

An Economy Built to Last and Security for Our Children

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 construct an economy that is built to last and provide security for America's youth, the 2013 Budget will:

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.
- *Improve Access to Higher Education for Students from Minority Backgrounds.* The Budget invests \$55 million in a new initiative to increase college access and completion and improve educational productivity through an evidence-based grant competition, up to \$20 million of which will go directly to minority serving institutions. It also provides an additional \$30 million for a new competitive grant program, the Hawkins Centers of Excellence, to improve and expand teacher education programs at minority-serving institutions, a significant pipeline for preparing a diverse teaching force.

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.

Increase Funding for Special Education and Improve Outcomes for Children with Disabilities. The Budget provides \$11.6 billion for the Individuals with Disabilities Education Act (IDEA) Grants to States program to provide a high quality education and help offset local education costs for children with disabilities. The Budget also provides \$463 million, a \$20 million increase, for the IDEA Infants and Families Program to provide the youngest and most vulnerable children a good start. In addition, the Budget provides \$30 million, a \$28 million increase over 2012, for PROMISE, a four agency joint pilot to fund and evaluate innovative approaches to improve outcomes of children receiving Supplemental Security Income (SSI) and their families.

Reform Foster Care to Improve Outcomes for Abused and Neglected Children. The FY 2013 Budget proposes \$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, including child abuse and neglect and service quality. These incentives would help States finance innovative services and encourage continuous improvement in the foster care system.

Expand the Promise Neighborhoods Program to Prepare More Students for College. The Budget includes \$100 million of 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 continuum of effective family and community 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 they are born until they attend college.

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. In addition, the Budget provides \$75 million in Responsible Fatherhood grants and \$75 million in Healthy Marriage grants in FY 2013.

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.

Extend Expanded Child-based 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.

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.

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.

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