

President Obama's Fiscal Year 2013 Budget Proposals:

DEPARTMENT OF LABOR:

Employment and Training: The Labor Department's main employment and training programs generally are level-funded or increased in some instances. Funding for the Workforce Investment Act (WIA) adult, dislocated worker, and youth programs, which have experienced funding declines in the last decade, would remain relatively stable with only very slight reductions compared to current funding levels. Training resources under the Trade Adjustment Assistance (TAA) program would remain the same while the trade adjustment allowances would increase by \$321 million.

The budget document reflects the administration's priority on education and innovation. The Secretary's Workforce Innovation Fund under WIA would double to about \$100 million. Two major new initiatives that would require legislation also are proposed. The largest, which was in the President's American Jobs Act, is the establishment of a new Community College to Career Fund which would receive \$8 billion over 10 years to encourage partnerships among employers, community colleges and states to train two million workers in high-demand industries. The second is a new dislocated worker program that would offer all dislocated workers the same core assistance regardless of the cause of their layoff. There is no indication how the TAA program would be affected by this plan or how big the program would be.

Unemployment Insurance and Employment Services: Reflecting "updated economic assumptions" which presumably show some decline in the number of workers filing for unemployment benefits, administrative funding for the Unemployment Insurance (UI) program would decline by \$245 million in FY 2013. However, funding for the Employment Service would grow by 4%, or \$30 million, with the increase targeted to reemployment services for UI claimants. In addition, the budget requests \$60 million, a \$15 million increase, from the Unemployment Insurance Trust Fund for state grants to provide reemployment and eligibility assessment and to conduct improper payment reviews. The budget also requests a doubling of funds under the Wagner-Peyser Act and WIA for workforce innovation, national electronic tools, and capacity building for the one-stop system.

Paid Family Leave: The President's budget proposes \$5 million to establish a fund providing start-up grants and technical assistance to states interested in establishing paid leave programs.

DEPARTMENT OF EDUCATION:

K-12 Education: Obama's budget plan would increase annually-approved education funding by \$1.7 billion, a 2.5% increase. The core programs, including Title I and special education (IDEA), are flat-funded. The President again proposes his American Jobs Act education proposal, which includes over \$60 billion in new, yet-to-be-approved automatic spending to modernize schools and community colleges, to prevent further education staff layoffs, and to improve the preparation and quality of teachers and school leaders. The budget includes a 55% boost, to \$850 million, for the President's signature education reform measure, Race to the Top, which now funds early childhood programs in addition to K-12.

Higher Education: The Pell grant maximum award would increase to \$5,635.

Child Care: The President proposes an \$825 million funding increase for the Child Care and Development Block Grant (CCDBG), including a \$500 million increase for automatic spending (which would need separate congressional approval). The remaining \$325 million would be an increase in annually-approved funding, and \$300 million would be carved out for a new quality initiative in addition to the existing quality set-aside. This funding increase, while welcome, would not be sufficient to serve more children. The budget also includes an increase of \$20 million for the infants and toddlers special education (IDEA) program.

Head Start: Obama's budget proposes an additional \$85 million for Head Start, including \$45 million for cost of living adjustments for existing programs and \$40 million over two years to implement the re-competition process.

DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Medicare: The President's budget protects Medicare as a guaranteed benefits program providing health care security for older Americans and individuals with disabilities. The President's overall tax revenue proposals will help strengthen Medicare's solvency into the future. The budget proposes to lower prescription drug prices and improve provider payment incentives to provide quality care. Significantly, the budget does not propose to increase Medicare's eligibility age. It does leave the door open to requiring higher income beneficiaries to contribute more to their premiums. If this is considered in legislation, we will work to ensure that low - and moderate-income retirees do not lose affordable access to Medicare coverage.

Medicaid: The budget proposes nearly \$50 billion over 10 years in Medicaid cuts that would hurt states and safety net hospitals. The proposals are similar to ideas that the administration put forth in their budget last year and that they put into the mix during deficit discussions last summer. Two of the proposals would lead to a combined loss of \$39.7 billion in federal Medicaid payments to states over 10 years. Roughly half of the reduction would begin in 2015 and the other half would begin in 2017. The cut to hospitals would occur in 2021 and come in the form of a reduction in disproportionate share hospital (DSH) payments, which are federal subsidies to hospitals that serve low-income patients.

Health Care Workforce: The President's budget invests more than \$677 million in the development and retention of an adequate health care workforce. Some \$32 million in increases over current funding would target expanding the number of primary care nurse practitioners and physician assistants. In addition, the proposed budget invests \$40 million to help health departments in a range of areas, including workforce training.

Temporary Assistance for Needy Families (TANF): The only budget proposal for TANF is to permanently fund Supplemental Grants (for the poorest states) at a funding level of \$319 million, while reducing the funding for the Contingency Fund (set aside for economic downturns) by the same amount. The budget suggests that Congress modify the Contingency Fund so that the Fund can more effectively help states when needed.

Child Welfare: The budget includes \$2.8 billion over 10 years (\$252 million for FY 2013) for new incentive payments to states that demonstrate improvements in child outcomes. This funding is apart

from the foster care and adoption maintenance match and other current child welfare funding streams, which are essentially flat-funded.

Child Support Enforcement: The President's budget proposes no changes to the federal-state match funding for child support enforcement. The proposed federal share of state and local administrative costs and incentive payments to states is about \$180 million less than in FY 2012, which is explained in the budget document as a "technical baseline adjustment" and not a cut to the program. Obama's budget omits a proposal contained in his FY 2012 budget to increase the pool of performance incentive funds available to states in recognition that the incentive match that expired in October 2010 has not been restored. The budget document acknowledges that child support enforcement staffing has declined as caseloads have increased for the second year in a row.

Community Services Block Grant: The budget plan proposes to cut federal funding for Community Services Block Grants almost in half, from \$677 million in FY 2012 to \$350 million in FY 2013. This block grant to states is used in local communities to fund community action agencies and other programs that address poverty through employment, education, housing, nutrition and health services.

DEPARTMENT OF TRANSPORTATION:

In his 2013 budget request, President Obama outlined a six-year surface transportation proposal with three broad goals: creating jobs and investing in infrastructure for our future; modernizing transportation through focused research and technology; and improving safety programs. The President proposes \$305 billion over six years for road and bridge improvements, a 34% increase; \$108 billion over six years for transit, a 105% increase; \$1 billion for the modernization of the Federal Aviation Administration's air traffic control system; \$7.5 billion over six years to the National Highway Traffic Administration to promote seatbelt safety, reduce distracted driving, and get drunk drivers off the road; and \$4.8 billion to the Federal Motor Carrier Safety Administration to ensure that commercial truck and bus companies maintain high operational standards. The budget requests \$276 million for the Pipeline and Hazardous Materials Safety Administration to help ensure hazardous chemicals and fuels are transported safely. In addition, the budget would increase funding for the Transportation Infrastructure Finance and Innovation (TIFIA) program, from \$1.23 billion to \$5 billion. The budget also would provide \$10 billion for a National Infrastructure Bank which would issue loans and loan guarantees to fund a percentage of the cost of transportation, water and energy projects costing over \$100 million.

DEPARTMENT OF JUSTICE:

Community Oriented Policing Services (COPS): President Obama's FY 2013 budget requests more than \$2 billion to fund state and local criminal justice and law enforcement programs. This reflects more than \$375 million in program increases, including \$257 million for the Community Oriented Policing Services (COPS) Hiring program, which is dedicated to helping state and local agencies keep public safety officers on the job and prevent further layoffs for the remainder of the year. The COPS Hiring programs was funded at \$166 million in FY 2012. Additionally, President Obama has requested \$4 billion in *immediate* assistance for hiring and retaining first responders through the COPS Stabilization fund. This emergency assistance to support public safety jobs was originally proposed in President Obama's American Jobs Act.

Byrne Justice Assistance Grants: President Obama has requested \$430 million for the Byrne Justice Assistance Grant (Byrne-JAG) program, a \$60 million increase compared to FY 2012. This critical program provides states, localities and tribes with funding to support law enforcement, prosecution, courts, crime prevention, corrections, drug treatment and other important initiatives.

Bulletproof Vest Partnership: President Obama also renewed his commitment to the vital Bulletproof Vest Partnership grant program by requesting \$24 million for FY 2013, consistent with FY 2012.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):

President Obama proposes \$4.5 billion for the FY 2013 public housing operating fund. HUD projects this would cover about 90% of operating subsidies for Public Housing Authorities (PHAs), which creates a cumulative shortfall of \$500 million. Unlike the FY 2012 budget, the budget proposal does not offset this shortfall by recapturing PHAs' operating reserves. The budget proposes \$2.07 billion for the public housing capital fund, which is \$195 million more than FY 2012. However, it falls short of the annual \$3.4 billion needed for renovations as estimated by HUD's recent analysis, and does not address the estimated \$26 billion backlog for public housing capital. The budget proposes to allow flexibility for using funds from these two public housing programs for one year. Given that prior enacted proposals that allowed funding flexibility have resulted in reduced funding, some public housing advocates are concerned that this proposal could risk future cuts to these essential public housing programs.

FEDERAL EMPLOYEES:

The President's budget plan calls for an increase in federal civilian pay by 0.5 percent, a modest sum after a two-year pay freeze. (Uniformed military personnel would receive a 1.7 percent increase.) It calls for a substantial increase in federal workers' contributions to their retirement program – by 0.4 percent each year over three years – and would eliminate the Social Security supplement for new hires. In addition, the Obama budget proposes a new Commission on Federal Public Service Reform to consider changes to federal compensation, personnel performance and staff development. The budget projects that federal employment levels will essentially remain flat in FY 2013.

DEPARTMENT OF AGRICULTURE:

Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps): President Obama's budget protects and proposes to strengthen SNAP, a key safety net program for low-income individuals and families. It includes a slight increase in funding for state administrative costs, and proposes to restore SNAP benefit cuts that are scheduled to take place in FY 2013. It also would suspend for a fiscal year time limits on benefits for certain unemployed, working-age, low-income adults without dependents.

Women, Infants and Children (WIC): The President's budget provides full funding for the WIC program to serve the 9.1 million women and children expected to benefit from the program in FY 2013.

TAXES AND REVENUES:

President Obama's proposed budget generally reiterates his prior policy proposals and campaign promises to ensure that everyone – especially the wealthy – pays their fair share in taxes, and that job creation is priority number one. The President's budget calls for an increase on the top 2% of earners, and extends and increases various tax breaks for low- and middle-income families concerning college tuition, children, dependent care and retirement. The budget proposes to close inefficient and costly corporate tax loopholes and to create tax incentives that would help create jobs in America.

Individual Income Taxes: The President's budget accepts that tax rates on annual income exceeding \$250,000 will rise because the existing lower tax rates – the Bush tax cuts – are scheduled to expire December 31, 2012. This alone raises \$849 billion over 10 years. For annual income up to \$250,000, the budget extends most existing tax cuts (costs \$2.2 trillion over 10 years). To further help working families, President Obama makes permanent the partially refundable American Opportunity Tax Credit, worth up to \$10,000 per student during four years of college, and permanently increases from \$15,000 to \$75,000 the income cap for receiving the full \$3,000 per person Child and Dependent Care Tax Credit. The budget proposes to permanently extend and index the Alternative Minimum Tax. For high income families in the top two tax brackets, the budget proposes a 28% limit on the value of itemized tax deductions and certain tax exclusions, including tax-exempt interest on state or local bonds as well as employer sponsored health insurance benefits. The budget proposes a "Buffett rule" to ensure that no one earning more than \$1 million annually pays less than 30% of their income in taxes. For the wealthiest estates starting in 2013, the budget proposes to permanently enact the 2009 estate, gift and related taxes and thereby set the top estate tax rate at 45%, with an exclusion of \$3.5 million per person. This would be an enormous tax giveaway to the wealthiest Americans.

Business and Corporate Taxes: The budget proposes to eliminate corporate tax loopholes benefitting oil and gas companies, reduce tax subsidies that help large profitable corporations move jobs and shift profits out of the country, and impose a Financial Crisis Responsibility Fee on the largest financial firms (raises \$61 billion over 10 years). Simultaneously, the budget proposes to help small businesses with a hiring tax credit, provide tax incentives for manufacturers to create jobs in America, and help innovation and manufacturing with an expanded permanent research and experimentation tax credit. The budget does not propose comprehensive corporate tax reform.