

An Economy Built to Last and Security for Middle-Class 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 construct an economy that is built to last and provide security for Middle-Class families, the 2013 Budget will:

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.

Improve and Reform 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.

Create a Comprehensive Approach to Tackle Rising College Costs. In the State of the Union Address, the President laid out new ideas to ensure our students and workers get the education and training they need so that we have a workforce ready to take on the jobs of today and tomorrow. On January 27th, at the University of Michigan, the President laid out a comprehensive approach to tackle rising college costs. The fact is, higher education cannot be a luxury – it is an economic imperative that every family in America should be able to afford. The 2013 Budget will:

- *Reform Federal campus-based aid programs.* These reforms will shift aid away from colleges that fail to keep net tuition down, and toward those colleges and universities that do their fair share to keep tuition affordable, provide good value, and serve needy students well. These changes in federal aid to campuses – combined with an increase in the Perkins Loan program from \$1 billion to \$8.5 billion a year – will leverage \$10 billion annually to help keep tuition down. The Budget also increases funding for work-study jobs.
- *Create a Race to the Top: College Affordability and Completion.* The Budget will create incentives for states and colleges to keep costs under control through a \$1 billion investment in a new challenge to states to spur higher education reform focused on affordability and improved outcomes across state colleges and universities.
- *Launch a First in the World competition to model innovation and quality on college campus.* The Budget will invest \$55 million in a new First in the World competition, to support public and private colleges and non-profit organizations as they work to develop and test the next breakthrough strategy that will boost higher education attainment and student outcomes.
- *Expand Access to College Through Pell Grants.* Since 2008, the Administration has increased the maximum Pell Grant by \$900, to \$5635 in 2013, ensuring access to postsecondary education for almost 10 million needy students. The Budget maintains this commitment by sustaining the maximum award through the 2014-15 academic year.
- *Help Students and Their Families Pay for College.* The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act extended for two years the new American Opportunity Tax Credit (AOTC) – a partially refundable tax credit worth up to \$2,500 per student per year. AOTC helps almost nine million students and their families afford the cost of college. The Budget proposes to make AOTC permanent.
- *Suspend an Increase in Student Loan Interest Rates.* Under current law, interest rates on subsidized Stafford loans are slated to rise this summer from 3.4 percent to 6.8 percent. At a time when the economy is still recovering and market interest rates remain low, it makes no sense to double rates on student loans. The Budget suspends the scheduled increase for the coming year, so that rates will remain at 3.4 percent.

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.

Hold Insurance Companies Accountable, Lower Health Care Costs, and Boost Health Care Quality by Implementing the Affordable Care Act. Health care comprises one-quarter of non-interest Federal spending, and it is the major driver of future deficit growth. That is why the President signed into law the Affordable Care Act (ACA) which, according to the Congressional Budget Office's latest analysis, will save more than \$100 billion over the next 10 years and reduce the deficit by more than \$1 trillion over the second decade. The ACA establishes State-based Affordable Insurance Exchanges, competitive marketplaces that will provide millions of Americans and small businesses with "one-stop shopping" for affordable coverage beginning in 2014. It also provides premium assistance to make coverage affordable for low-income Americans. Efficiently and effectively implementing these coverage expansions is one of the Administration's highest priorities. The Budget provides resources in support of these efforts, such as building capacity and creating infrastructure to establish exchanges, including the

Federally Facilitated Exchange, and develops systems to help individuals enroll in the right health insurance coverage option. The ACA also creates new care models and payment incentives to increase the efficiency of the health care delivery system to reduce costs for taxpayers and families.

Protect Consumers by Supporting Implementation of the Wall Street Reform Act. Over one year after the enactment of Wall Street Reform, the Administration continues to support U.S. financial regulators' efforts to fully and effectively implement the requirements of the Act in order to improve market transparency and operations, financial competitiveness, and consumer fairness. The Administration also fully supports the oversight and analytic work of the independent Financial Stability Oversight Council and Treasury's Office of Financial Research to monitor, identify, and respond to emerging threats to U.S. financial stability. The Act also created the landmark Consumer Financial Protection Bureau (CFPB), which provides citizens with the tools and information they need to make wise financial decisions and ensures their protection in the financial products marketplace. Treasury successfully completed its role in standing up the CFPB, which is now exercising its full regulatory powers as an independent bureau in the Federal Reserve System.

Extend Expanded Tax Cuts for Working 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 (at the \$1,000 level) 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. The Budget also proposes a permanent expansion of the Child and Dependent Care Tax Credit. Nearly all eligible families making under \$103,000 a year would see a larger credit.

Promote Affordable Homeownership. The Administration projects that the Federal Housing Administration (FHA) will insure \$149 billion in mortgage borrowing in 2013, supporting new home purchases and re-financed mortgages that significantly reduce borrower payments. FHA financing was used by 37 percent of all homebuyers, 60 percent of African American homebuyers and 59 percent of Hispanic families who purchased homes in 2009. It also is a vital financing source for first-time homeowners, 56 percent of whom used FHA insured financing in 2009 and 2010.

Support Responsible Homeowners and Help Them Stay in Their Homes: The President has put forward a legislative plan to support responsible homeowners by making millions more eligible for streamlined refinancing, which can save hundreds of dollars a month. In addition, the President has expanded efforts to help families avoid foreclosure by making 12-month forbearance for unemployed borrowers an industry standard and expanding eligibility for HAMP. The Budget also includes \$141 million for housing and homeowner counseling through HUD and the Neighborhood Reinvestment Corporation (NeighborWorks). Over half of these funds are dedicated to foreclosure assistance. NeighborWorks' National foreclosure Mitigation Counseling program has assisted over 1 million households since its inception in 2008.

Improve Retirement Security. After a lifetime of employment, American workers deserve to know that their efforts have resulted in a secure retirement. The Administration is committed to giving Americans more and better choices to save for retirement while also strengthening the existing private pension system. The Budget proposes to expand and improve employment-based retirement security by establishing automatic workplace pensions and doubling the Small Employer Pension Plan Startup Credit from \$500 a year to \$1,000 per year.

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.

###