promote union democracy, financial integrity, and transparency. A new program of union advisory services is being implemented to assist those objectives.

OLMS will continue to re-build an effective union audit program. OLMS conducts audits to monitor LMRDA compliance and uncover embezzlements and other criminal and civil violations of the law using streamlined investigative audit procedures under the Compliance Audit Program (CAP) and International Compliance Audit Program (I-CAP).

OLMS will conduct investigations to enforce the criminal provisions of the LMRDA, primarily union funds embezzlement investigations, and refer findings of criminal violations for prosecution. LMRDA reporting compliance continues to be a priority. Compliance assistance in

conjunction with initiation of the new T-1 trust report required of certain union LMRDA filers will be emphasized.

OLMS will conduct civil investigations and compliance assistance to protect union democracy standards, particularly investigations of union officer election complaints filed by union members. OLMS also will supervise new officer elections required to remedy LMRDA violations.

OLMS plans continuing emphasis on LMRDA reporting compliance and public disclosure. OLMS will emphasize the special activity reporting requirements of the LMRDA as well as the union annual financial reporting requirements.

### **FY 2006**

OLMS made progress in re-establishing a union audit program to monitor and promote compliance with the LMRDA. OLMS conducted 737 audits of local unions, compared with 612 in FY 2005, 532 in FY 2004, and 255 in FY 2003. OLMS also conducted 5 compliance audits of international unions. To ensure union financial integrity, OLMS conducted 339 embezzlement investigations. As a result of OLMS criminal case referrals for prosecution, 118 indictments and 130 convictions were obtained in FY 2006. Courts ordered more than \$13,000,000 in restitution to unions as a result of successful prosecutions arising from OLMS investigations.

### **Issues, Outcomes, and Strategies**

OLMS has made significant progress in advancing LMRDA program objectives to increase union transparency and financial integrity. Union compliance with LMRDA reporting standards has markedly improved. In FY 2006, 93% of union reports received met standards of acceptability, a significant increase over the 73% baseline level of acceptability measured in FY 2003. Additionally, OLMS has made good progress in re-establishing an effective union audit program to ensure union financial integrity and LMRDA compliance. The audit program had waned since the mid 1980s with the steady erosion of FTE. Recent enhancements have allowed OLMS to steadily strengthen the union audit program, with the result that LMRDA protections are extended to an increasing number of unions and union members.

In FY 2008, OLMS plans continued emphasis on compliance assistance to safeguard union assets, ensure union transparency and promote union democracy, including a program of union advisory services. These efforts will complement a comprehensive LMRDA enforcement program. Continuing emphasis on the union audit program also is planned to protect union financial integrity and ensure overall compliance with the LMRDA. LMRDA reporting compliance remains vitally important in providing important public disclosure information needed to ensure union financial integrity and democracy. OLMS will continue efforts to ensure union reporting compliance and plans initiatives to improve compliance with LMRDA provisions requiring special activity reports of union officials, employers, and others.

OLMS faces a number of challenges in FY 2008 in working to improve union financial integrity, democracy, and transparency and in meeting enforcement responsibilities under the LMRDA, including: 1) Investigating in an environment of increasingly complex union finances and organizational structures; 2) staying one step ahead of evermore artful embezzlement and

---

**OFFICE OF LABOR-MANAGEMENT STANDARDS**

---

election schemes; and 3) ensuring that new OLMS investigators are adequately trained to contribute effectively to the agency mission

OLMS has established three performance goals to measure program outcomes in FY 2008.

<i><b>Performance Goal</b></i>	<i><b>Measure</b></i>	<i><b>Baseline</b></i>	<i><b>FY 2008 Target</b></i>
Increase union financial integrity	Percentage of unions with indicators of fraud	FY 2004: 9%	7%
Increase union transparency	Percentage of union reports that meet standards of acceptability	FY 2003: 73%	97%
Ensure union democracy	Rate of compliance with LMRDA standards for democratic union officer elections	FY 2006: 92%	93%

OLMS will use a variety of strategies to address these challenges and achieve its goals including: 1) standardized compliance assistance programs to promote LMRDA union democracy, financial integrity, and transparency; 2) outreach to unions to ensure that compliance assistance training opportunities are widely available; 3) union advisory services to review union constitutions for consistency with the LMRDA, ensure required filing of current union constitutions, and monitor compliance with required reporting concerning union procedures and practices; 4) union audits, both random and targeted – including international union audits – to ensure LMRDA compliance and promote union financial integrity; 5) criminal investigations and referrals for prosecution to extend union financial integrity protections to union members; 6) civil investigations of union officer election complaints filed by union members and supervised union officer election reruns to remedy LMRDA violations; 7) continuation of OLMS delinquent and deficient reports programs to secure timely and complete reports from unions and others for public disclosure; 8) expanded use of LMRDA electronic reporting formats to improve reporting acceptability; and 9) operation of the Internet public disclosure site, which will be improved as necessary.

In the spring of 2005, OLMS underwent a PART review and received an overall rating of “Adequate.” Three actions for improvement were noted: developing a performance indicator for union democracy; working to obtain civil monetary penalty authority to assist LMRDA reporting compliance; and conducting an independent review of program processes to identify areas for improvement.

As a result of the PART, in the fall of 2005 OLMS has established a union democracy performance goal. In FY 2006, the agency conducted a baseline study to determine the level of union compliance with LMRDA standards for union officer elections and determined a compliance rate of 92%. Performance targets have been established for future years. The goal for FY 2008 is 93%.



---

**OFFICE OF LABOR-MANAGEMENT STANDARDS**

---

In FY 2008, the Department of Labor will transmit a bill to Congress that will provide OLMS with authority to impose civil money penalties.

As a follow-up to last year's PART review (FY 2007 budget cycle), the agency has acquired contract services to independently assess its administration of key aspects of the reporting and public disclosure provisions of the LMRDA. This review is useful and timely for evaluating recent, significant program enhancements: electronic reporting forms; an electronic filing system; and an Internet-based public disclosure service. The aim of the study is to answer three principal questions: (1) How can OLMS make better use of LMRDA public disclosure data to more effectively administer and enforce the Act? (2) How can OLMS make the public disclosure website more useful to the public? (3) How can OLMS processes be improved to address the chronic problem of late report filing by unions? The assessment was initiated late in FY 2006 and will be completed during FY 2007.

---

**OFFICE OF LABOR-MANAGEMENT STANDARDS**

---

<b>WORKLOAD SUMMARY</b>			
	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
	<b>Actual</b>	<b>Target</b>	<b>Target</b>
<b>Office of Labor-Management Standards</b>			
Criminal Investigations	339	355	475
International Union Compliance Audits	5	5	6
Compliance Audits	737	690	875
Reports Processed	35,602	40,000	40,000
Delinquent Report Investigations	1,948	2,000	2,000
Union Officer-Employee/Employer/ Consultant Report Investigations	41	150	250
Election Investigations	133	140	140
Supervised Elections	33	30	30
Trusteeship Investigations	14	15	15
Basic Investigations	65	100	100
LMRDA Compliance Assistance	800	800	850
Employee Protections Certifications	2,030	2,000	2,000
Claims Arbitrated	2	5	5
<b>Budget Activity Total</b>	<b>\$45,582</b>	<b>\$45,737</b>	<b>\$56,888</b>

\*The productivity measures can be found in the OLMS Performance Section.

**OFFICE OF LABOR-MANAGEMENT STANDARDS**

**CHANGES IN FY 2008  
(Dollars in Thousands)**

**Activity Changes**

**Built-ins:**

To provide for:	
Costs of pay adjustments	\$719
Personnel Benefits	139
Employee Health Benefits	69
Two More Days of Pay	199
Federal Employees Compensation Act (FECA)	-7
Travel	46
Transportation of Things	0
GSA Space Rental	980
Communications, utilities, and miscellaneous charges	9
Printing and reproduction	1
Advisory and assistive services	0
Other services	21
Working Capital Fund	177
Purchases of goods and services from other government accounts	25
Operation and Maintenance of equipment	82
Operation and Maintenance of facilities	0
Supplies and materials	6
Equipment	16
<b>Total Built-in</b>	<b>\$2, 482</b>
<b>Net Program</b>	<b>\$8,669</b>
Direct FTE	+56

	<b>Estimate</b>	<b>FTE</b>
<b>Base:</b>	\$45,737	313
<b>Program Increases 1/</b>	\$8,669	+56
<b>Program Decreases</b>	0	0

<sup>1/</sup> Included in the \$8,669,000 is \$6,669,000 and 43 FTE to restore funds for staff and other inflationary costs that were not provided under the assumed full-year CR level in FY 2007.

**U.S. Department of Labor  
Office of Labor-Management Standards, ESA  
Performance Budget Issue Paper  
LMRDA Union Financial Integrity and Reporting Compliance**

**Applicable Performance Goal:**

Department of Labor Strategic Goal 4: Strengthened Economic Protections - Ensure Union Financial Integrity, Democracy, and Transparency

**Requested Resources**

A total of \$56,888,000 and 369 FTE is requested, an increase of \$2,000,000 and 13 FTE over the assumed FY 2007 Continuing Resolution level.

**Rationale/Strategy and Performance Impact Related to Resource Increase:**

This initiative supports the Department's goal of strengthening economic protections by increasing compliance with worker protection laws, specifically Labor-Management Reporting and Disclosure Act (LMRDA) union financial integrity and reporting standards. The goal will be advanced through both increased outreach and enforcement activities to safeguard the financial integrity of unions that represent the American workforce. Specifically, ESA's Office of Labor-Management Standards (OLMS), will seek to extend LMRDA union democracy and financial protections to a greater number of labor organizations and their members. This will be accomplished through an effective program of union audits, seeking voluntary compliance where appropriate, and through an effective criminal enforcement program.

The agency uses a streamlined audit program to determine compliance with the LMRDA. This audit program was developed in response to a 1978 General Accounting Office (now the Government Accountability Office) report which concluded at that time that the agency was not conducting sufficient on-site union reviews geared toward enforcement of the LMRDA. The audit program has proven effective in outreach efforts, in achieving voluntary compliance with LMRDA standards, and in discovering criminal violations, which are then investigated for referral to Federal prosecutors as warranted. During the period FY 1985-1990, OLMS averaged approximately 930 Compliance Audit Program (CAP) and 15 International Compliance Audit Program (I-CAP) audits annually. This enabled the agency to extend the LMRDA financial integrity protections to a greater number of unions than permitted at subsequent reduced staffing levels. As staff resources declined through the 1990s, the capacity to conduct audits diminished substantially; however with funding increases provided since FY 2004, OLMS has been able to dedicate more resources to union audits. The number of audits increased, from 255 in FY 2003 to 532 in FY 2004, 612 in FY 2005, and 737 in FY 2006. To ensure LMRDA goals of protecting union members' rights and ensuring union financial integrity and transparency, OLMS is continuing efforts to rebuild the audit program and requests additional resources to ensure that program audits can be sustained at an effective level.

The requested resources also will be used to increase capacity for criminal investigations. OLMS conducts union funds embezzlement investigations and refers findings to the U.S. Attorneys for criminal prosecution, as appropriate. During any one year, OLMS refers to the

---

**OFFICE OF LABOR-MANAGEMENT STANDARDS**

---

Department of Justice for prosecution over 150 criminal cases. Many of these cases involve embezzlement or other instances of fraud uncovered during union audits. In FY 2006, courts ordered over \$13,000,000 in restitution to unions as a result of criminal prosecutions arising from OLMS investigations. Vigorous enforcement of financial protections afforded union members is a critical element of the LMRDA program.

The requested resources would also fund planned compliance assistance initiatives and investigations to support compliance with LMRDA special activity report requirements that apply to unions, employers, and others. The LMRDA requires, for example, reports from union officials concerning real or apparent conflicts of interest with regard to union representation responsibilities. OLMS is currently proposing a revision to Union Officer and Employee Report Form LM-30. Agency review conducted in developing the LM-30 revision has indicated that reports are not routinely filed as required by law. Reportable situations are frequently unique, requiring special investigation and analysis to determine whether activities must be reported under the law and whether filed reports meet statutory and regulatory requirements. Outreach and compliance assistance initiatives will be required to secure LMRDA special activity reporting compliance. Additional investigative as well as program policy and regulatory support are needed for these efforts.

**Base Level Funding:**

Base:

Estimate: \$45,737,000

FTE: 313

**Program Performance at Request Level:**

The request level will support planned new initiatives to increase compliance with the LMRDA and provide continuing support for union audits, criminal investigations, and compliance assistance.

Program Increase:

Estimate: \$2,000,000

FTE: +13

---

**OFFICE OF LABOR-MANAGEMENT STANDARDS**

---

**Object Class (\$ in Thousands):**

	<b>Object Class</b>	<b>FY 2008 Request</b>
11.1	Full-time permanent	\$1,083
12.0	Personnel benefits	222
21.0	Travel	181
23.0	Other rental	214
25.7	Operation/Maintenance of Equipment	203
26.0	Supplies	11
31.0	Equipment	86
	TOTAL	\$2,000

**PROGRAM DIRECTION AND SUPPORT**

**Budget Activity 5: Program Direction and Support**

<b>(Dollars in Thousands)</b>						
	<b>FY 2006 Enacted</b>	<b>FY 2007 C. R.</b>	<b>FY 2007 Estimate</b>	<b>Diff FY 06 Enact. FY 07 C. R.</b>	<b>FY 2008 Request</b>	<b>Diff FY 07 C. R./ FY 08 Request</b>
<b>Activity Appropriation</b>	<b>\$17,592<sup>1/</sup></b>	<b>\$17,608<sup>1/</sup></b>	<b>\$17,608<sup>2/</sup></b>	<b>\$16</b>	<b>\$18,031<sup>3/</sup></b>	<b>\$423</b>
FTE	93	93	93	0	93	0

<sup>1/</sup> Includes \$391,000 and 3 FTE in the FY 06 Enacted and the FY 07 C.R. in support of the Black Lung Program.

<sup>2/</sup> Includes \$407,000 and 3 FTE in the FY 07 Estimate in support of the Black Lung Program.

<sup>3/</sup> Includes \$396,000 and 3 FTE in the FY 08 Request in support of the Black Lung Program.

**Introduction**

The Program Direction and Support (PDS) activity includes the Office of the Assistant Secretary and program support offices, including the Office of Management, Administration, and Planning, and the Equal Employment Opportunity and Legislative and Regulatory Analysis units. Together they provide financial, technology, administrative, human resources management, regulatory, and equal employment support to more than 4,000 employees in over 360 locations across the country. The mission of ESA is to enhance the welfare and protect the rights of American workers. Supporting a complex enforcement and benefit delivery agency, the PDS activity is specifically responsible for providing leadership, policy, coordination for budget and performance integration; strategic management of human resources; expanded information technology; improved financial management; and competitive sourcing for the four component program offices within the Employment Standards Administration. PDS is also responsible for ESA's security and emergency management planning, strategic planning, performance reporting, legislative and regulatory analysis, employee safety and health, labor relations, equal employment opportunity enforcement, and general support services to all ESA program components. In support of these services, PDS is requesting \$18,031,000 and 93 FTE (includes \$396,000 and 3 FTE for BL IV).

**Five-Year Budget Activity History**

<b>Fiscal Year</b>	<b>Funding</b>	<b>FTE</b>
<b>2003</b>	<b>\$14,591,000</b>	<b>107</b>
<b>2004</b>	<b>\$15,499,000</b>	<b>107</b>
<b>2005</b>	<b>\$15,635,000</b>	<b>103</b>
<b>2006</b>	<b>\$17,592,000</b>	<b>93</b>
<b>2007</b>	<b>\$17,608,000*</b>	<b>93</b>

\*Based upon the FY 2007 Continuing Resolution.

---

**PROGRAM DIRECTION AND SUPPORT**

---

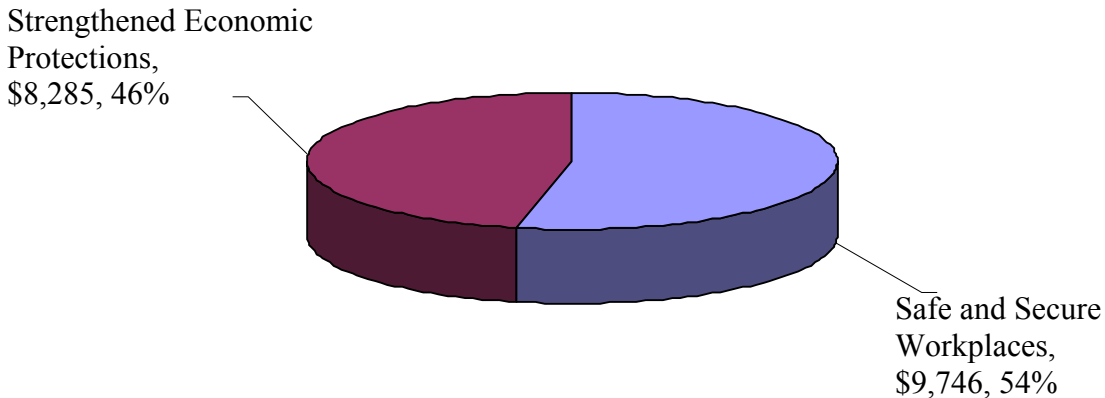
**FY 2008**

PDS requests \$18,031,000 and 93 FTE (includes \$396,000 and 3 FTE for Black Lung IV). These funds are in direct support of ESA program components and their achievement of strategic goals, performance goals, and the President’s Management Agenda (PMA) initiatives including the PART. The funds requested will enable PDS to continue to provide ESA with the level of leadership, management, direction and centralized policy, planning and program support required for attainment of ESA performance goals. Since it is the largest agency in DOL, ESA’s achievement of its goals is key to the overall mission of the Department of Labor. Supporting this request would provide ESA with the necessary funding to complete essential tasks and provide a commendable level of customer service.

**Cost Model**

**DOL Strategic Goals 2, 3, and 4** – PDS resources can be identified and allocated in support of the Department’s goals of *Safe and Secure Workplaces* and *Strengthened Economic Protections* as represented in the following chart.<sup>1</sup>

**FY 2008 Request by Program Direction and Support**  
**Total PDS Budget Request \$18,031**  
**(Dollars in Thousands)**



<sup>1</sup> Allocations are based on ESA programs FY 2008 Request



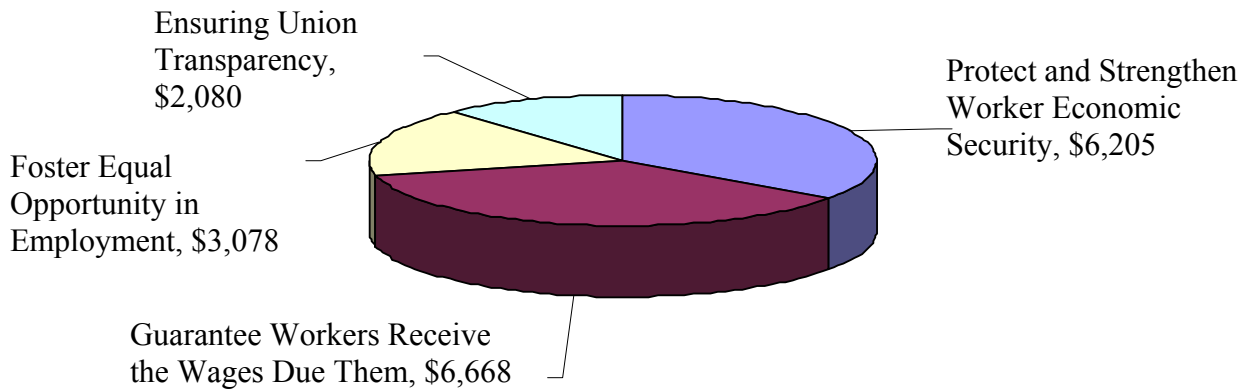
---

**PROGRAM DIRECTION AND SUPPORT**

---

**ESA Performance Goals** – PDS resources are used to provide guidance, leadership, and services to all ESA’s program components as they strive to achieve their individual performance goals. As it represents an administrative activity as opposed to a programmatic activity, PDS resources have been allocated to the ESA performance goals as illustrated in the following chart<sup>2</sup>.

**FY 2008 Request by Program Direction and Support**  
**Total PDS Budget Request \$18,031**  
**(Dollars in Thousands)**



<sup>2</sup> Allocations based on ESA programs FY 2008 Request

**FY 2007**

PDS requests \$17,608,000 and 93 FTE (includes \$407,000 and 3 FTE for Black Lung-IV) that directly support ESA’s program components and their achievement of strategic goals, performance goals, and the President’s Management Agenda (PMA) initiatives, including the PART. The funds requested will enable PDS to continue to provide ESA with the level of leadership, management direction and centralized policy, planning and program support required for attainment of ESA performance goals.

**FY 2006**

Nearly every American worker is impacted by one or more ESA programs. ESA was quite successful during FY 2006 as evidenced by the achievement of over 90% of its performance metrics. PDS support, in critical functional areas including IT infrastructure, financial

---

## **PROGRAM DIRECTION AND SUPPORT**

---

management, and human resource management, contributed significantly to ESA's success in carrying out its mission. Notable achievements during FY 2006 included:

- (1) Successful completion of the competition for a new IT contract that will improve efficiency, support the programs in the completion of their performance objectives, and conserve resources in the out-years;
- (2) Strengthened fiscal accountability and control to more effectively utilize ESA's limited resources;
- (3) A clean unqualified audit opinion for FY 2006;
- (4) Documentation of 90% of standard operating procedures for accounting and budgeting in ESA;
- (5) Successful implementation of HSPD-12 and Personal Identity Verification I and II;
- (6) Strengthened relationships with programs in support of their goals and objectives;
- (7) Implemented the use of Competency Based Questions for recruitment and promotions; and
- (8) Successful implementation of the new A-123 internal control regulations.

### **Issues, Outcomes and Strategies**

PDS provides centralized leadership, policy, coordination and support for all ESA programs in budget and financial management; human resource management; and information technology management. It also performs the same essential leadership role for many other administrative functions and priorities including competitive sourcing, emergency management, strategic planning, performance reporting, legislative and regulatory analysis, employee safety and health, labor relations, and equal employment opportunity enforcement.

There are currently over 40 standing Departmental initiative committees and working groups that require PDS representation in order to ensure ESA input and compliance. PDS has absorbed additional activities and reporting duties, utilizing contract staff where feasible, but is challenged to maintain either contract or Federal staff sufficient to continue to provide these services for ESA.

Since FY 2002, PDS staffing has been reduced by 25 FTE or 22%, a considerable reduction for a small service office. Concurrently from FY 2003 to FY 2005, ESA decreased its IT budget by 25%. Despite these reductions in staff, there has not been a corresponding reduction in duties and responsibilities. Although the reductions were offset to some extent by efficiencies achieved from automating administrative processes and other improvements in operations, further reductions in the administrative area will ultimately result in a decline of PDS' capacity to provide qualitative administrative support not only to ESA's programs but also to the increasing number of Departmental initiatives. Further, ESA will experience an increase in contract costs beginning in FY 2007 due to required re-competition of existing 5-year old contracts, and adjustments to today's market prices for the services being delivered by ESA today.

---

**PROGRAM DIRECTION AND SUPPORT**

---

**CHANGES IN FY 2008**

(Dollars in Thousands)

**Activity Changes**

**Built-ins:**

To provide for:

Costs of pay adjustments	\$201
Personnel Benefits	44
Employee Health Benefits	11
Two More Days of Pay	69
Federal Employees Compensation Act (FECA)	-2
Travel	1
Transportation of Things	0
GSA Space Rental	47
Communications, utilities, and miscellaneous charges	3
Printing and reproduction	0
Advisory and assistive services	6
Other services	11
Working Capital Fund	52
Purchases of goods and services from other government accounts	37
Operation and Maintenance of equipment	17
Supplies and materials	2
Equipment	-65
Ins. Claims/Ind.	0

**Total Built-in** **\$434**

**Net Program** **\$0**

Direct FTE 0

	Estimate	FTE
<b>Base:</b>	<b>\$17,201</b>	<b>90</b>
<b>Program Increases</b>	<b>0</b>	<b>0</b>
<b>Program Decreases</b>		

**PROGRAM DIRECTION AND SUPPORT**

**Black Lung IV (PDS)**

**CHANGES IN FY 2008**

(Dollars in Thousands)

**Activity Changes**

**Built-ins:**

To provide for:		
Costs of pay adjustments		-\$13
Personnel Benefits		0
Employee Health Benefits		0
Two More Days of Pay		3
Federal Employees Compensation Act (FECA)		0
Travel		0
Transportation of Things		0
GSA Space Rental		0
Communications, utilities, and miscellaneous charges		0
Printing and reproduction		0
Advisory and assistive services		0
Other services		0
Working Capital Fund		0
Purchases of goods and services from other government accounts		-1
Operation and Maintenance of equipment		0
Supplies and materials		0
Equipment		0
Ins. Claims/Ind.		0
<b>Total Built-in</b>		<b>-\$11</b>
<b>Net Program</b>		<b>\$0</b>
Direct FTE		0
	<b>Estimate</b>	<b>FTE</b>
<b>Base:</b>	<b>\$407</b>	<b>3</b>
<b>Program Increases</b>	<b>0</b>	<b>0</b>
<b>Program Decreases</b>	<b>0</b>	<b>0</b>