

Giving a Hand Up to Low-Income Families

We now face a make-or-break moment for the middle class and those trying to reach it. After decades of eroding middle-class security as those at the very top saw their incomes rise as never before and after a historic recession that plunged our economy into a crisis from which we are still fighting to recover, it is time to construct an economy that is built to last. The President's 2013 Budget is built around the idea that our country does best when everyone gets a fair shot, does their fair share, and plays by the same rules. We must transform our economy from one focused on speculating, spending, and borrowing to one constructed on the solid foundation of educating, innovating, and building. That begins with putting the Nation on a path to living within our means – by cutting wasteful spending, asking all Americans to shoulder their fair share, and making tough choices on some things we cannot afford, while keeping the investments we need to grow the economy and create jobs. The Budget targets scarce federal resources to the areas critical to growing the economy and restoring middle-class security: education and skills for American workers, innovation and manufacturing, clean energy, and infrastructure. The Budget is a blueprint for how we can rebuild an economy where hard work pays off and responsibility is rewarded.

To give a hand up to low-income families, the 2013 Budget will:

Extend Expanded Tax Cuts for Lower-Income Families. The Budget permanently extends expansions of the Child Tax Credit and the Earned Income Tax Credit that were passed in the Recovery Act and continued as part of the bipartisan Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act that the President negotiated and signed into law in December of 2010. The expanded refundability of the Child Tax Credit provides a larger credit to 11.8 million families with 21.3 million children. The expansion of the Earned Income Tax Credit is worth up to \$655 for families with three or more children, benefitting 5.8 million families with 12.5 million children.

Preserve a Strong Unemployment Insurance Safety Net. Particularly during this time of high unemployment, the Administration believes it is critical to provide both a helping hand and a viable path back to employment. Over the past several years, UI benefits have helped American families stay afloat, keeping 3.2 million individuals – including nearly 1 million children – from falling into poverty in 2010. The American Jobs Act proposed an extension of federally funded benefits as well as the Reemployment NOW program, which includes a number of reforms to help UI claimants get back to work quickly. The Budget continues this support for extending federally funded benefits through December 2012, and instituting innovative approaches to better connect UI claimants with job opportunities.

Take Immediate Action to Support Growth and Job Creation. While we have made progress in restarting job creation – with 3.7 million private sector jobs created over the past 23 months – the President believes much more needs to be done to put Americans back to work. Building off the provisions he proposed in the American Jobs Act, the President is calling for immediate steps to support job creation this year. These steps include extending the payroll tax cut through the end of the year – ensuring that 160 million workers do not see their taxes go up – providing aid

to states and localities to hire and retain teachers and first responders, extending Unemployment Insurance, and making a \$50 billion up-front investment in infrastructure.

Help States Provide Paid Family Leave to Workers. Too many families must make the painful choice between the care of their families and a paycheck they desperately need. The Family and Medical Leave Act allows workers to take job-protected unpaid time off, but millions of families can't afford to use unpaid leave. A handful of States have enacted policies to offer paid family leave, but more States should have the chance. The Budget supports a \$5 million State Paid Leave Fund within the Department of Labor that will provide technical assistance and support to States that want to establish paid-leave programs.

Reform Child Welfare. The Budget includes \$2.5 billion over 10 years in new mandatory funding for incentive payments to States that demonstrate real, meaningful improvements on measures of child outcomes such as child abuse and neglect and service quality. These incentives would help States finance innovative services and encourage continuous improvement in the child welfare system.

Prevent Hunger and Improve Nutrition. At a time of continued need, the Budget provides full funding to support the 9.1 million individuals expected to participate in the Special Supplemental Nutrition Program for Women Infants and Children (WIC) program, which is critical to the health of pregnant women, new mothers, and their infants. The Budget also supports continued implementation of the Healthy, Hunger-Free Kids Act of 2010, which is strengthening the child nutrition programs and increasing children's access to healthy meals and snacks. In addition, the Budget re-proposes to extend certain temporary Supplemental Nutrition Assistance Program (SNAP) benefits. SNAP is the cornerstone of our Nation's food assistance safety net and touches the lives of millions of Americans, half of them children. Finally, in order to combat food deserts, the Departments of Agriculture, Health and Human Services, and Treasury have partnered to make available approximately \$400 million in financing to community development financial institutions, other nonprofits, public agencies, and businesses with sound strategies for addressing the healthy food needs of underserved communities.

Fund the Strategic Plan to End Homelessness. The Budget continues to make progress toward the goals of the Federal Strategic Plan to Prevent and End Homelessness, which was released by the President in June 2010. The Budget includes over \$2.2 billion for HUD's Homeless Assistance Grants, which will maintain existing units and expand prevention, rapid re-housing, and permanent supportive housing. In addition, the Budget provides \$75 million in HUD funds for new housing vouchers for homeless veterans who receive health care and other services through the Department of Veterans Affairs.

Adjust LIHEAP for Expected Winter Fuel Costs. The President's Budget provides \$3 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help struggling families make ends meet by offsetting some of their home heating and cooling costs. While the cost of natural gas -- which is the heating fuel most LIHEAP households use -- has not risen in recent years, the price of heating oil has been on the rise. The additional \$450 million over the 2012 request reflects expected home heating costs for winter 2012-2013.

Give Every American a Fair Shot at Success by Improving and Reforming K-12 Education.

The Administration has jump-started landmark reforms in our education system by rewarding excellence and promoting innovation. To build on this success, the Budget will:

- *Support Improvements in Early Learning.* Recognizing that quality education is an investment that pays off for years to come, the Administration proposes \$850 million in the Race to the Top program, which seeks to implement systemic reforms in five critical areas, including early learning and care. As part of the 2013 Race to the Top, the Budget supports deepening the Administration's investment in Race to the Top Early Learning Challenge, a program that in 2011 awarded nine grants to States committed to ambitious efforts to build statewide systems of high-quality early learning and development programs intended to close the school readiness gap. The Budget also provides \$300 million in new resources at the Department of Health and Human Services to improve child care quality and prepare children for success in school.
- *Improve Elementary and Secondary Education.* Too often, education funds are allocated based on factors not tied to success. Consistent with goals for the reauthorization of the Elementary and Secondary Education Act, the Administration is committed to consolidating narrow programs into broader authorities with higher, clearer standards and assessments; recognizing and rewarding schools and teachers that help students make gains; and giving States and school districts new flexibility to help all students graduate from high school, college- and career-ready. The Budget also continues to support successful new programs like Race to the Top, School Turnaround Grants, Investing in Innovation, and Promise Neighborhoods.
- *Expand Opportunities for Students in Math, Science, and Engineering.* The Budget provides \$141 billion overall for research and development in science and engineering. It also allocates \$80 million from the Department of Education to prepare effective STEM (science, technology, engineering and mathematics) teachers and funds a jointly-administered mathematics education initiative, with \$30 million from the Department of Education and \$30 million from the National Science Foundation, to support evidence-based approaches at the K-12 and undergraduate levels. These programs will be developed in conjunction with a Government-wide effort to increase the impact of Federal investments in math and science education by ensuring that all programs supporting K-12 and undergraduate education adhere to consistent standards of effectiveness.
- *Attract, Prepare, Support, and Reward Great Teachers.* The Budget provides \$400 million in the Teacher and Leader Innovation Fund, a competitive grant program to transform teacher and leader evaluation and support systems, to reward strong teaching and improve learning and instruction, and \$2.5 billion for an overhauled teacher quality formula grant, including a 25 percent set-aside to build evidence on ways to best recruit, prepare and support effective teachers and principals. The President is also asking for a new \$5 billion competitive

program that will challenge states and districts to work with their teachers and unions to comprehensively reform and support the teaching profession.

- *Give Students Access to Successful Schools.* The Budget provides over \$500 million to School Turnaround Grants to help States and school districts turn around our Nation's lowest performing schools and expand educational options by helping to grow effective charter schools and other autonomous public schools that achieve positive results.

Expand Access to College. To boost the number of college graduates, we need to make it easier for students to afford a postsecondary education and increase the number of students who complete their degree. The Administration has already taken significant strides to improve access to college. Today, nearly 10 million students receive Pell Grants, and more than 13 million students receive low-cost loans, with new affordable repayment options based on their income after leaving school. To help more young Americans go to college, the Budget will:

- *Keep College Affordable.* Since 2008, the Administration has increased the maximum Pell Grant by \$900, to \$5,635 in 2013, ensuring access to postsecondary education for nearly 10 million needy students. The Budget continues that commitment to Pell and provides the necessary resources to sustain the maximum award through the 2014-15 award year. In addition, the Budget proposes a one-year measure to prevent student loan interest rates from doubling this summer and increases funding for work-study jobs. To address rising costs of higher education, the Budget also supports a new Race to the Top for College Affordability and Completion program and reforms to federal campus-based aid programs.
- *Help Students and Their Families Pay for College.* The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended for two years the new American Opportunity Tax Credit (AOTC) -- a partially refundable tax credit worth up to \$10,000 per student over four years of college. AOTC helps more than 9 million students and their families afford the cost of college. The President's Budget proposes to make it permanent.

Equip American Workers for Good-Paying Jobs Today and in the Future. In this increasingly interconnected global economy, it is important that we give American workers the capabilities and American businesses the tools to compete and win in the global economy. To improve the capabilities of our workforce and expand lifelong learning opportunities, the Budget will:

- *Build the Skills of American Workers.* The Budget includes a \$12.5 billion Pathways Back to Work Fund, which will support summer and year-round jobs for low-income youth, and will help connect the long-term unemployed and low-income adults to subsidized employment and work-based training opportunities. To complement this short-run investment, the Budget continues to support a Workforce Innovation Fund that, paired with broader waiver authority, will encourage States, regions, and localities to break down barriers among programs, test new ideas, and replicate proven strategies for delivering better employment and education results in a more cost-effective way. The Budget also funds a new initiative designed to

improve access to job training across the nation and provides \$8 billion in the Departments of Education and Labor to support State and community college partnerships with businesses to build the skills of American workers.

- *Give Dislocated Workers the Help They Need to Find New Jobs.* Nearly 7 million of the Americans who lost jobs in 2009 were displaced from jobs that are unlikely to come back, and those who do find reemployment, on average, suffer significant earnings losses. As part of the Administration's effort to reform and modernize the nation's job training system so that individuals can quickly gain the training they need for the jobs created as our economy evolves, the Budget proposes a universal core set of services where the focus is on helping all dislocated workers find new jobs.
- *Prepare Young People for Jobs through a Reformed Career and Technical Education Program.* The President's Budget recommends reauthorization and reform of the Career and Technical Education (CTE) State Grant program, currently set to expire in 2013. The Administration's \$1.1 billion reauthorization proposal would restructure CTE to align what students learn in school with the demands of 21st Century jobs. The Budget also invests \$1 billion through immediate job-creation measures to increase substantially the number of students enrolled in Career Academies, a particularly successful educational model for young people.
- *Reform Job Corps.* The Administration strongly supports Job Corps, but believes the program could be more effective and efficient. The 2013 Budget launches a bold reform effort for Job Corps to improve program outcomes and strengthen accountability.

Promote Fatherhood and Modernize Child Support. The Budget modernizes the child support program, which touches the lives of more than half of poor children as well as many middle-class families. These policy changes will encourage fathers to take responsibility for the emotional and financial well-being of their children and strengthen the child support program. The Budget includes \$1.37 billion over ten years to increase financial support for States that pass through child support payments to families rather than retaining them and end the federal expectation of reimbursement for payments that are distributed to families receiving assistance through Temporary Assistance for Needy Families program. The Budget also includes \$530 million over ten years for States to provide access and visitation services, which can strengthen a father's relationship with his children and facilitate the payment of child support. The Budget also provides for \$75 million in Responsible Fatherhood grants and \$75 million in Healthy Marriage grants in FY 2013.

Continue Critical Funding for Health Centers. Health centers are a key component of the Nation's health care safety net. These sites offer comprehensive, high quality, primary and preventive health care services to all Americans regardless of ability to pay. To ensure that health centers continue to provide critical access and services to millions of Americans in 2013 and for many years to come, the Budget promotes a policy of steady and sustainable health center growth by distributing Affordable Care Act resources over the long-term, including in

years after 2015. In addition, the Budget provides sufficient funding to open new health centers in areas in the country where they do not currently exist, through 2015 and beyond. The Budget invests \$3.1 billion for health center services in 2013 to support the creation of new health center sites across the country. The Budget will also continue support for the over 200 new health center sites created in 2012. In 2013, health centers are estimated to serve nearly 21 million patients

Ensure that Workers Receive the Pay and Benefits to which they are Entitled. When employees are misclassified as independent contractors, they are deprived of benefits and protections to which they are legally entitled, such as overtime and unemployment benefits. Misclassification also costs taxpayers money in lost funds for the Treasury and in the Social Security, Medicare, and Unemployment Insurance Trust Funds. The Budget includes \$13.8 million to combat misclassification, including \$10 million for grants to states to identify misclassification and recover unpaid taxes and \$3.8 million for additional Wage and Hour Division personnel to investigate misclassification. The Budget also provides an additional \$6 million for the Wage and Hour Division for increased enforcement of the Fair Labor Standards Act and the Family and Medical Leave Act, which ensure that workers receive appropriate wages, overtime pay, and the right to take job-protected leave for family and medical purposes.

Preserve Affordable Rental Opportunities. The Budget requests \$19.1 billion for the Housing Choice Voucher program to help more than two million extremely low- to low-income families with rental assistance live in decent housing in neighborhoods of their choice. The Budget funds all existing mainstream vouchers and provides new vouchers targeted to homeless veterans. The Administration remains committed to working with the Congress to improve the management and budgeting for the Housing Choice Voucher program, including reducing inefficiencies, and re-allocating Public Housing Authority reserves based on need and performance. This year the Administration extended the \$15 billion Treasury Housing Finance Agencies Initiative that helped support development of more than 25,000 affordable rental properties over the past 2 years. The Budget also provides: (1) \$8.7 billion for Project-Based Rental Assistance to preserve approximately 1.2 million affordable units through funding for contracts with private owners of multifamily properties; and (2) a total of \$6.6 billion for the Public Housing program, which provides decent, safe, and sanitary housing to 1.1 million extremely low- to low-income families. In addition, the Budget proposes \$1 billion in mandatory funding to finance the development, rehabilitation, and preservation of affordable housing for extremely low-income families through the Housing Trust Fund.

Preserve Funding for HUD's Largest Block Grants. The Budget provides \$2.9 billion in flexible Community Development Block Grant funds, equal to 2012 enacted levels. Funding is distributed to 1,200 State and local governments to address infrastructure, affordable housing, and economic development needs in their communities. In addition, the Budget also provides \$1 billion in HOME Investment Partnerships program. These funds are used to increase the supply of affordable housing for low-income families. Preserving these funding levels reflect the Administration's commitment to State and local governments during challenging fiscal conditions.

Expand the Promise Neighborhoods Program to Prepare More Students for College. The Budget includes \$100 million in dedicated support for Promise Neighborhoods, modeled after

the Harlem Children's Zone, which aims to improve college going rates by combining a rigorous K-12 education with a full network of supportive services in an entire neighborhood. This initiative would support comprehensive programs that address the needs of children and youth in a targeted area from before the time they are born to their attendance in college.

Revitalize Distressed Urban Neighborhoods. The Budget reflects an integrated and performance-driven approach to distressed urban neighborhoods, where the challenges tied to jobs, education, public safety, and other needs intersect and compound each other. The Budget provides \$150 million for the Choice Neighborhoods initiative to continue transformative investments in high-poverty neighborhoods where distressed HUD-assisted public and privately owned housing is located, a \$30 million increase from 2012 enacted level. The Budget will reach 4 to 6 neighborhoods with grants that primarily fund the preservation, rehabilitation and transformation of HUD-assisted public and privately-owned multifamily housing, and will also engage local governments, nonprofits, and for-profit developers in partnerships to improve surrounding communities. The Budget also maintains funding for the Department of Labor's YouthBuild program, which helps low-income young people ages 16-24 finish high school and learn job skills by building affordable housing in their communities. In addition, the Budget includes \$15 billion for Project Rebuild, which invests in proven strategies that leverage private capital and expertise to rehabilitate hundreds of thousands of properties in communities across the country.

Expand Child and Dependent Care Tax Credit. The Budget would make the child and dependent care tax credit more generous to middle class families. Eligible families may claim the credit for up to 35 percent of up to \$3,000 in eligible expenses for one child and up to \$6,000 for two or more children. The percentage of expenses for which a credit may be taken decreases by one percentage point for every \$2,000 of adjusted gross income over \$15,000 until the percentage of expenses reaches 20 percent at incomes above \$43,000. There are no further income limits. The proposals would increase the beginning of the phasedown to \$75,000 (and thus, the end of the phasedown range would be \$103,000).

Promote Better Outcomes for Disconnected Youth. The Budget requests \$10 million— \$5 million each in the Departments of Education and Health and Human Services—to support interagency strategies designed to strengthen the impact of Federal programs serving disconnected youth, identify opportunities to eliminate barriers to delivering effective services, and promote collaboration. This funding will be closely coordinated with \$10 million provided for youth-focused strategies in the Department of Labor's Workforce Innovation Fund.

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