DEPARTMENT OF LABOR

Since 2001, the Administration:

- Strengthened the pension system to ensure that Americans have a secure retirement;
- Posted the strongest-ever worker protection enforcement results;
- Revised outdated regulations in order to better protect workers by strengthening overtime protections and improving the transparency of labor union finances;
- Published the first-ever regulations explaining the reemployment rights and protections for National Guard, Reserve, and active duty servicemembers serving in the War on Terror and elsewhere around the world;
- Removed barriers to the participation of faith-based and community organizations in grant programs; and
- Created programs to bring community and technical colleges, employers, and job-seekers together to prepare workers for high growth jobs. To date, these programs have prepared 51 thousand workers for high-growth jobs.

The President's 2008 Budget:

- Protects workers' safety, health, pay and benefits through strong enforcement of the Nation's labor laws;
- Expands training opportunities to more workers by streamlining the job training system to better prepare workers to compete for 21st Century jobs;
- Safeguards workers' pensions by assuring the long-term solvency of the Federal pension insurance system; and
- Reduces improper Unemployment Insurance payments and Unemployment Insurance tax evasion.

FOCUSING ON THE NATION'S PRIORITIES

Protecting Workers

The President's 2008 Budget builds upon the Department of Labor's (DOL's) successes in advancing worker protections, providing $1.5 billion to ensure that DOL meets its responsibilities under more than 180 worker protection laws. Since 2001, increased productivity in the Department's Employment Standards Administration has resulted in record-level recoveries of back wages, improved employer compliance with wage laws, and increased transparency of union finances.

Ensuring the safety of the Nation's workplaces is a key part of DOL's mission. While workplace fatalities are at historically low levels, more work remains. 2006 was a deadly year in mining, with 47 fatalities in the coal industry—the most since 1995. To address these problems and implement improvements in the MINER Act, the President's Budget includes a $36 million, or 13-percent, increase for the Mine Safety and Health Administration (MSHA) to strengthen enforcement—particularly in the Nation's more than two thousand coal mines. This increase will allow MSHA to retain the 170 additional coal enforcement personnel that were hired with 2006 supplemental funding.

Reforming the Job Training System

The 2008 Budget again proposes job training reforms that will give States more flexibility to deliver workforce services tailored to their unique needs and focus resources on training workers instead of supporting bureaucracy. The reforms will consolidate several similar programs, cut Federal red tape, limit amounts spent on overhead, and create Career Advancement Accounts—worker-directed accounts that give workers the resources necessary to increase their skills and better compete for 21st Century jobs. The President's job training reform proposal would significantly increase the number of workers receiving training while saving taxpayer dollars.

Strengthening the Link Between Training and Jobs in Demand

Over the last several years, the Administration has made the Nation's workforce investment system more responsive to the needs of workers and employers. The 2008 Budget continues these important initiatives. The Budget requests $150 million for Community-Based Job Training Grants, which help community colleges and related organizations expand their capacity to train workers for jobs that are in demand in local economies. Since 2005, the program has provided grants of $250 million—funds that will be used to train an estimated 100,000 workers. Complementing this program is the High Growth Job Training Initiative, which supports partnerships of training providers, employers, and the public workforce investment system that commit to training workers for jobs in high growth industries like biotechnology and health care. Since its inception, the program has trained approximately 51,000 workers, and a total of 128,000 are expected to be trained by 2008.

Safeguarding Worker Pensions

The Pension Benefit Guaranty Corporation (PBGC) protects the defined-benefit pension plans of 44 million Americans against losses that may occur when a plan terminates. When underfunded pension plans terminate, PBGC assumes responsibility for paying the insured benefits. More than 620,000 workers and retirees now receive their benefits from PBGC. The recent termination and anticipated terminations by U.S. businesses of large pension plans have put a strain on the pension insurance system and impose an increasing burden on employers who sponsor healthy pension plans.

In his 2007 Budget, the President proposed comprehensive pension reform to strengthen protections for the pensions upon which American workers rely. The Congress responded by passing, with bipartisan support, the Pension Protection Act. The Act made significant structural reforms to the retirement system, but further premium changes are needed to address the $19 billion gap between PBGC's liabilities and its assets. Although PBGC will be able to pay benefits for some years to come, it is projected to be unable to meet its long-term obligations under current law. If there is not enough money in the system to cover worker benefits, taxpayers are at risk for having to cover the shortfall.

The 2008 Budget reflects the President's continued commitment to restoring the solvency of the pension system by proposing to adjust insurance premiums paid by underfunded pension plans. PBGC premiums are currently far lower than what a private financial institution would charge for insuring the same risk. These reforms would improve PBGC's financial condition and safeguard the future benefits of American workers.

Reducing Improper Unemployment Insurance Benefit Payments and Enhancing Unemployment Tax Integrity

The Unemployment Insurance (UI) program, a joint Federal-State partnership funded through employer payroll taxes, provides monetary benefits to eligible workers who become unemployed through no fault of their own. Despite States' efforts to reduce improper payments, over $3.3 billion in benefits were mistakenly paid in 2006. The Administration proposes a package of legislative changes that would reduce UI improper payments by $4.8 billion and reduce employer tax evasion by almost $400 million over 10 years. The legislative proposal would:

- Impose a penalty for UI benefit overpayments resulting from fraud;
- Enlist private collection agencies in the recovery of fraud overpayments;
- Penalize employers when their repeated inactions lead to overpayments to former employees;
- Collect delinquent benefit overpayments and unemployment taxes through garnishment of Federal income tax refunds;
- Boost States' resources to go after benefit overpayments and UI tax evasion by allowing them to use a portion of recovered funds on fraud and error reduction; and
- Decrease benefit overpayments by providing more accurate date-of-hire information in State and national new hire directories so that States can quickly stop unemployment benefit payments to those people who have gone back to work.

Department of Labor
(In millions of dollars)

	2006 Actual	Estimate 2007	Estimate 2008
Spending			
Discretionary Budget Authority:			
Training and Employment Services: [1]			
Existing law	4,931	5,254	4,155
Legislative proposal	—	—	745
Unemployment Insurance Administration	2,508	2,508	2,561
Employment Service/One-Stop Career Centers: [1]			
Existing law	850	846	778
Legislative proposal	—	—	–745
Community Service Employment for Older Americans	432	432	350
Bureau of Labor Statistics	537	537	574
Occupational Safety and Health Administration	472	472	490
Mine Safety and Health Administration	278	278	313
Employment Standards Administration	411	411	448
Employee Benefits Security Administration	134	134	147
Veterans' Employment and Training	222	223	228
Departmental Management	231	231	252
Bureau of International Labor Affairs	73	73	14
Office of Disability Employment Policy	28	28	19
All other	195	271	240
Total, Discretionary budget authority	11,302	11,697	10,569
Memorandum: Budget authority from enacted supplementals	*167*	—	—
Total, Discretionary outlays	11,902	12,106	11,437
Mandatory Outlays:			
Unemployment Insurance Benefits	31,275	31,994	34,238
Trade Adjustment Assistance	764	837	889
Pension Benefit Guaranty Corporation [2]	–2,618	316	1,115
Black Lung Benefits Program: [3]			
Existing law	1,377	1,371	1,344
Legislative proposal	—	—	2,315
Federal Employees' Compensation Act:			
Existing law	68	196	93
Legislative proposal	—	—	–9
Energy Employees Occupational Illness Compensation Program Act	1,017	1,112	1,368

Department of Labor—Continued

(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
H–1B Training and Foreign Labor Certification Administration:			
Existing law	66	177	157
Legislative proposal	—	—	65
All other	–684	–661	–708
Total, Mandatory outlays	31,265	35,342	40,867
Total, Outlays	43,167	47,448	52,304
Credit activity			
Direct Loan Disbursements:			
Pension Benefit Guaranty Corporation	87	93	93
Total, Direct loan disbursements	87	93	93

[1] 2008 reflects the Administration's proposal to merge four grant programs and create Career Advancement Accounts.

[2] Net mandatory outlays are negative when offsetting collections exceed outlays. The Budget proposal to increase premiums for unfunded pension plans would have no outlay effects until 2009.

[3] 2008 reflects the Black Lung debt refinancing, which includes a one-time payment to Treasury. There is no Government-wide budgetary effect until 2014, when the excise tax rates would be extended.

43.0	Interest and dividends	3	3	3
94.0	ETA-PA and BLS	159	159	173
94.0	Veterans employment and training	193	193	197
94.0	Payments to States for administrative expenses	3,275	3,234	3,261
94.0	Departmental management	6	6	6
99.0	Direct obligations	34,898	35,586	37,875
99.9	Total new obligations	34,898	35,586	37,875

Unemployment Trust Fund

(Legislative proposal, not subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 20–8042–2–7–999		2006 actual	2007 est.	2008 est.
	Obligations by program activity:			
00.03	State administrative expenses			−685
10.00	Total new obligations (object class 94.0)			−685
	Budgetary resources available for obligation:			
22.00	New budget authority (gross)			−685
23.95	Total new obligations			685
24.40	Unobligated balance carried forward, end of year			
	New budget authority (gross), detail:			
	Discretionary:			
40.26	Appropriation (trust fund)			−685
	Change in obligated balances:			
73.10	Total new obligations			−685
73.20	Total outlays (gross)			145
74.40	Obligated balance, end of year			−540
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority			−145
	Net budget authority and outlays:			
89.00	Budget authority			−685
90.00	Outlays			−145

Legislation will be proposed in 2007 to reform the Workforce Investment Act (WIA). The legislation would increase State flexibility to administer the programs, require that a greater percentage of resources be directed to training services for workers instead of administrative overhead, increase individual choice by offering "Career Advancement Accounts," and streamline the performance accountability system. The proposal would consolidate the Adult, Dislocated Worker, Youth Activities, Work Opportunity Tax Credit, labor market information, and Employment Service State grants into a single State grant to facilitate coordination and eliminate duplication in the provision of services. The new consolidated grant will be shown in the Training and Employment Services account.

EMPLOYEE BENEFITS SECURITY ADMINISTRATION

Federal Funds

Salaries and Expenses

For necessary expenses for the Employee Benefits Security Administration, $147,425,000.

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.

Program and Financing (in millions of dollars)

Identification code 16–1700–0–1–601		2006 actual	2007 est.	2008 est.
	Obligations by program activity:			
00.01	Enforcement and participant assistance	112	112	123
00.02	Policy and compliance assistance	17	17	18
00.03	Executive leadership, program oversight and administration	5	5	6
09.01	Reimbursable program	11	17	21
10.00	Total new obligations	145	151	168
	Budgetary resources available for obligation:			
22.00	New budget authority (gross)	145	151	168
23.95	Total new obligations	−145	−151	−168
	New budget authority (gross), detail:			
	Discretionary:			
40.00	Appropriation	135	134	147
40.35	Appropriation permanently reduced	−1		
43.00	Appropriation (total discretionary)	134	134	147
58.00	Spending authority from offsetting collections: Offsetting collections (cash)	11	17	21
70.00	Total new budget authority (gross)	145	151	168
	Change in obligated balances:			
72.40	Obligated balance, start of year	49	44	46
73.10	Total new obligations	145	151	168
73.20	Total outlays (gross)	−148	−149	−165
73.40	Adjustments in expired accounts (net)	−2		
74.40	Obligated balance, end of year	44	46	49
	Outlays (gross), detail:			
86.90	Outlays from new discretionary authority	109	115	129
86.93	Outlays from discretionary balances	39	34	36
87.00	Total outlays (gross)	148	149	165
	Offsets:			
	Against gross budget authority and outlays:			
88.00	Offsetting collections (cash) from: Federal sources collected	−11	−17	−21
	Net budget authority and outlays:			
89.00	Budget authority	134	134	147
90.00	Outlays	137	132	144

Enforcement and participant assistance.—Conducts criminal and civil investigations and performs reviews to ensure compliance with the fiduciary provisions of the Employee Retirement Income Security Act (ERISA) and the Federal Employees' Retirement System Act. Provides information and assistance to benefit plan participants and to the general public. Assures compliance with applicable reporting requirements, as well as accounting, auditing and actuarial standards. Supplies required reports to the public.

	2006 actual	2007 estimate	2008 estimate
Plan reviews conducted	3,762	4,000	4,000
Investigations conducted	3,411	3,964	3,964
Investigations closed that restored or protected assets	2,534	2,392	2,510
Benefit recoveries from customer assistance	$130,795,000	$68,000,000	$68,000,000
Inquiries received	164,863	171,000	171,000

Policy and compliance assistance.—Conducts policy, research, and legislative analyses on pension, health, and other employee benefit issues. Provides compliance assistance especially to employers and plan officials. Writes regulations and interpretations. Issues individual and class exemptions from regulations.

	2006 actual	2007 est.	2008 est.
Exemptions, determinations, interpretations, and regulations issued	1,969	2,349	2,379
Average days to process exemption requests	174	182	165

Executive leadership, program oversight, and administration.—Provides leadership, policy direction, strategic planning, and administrative guidance in the management of employee benefit programs. Provides analytical and administrative support for financial and human capital management and other administrative functions related to coordination and implementation of government-wide management initiatives.

SALARIES AND EXPENSES—Continued

Manages the technical program training for the agency's enforcement, policy, legislative and regulatory functions.

Object Classification (in millions of dollars)

Identification code 16–1700–0–1–601		2006 actual	2007 est.	2008 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	68	70	72
12.1	Civilian personnel benefits	18	17	18
21.0	Travel and transportation of persons	3	3	3
23.1	Rental payments to GSA	8	9	9
23.3	Communications, utilities, and miscellaneous charges	1	1	1
24.0	Printing and reproduction	1	1	1
25.2	Other services	4	3	4
25.3	Other purchases of goods and services from Government accounts	12	12	13
25.5	Research and development contracts	2	1	1
25.7	Operation and maintenance of equipment	14	15	23
26.0	Supplies and materials	1	1	1
31.0	Equipment	2	1	1
99.0	Direct obligations	134	134	147
99.0	Reimbursable obligations	11	17	21
99.9	Total new obligations	145	151	168

Employment Summary

Identification code 16–1700–0–1–601		2006 actual	2007 est.	2008 est.
	Direct:			
1001	Civilian full-time equivalent employment	840	855	855

PENSION BENEFIT GUARANTY CORPORATION

Federal Funds

PENSION BENEFIT GUARANTY CORPORATION FUND

The Pension Benefit Guaranty Corporation is authorized to make such expenditures, including financial assistance authorized by section 104 of Public Law 96–364, within limits of funds and borrowing authority available to such Corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended (31 U.S.C. 9104), as may be necessary in carrying out the program, including associated administrative expenses, through September 30, 2008 for such Corporation: Provided, That none of the funds available to the Corporation for fiscal year 2008 shall be available for obligations for administrative expenses in excess of $411,151,000: Provided further, That to the extent that the number of new plan participants in plans terminated by the Corporation exceeds 100,000 in fiscal year 2008, an amount not to exceed an additional $9,200,000 shall be available for obligation for administrative expenses for every 20,000 additional terminated participants: Provided further, That an additional $50,000 shall be made available for obligation for investment management fees for every $25,000,000 in assets received by the Corporation as a result of new plan terminations, after approval by OMB and notification of the Committees on Appropriations of the House of Representatives and the Senate.

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.

Program and Financing (in millions of dollars)

Identification code 16–4204–0–3–601		2006 actual	2007 est.	2008 est.
	Obligations by program activity:			
09.01	Single-employer benefit payment	3,999	4,302	4,831
09.02	Multi-employer financial assistance	70	93	106
09.03	Pension insurance activities	65	78	70
09.04	Pension plan termination	189	196	206
09.05	Operational support	115	128	136
10.00	Total new obligations	4,438	4,797	5,349
	Budgetary resources available for obligation:			
21.40	Unobligated balance carried forward, start of year	12,343	14,967	14,651
22.00	Budget authority from offsetting collections	7,062	4,481	4,233
23.90	Total budgetary resources available for obligation	19,405	19,448	18,884
23.95	Total new obligations	−4,438	−4,797	−5,349
24.40	Unobligated balance carried forward, end of year	14,967	14,651	13,535
	New budget authority (gross), detail:			
	Mandatory:			
69.00	Spending authority from offsetting collections: Offsetting collections (cash)	7,062	4,481	4,233
	Change in obligated balances:			
72.40	Obligated balance, start of year	126	120	120
73.10	Total new obligations	4,438	4,797	5,349
73.20	Total outlays (gross)	−4,444	−4,797	−5,348
74.40	Obligated balance, end of year	120	120	121
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	4,180	4,430	3,933
86.98	Outlays from mandatory balances	264	367	1,415
87.00	Total outlays (gross)	4,444	4,797	5,348
	Offsets:			
	Against gross budget authority and outlays:			
	Offsetting collections (cash) from:			
88.20	Interest on Federal securities	−3,902	−725	−691
88.40	Premium receipts fixed	−1,652	−1,172	−1,249
88.40	Premium receipts variable	....	−564	−121
88.40	Benefit payment reimbursements	−1,128	−1,618	−1,760
88.40	Reimbursements from trust funds for services related to terminations	−380	−402	−412
88.90	Total, offsetting collections (cash)	−7,062	−4,481	−4,233
	Net budget authority and outlays:			
89.00	Budget authority	....	....	....
90.00	Outlays	−2,618	316	1,115
	Memorandum (non-add) entries:			
92.01	Total investments, start of year: Federal securities: Par value	12,997	36,635	14,672
92.02	Total investments, end of year: Federal securities: Par value	36,635	14,672	13,557

Status of Direct Loans (in millions of dollars)

Identification code 16–4204–0–3–601		2006 actual	2007 est.	2008 est.
	Cumulative balance of direct loans outstanding:			
1231	Disbursements: Direct loan disbursements	87	93	93
1263	Write-offs for default: Direct loans	−87	−93	−93
1290	Outstanding, end of year	....	....	....

This wholly owned government corporation administers mandatory insurance programs to prevent loss of pension benefits under covered private, defined-benefit pension plans if single-employer plans terminate or if multiemployer plans are unable to pay benefits.

Single employer benefit payment.—The single-employer program protects about 34.2 million participants in about 28,800 pension plans. Under this program, a company may voluntarily seek to terminate its plan, or PBGC may seek termination under certain circumstances. The PBGC must seek termination when a plan cannot pay current benefits.

In a "standard" termination, plan assets must be sufficient to pay all benefits before the plan is allowed to end. That payment is in the form of an annuity purchased from an insurance company or a lump sum payment. After the payment is made, the PBGC guarantee ends. A plan that cannot pay all benefits may be ended by a "distress" termination, but only if the employer meets tests proving severe financial distress, for example, the likelihood that continuing the plan would force the company to shut down. If the terminated plan cannot pay at least the PBGC-guaranteed benefits, the PBGC uses its funds to ensure guaranteed benefits are paid.

	2006 actual	2007 est.	2008 est.
Government trusteeships at end of year	3,595	3,735	3,875
Participants in government trusteeships owed benefits	1,193,000	1,293,000	1,393,000
Retirees receiving monthly benefits	682,820	731,820	780,820

Multi-employer financial assistance.—The multiemployer insurance program protects about 9.9 million participants in about 1,600 plans. Multiemployer pension plans are maintained under collectively bargained agreements involving unrelated employers, generally in the same industry. If a PBGC-insured multiemployer plan is unable to pay guaranteed benefits when due, the PBGC will provide the plan with financial assistance to continue paying guaranteed benefits, ordinarily in the form of a loan to the plan.

Pension insurance activities.—Includes premium collections, premium investments, pre-trusteeship work, and pension insurance program protection activities.

Pension plan termination.—Includes all activities related to trusteeship; plan asset management, investment and accounting; and benefit administration services.

Operational support.—Includes the administrative, information technology infrastructure, and other shared program support for both PBGC's insurance and plan termination activities.

	2006 actual	2007 est.	2008 est.
Plans terminated during the year:			
With sufficient assets	1248	1000	1000
Without sufficient assets	86	140	140
Average time between trusteeship and issuance of final benefit levels	2.4 yrs	2.5 yrs	2.5 yrs

Financing.—The primary source of financing is annual premiums paid by sponsors of ongoing covered plans, which vary according to the plans' funding level. Other sources of financing include assets from terminated plans, investment income, and amounts due PBGC from the sponsors of terminating plans. Also, PBGC is authorized to borrow up to $100 million from the U. S. Treasury.

Operating results.—The following tables show the status of PBGC's trust funds and PBGC's operating results.

Legislation will be proposed in 2008 to adjust the insurance premiums that underfunded pension plans pay to PBGC. The Administration will propose to authorize PBGC's Board of Directors to set the variable premium rate, and extend the variable rate premium to a plans non-vested as well as its vested liabilities. These reforms will improve PBGCs financial condition and safeguard the future benefits of American workers.

Balance Sheet (in millions of dollars)

Identification code 16–4204–0–3–601		2005 actual	2006 actual
	ASSETS:		
	Federal assets:		
	Investments in US securities:		
1102	Treasury securities, par	12,370	14,988
1102	Treasury securities, unamortized discount (–)/premium (+)	3,615	180
1106	Receivables, net	183	54
1206	Non-Federal assets: Receivables, net	498	375
1601	Direct loans, gross	84	154
1603	Allowance for estimated uncollectible loans and interest (–)	–84	–154
1699	Value of assets related to direct loans	....	....
	Other Federal assets:		
1801	Cash and other monetary assets	176	20
1803	Property, plant and equipment, net	27	38
1901	Other assets	....	15
1999	Total assets	16,869	15,670
	LIABILITIES:		
	Non-Federal liabilities:		
2201	Accounts payable	275	403
2206	Pension and other actuarial liabilities	39,705	34,149
2999	Total liabilities	39,980	34,552
	NET POSITION:		
3300	Cumulative results of operations	–23,111	–18,882
3999	Total net position	–23,111	–18,882
4999	Total liabilities and net position	16,869	15,670

Object Classification (in millions of dollars)

Identification code 16–4204–0–3–601		2006 actual	2007 est.	2008 est.
	Reimbursable obligations:			
	Personnel compensation:			
11.1	Full-time permanent	72	77	81
11.3	Other than full-time permanent	2	2	2
11.5	Other personnel compensation	2	3	2
11.9	Total personnel compensation	76	82	85
12.1	Civilian personnel benefits	18	21	20
21.0	Travel and transportation of persons	2	2	2
23.2	Rental payments to others	19	21	23
23.3	Communications, utilities, and miscellaneous charges	6	6	7
24.0	Printing and reproduction	....	1	2
25.2	Other services	231	257	255
25.3	Other purchases of goods and services from Government accounts	3	2	4
26.0	Supplies and materials	2	3	4
31.0	Equipment	12	7	10
33.0	Investments and loans	70	93	106
42.0	Insurance claims and indemnities	3,999	4,302	4,831
99.0	Reimbursable obligations	4,438	4,797	5,349
99.9	Total new obligations	4,438	4,797	5,349

Employment Summary

Identification code 16–4204–0–3–601		2006 actual	2007 est.	2008 est.
	Reimbursable:			
2001	Civilian full-time equivalent employment	811	870	870

EMPLOYMENT STANDARDS ADMINISTRATION

Federal Funds

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 permanently cancelled.

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.

Program and Financing (in millions of dollars)

Identification code 16–0105–0–1–505		2006 actual	2007 est.	2008 est.
	Obligations by program activity:			
00.01	Enforcement of wage and hour standards	169	170	187
00.02	Federal contractor EEO standards enforcement	81	81	84
00.03	Federal programs for workers' compensation	134	135	138
00.04	Program direction and support	17	17	18
00.05	Labor-management standards	46	46	57
09.01	Reimbursable program	3	3	3
10.00	Total new obligations	450	452	487
	Budgetary resources available for obligation:			
21.40	Unobligated balance carried forward, start of year	28	68	95
22.00	New budget authority (gross)	491	479	465
23.90	Total budgetary resources available for obligation	519	547	560
23.95	Total new obligations	–450	–452	–487

At the end of September 2006, the DIF reserve ratio (ratio of insurance reserves to insured deposits) stood at 1.22 percent—$1.2 billion below the level that would meet the target reserve ratio. Under new authority provided by the passage of the Deposit Insurance Reform Act, the FDIC Board voted to establish a new set of premiums for the industry to recapitalize the DIF. The new premiums range from a minimum of five basis points (five cents per $100 of assessable deposits) up to as high as 43 basis points based on the assessed risk of an institution. The Deposit Insurance Reform Act of 2005 provided depository institutions that had paid deposit insurance premiums prior to 1996 (the last year the FDIC collected premiums) with $4.7 billion in credits toward premiums, most of which will likely be used by 2009. Taking these credits into consideration, the FDIC is expected to collect approximately $1.5 billion in new revenue during fiscal 2007 and 2008 combined.

The National Credit Union Share Insurance Fund (NCUSIF), the Federal fund for credit unions that is analogous to the DIF for banks and thrifts, ended fiscal year 2006 with assets of $6.7 billion and an equity ratio of 1.29 percent, approaching the NCUA-set target ratio of 1.30 percent. Over the past five years, the NCUSIF's equity ratio has gradually risen from about 1.27 percent, reflecting strong performance (and therefore few losses due to failures) in the credit union industry.

Current Regulatory Issues

A number of major regulatory initiatives are currently underway in the banking sector, which are likely to have a significant impact on the banking sector as a whole and, by extension, on the Federal deposit insurance system. For example, the Federal banking regulators (the Federal Reserve, FDIC, OCC and OTS) continue to work on a rulemaking that would implement the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" ("Basel II").

Since equity capital serves as a cushion against potential losses, banks with riskier asset portfolios should hold more equity capital. The original Basel Capital Accord (Basel I) adopted in 1989 is an international accord among financial regulators establishing a uniform capital standard for banks across nations. Under Basel I, bank assets are grouped into a small number of broad risk categories. A bank's regulatory capital requirement is tied to the amount of its asset holdings in each risk category.

During 2006, the Federal banking regulators proposed two separate but related rulemakings to implement the Revised Basel Capital Accord: the "Basel II" framework and an intermediate "Basel 1A" framework.

In the proposed Basel II rule, U.S. regulators are considering requiring the ten or so largest banks (including those that have major international operations, complex financial structures and expertise) to use an advanced internal ratings-based approach to calculate their credit risk capital requirements. The Basel II rulemaking would allow for greater sensitivity to risk in the portfolios banks hold. Rather than grouping assets into broad risk categories, capital requirements would be tied to banks' internal assessments of the likelihood and severity of default losses from the assets they hold. The rules are also intended to allow capital requirements to more accurately account for the benefits or risk-mitigation activities undertaken by banks. The rulemaking would also require banks to hold capital to cover operational risk, which is not covered under the existing (Basel I) requirements.

Implementation of the Basel II standard in Europe is scheduled to begin during 2007, more than a year before U.S. implementation would likely begin, and this delay has led to concerns about a competitive imbalance between U.S. and foreign banks. There are also concerns about competitive imbalance between U.S. banks, and for that reason, banks other than the ten largest U.S. banks would be able to choose between adopting the "Basel II" standard, the current "Basel I" system, and an alternative "Basel 1A" standard.

The "Basel 1A" standard is intended to be more risk-sensitive than Basel I, but easier to implement than Basel II. The "Basel 1A" standard would provide additional risk-sensitivity through use of external credit ratings, and internal risk measures for some types of assets (i.e., loan-to-value ratios for mortgages). This new standard would allow banks to potentially lower their capital requirements and provide small- and mid-sized banks a means to stay competitive with the larger Basel II banks. The regulators are proposing to make the Basel 1A standard optional for banks, meaning that no small or medium-sized bank would be required to change its capital regime.

The proposed text of both rules has been released for public comment, and regulators hope to finalize these rules in the near future.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures pension benefits of workers and retirees in covered defined-benefit pension plans sponsored by private-sector employers. PBGC pays benefits, up to a guaranteed level, when a company with an underfunded pension plan meets the legal criteria to transfer its obligations to the pension insurance program. PBGC's claims exposure is the amount by which qualified benefits exceed assets in insured plans. In the near term, the risk of loss stems from financially distressed firms with underfunded plans. In the longer term, loss exposure results from the possibility that healthy firms become distressed and well-funded plans become underfunded due to inadequate contributions, poor investment results, or increased liabilities.

PBGC monitors companies with underfunded plans and acts to protect the interests of the pension insurance program's stakeholders where possible. Under its Early Warning Program, PBGC works with companies to strengthen plan funding or otherwise protect the insurance program from avoidable losses. However, PBGC's authority to prevent undue risks to the insurance program is limited.

As a result of a flawed pension funding system and exposure to losses from financially troubled plan sponsors, PBGC's single-employer program incurred substantial losses from underfunded plan terminations in 2001 through 2006. The table below shows the ten largest plan termination losses in PBGC's history. Nine of the ten have come in the past five years. The program's deficit at 2006 year-end stood at $18.1 billion[1] compared to a $9.7 billion surplus at 2000 year-end.

LARGEST TEN CLAIMS AGAINST THE PBGC'S SINGLE-EMPLOYER INSURANCE PROGRAM, 1975–2006

Top 10 Firms	Fiscal Years of Plan Terminations	Claims (by firm)	Percent of Total Claims (1975–2005)
1. United Airlines	2005	$7,484,348,482	22.90%
2. Bethlehem Steel	2003	3,654,380,116	11.20%
3. US Airways	2003, 2005	2,690,222,805	8.20%
4. LTV Steel*	2002, 2003, 2004	2,136,698,831	6.50%
5. National Steel	2003	1,275,628,286	3.90%
6. Pan American Air	1991, 1992	841,082,434	2.60%
7. Weirton Steel	2004	690,181,783	2.10%
8. Trans World Airlines	2001	668,377,105	2.00%
9. Kaiser Aluminum	2004	600,009,879	1.80%
10. Kemper Insurance	2005	568,417,151	1.70%
Top Ten Total	....	20,609,346,871	63.20%
All Other Total	....	12,017,433,400	36.80%
TOTAL	....	**$32,626,780,271**	**100.00%**

Due to rounding, percentages may not add up to 100 percent.

Data in this table have been calculated on a firm basis and include all plans of each firm.

Values and distributions are subject to change as PBGC completes its reviews and establishes termination dates.

*Does not include 1986 termination of a Republic Steel plan sponsored by LTV.

Sources: PBGC Fiscal Year Closing File (9/30/06), PBGC Case Administration System, and PBGC Participant System (PRISM).

In February 2005 the Administration proposed comprehensive reforms to address structural flaws in the statutory plan funding requirements and in the design of the insurance program. The proposal sought to strengthen funding for workers' defined-benefit pensions; provide more accurate information about pension liabilities and plan underfunding; and enable PBGC to meet its obligations to participants in terminated pension plans. Many of the President's reforms were incorporated into the Deficit Reduction Act (DRA) of 2005, enacted in February 2006, and the Pension Protection Act of 2006 (PPA), enacted in August 2006.

The legislation made significant structural changes to the retirement system. But while the PBGC has sufficient liquidity to meet its obligations for a number of years, neither the single-employer nor multiemployer program has the resources to satisfy fully the agency's long-term obligations to plan participants.

Further reforms are needed to address the $19 billion gap that still exists between PBGC's liabilities and its assets. The Budget reproposes non-enacted premium reforms from the Administration's comprehensive pension reform proposal that were not included in the DRA or the PPA, including:

- Authorizing PBGC's Board of Directors to set the variable premium rate.
- Extending the variable rate premium to a plan's non-vested as well as its vested liabilities.

These reforms will improve PBGC's financial condition and safeguard the future benefits of American workers. The Administration is committed to pension reform that will ultimately restore the PBGC to solvency.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency of the Department of Homeland Security (DHS). Flood insurance is available to homeowners and businesses in communities that have adopted and enforced appropriate flood plain management measures. Coverage is limited to buildings and their contents. By

[1] The 2006 year-end single-employer program deficit of $18.1 billion was less than the $22.8 billion deficit at the end of 2005. The improvement in PBGC's financial condition was driven primarily by the airline relief provisions in the Pension Protection Act of 2006, which resulted in large plans previously classified as probable terminations being changed from the probable classification to the reasonably possible classification in FY 2006. This credit was partially offset by $3.1 billion in financial losses.