

Supporting African American Families

Meeting Our Greatest Challenges: The President's Fiscal Year 2017 Budget

Under the President's leadership, we have turned our economy around and created 14 million jobs. Our unemployment rate is below five percent for the first time in almost eight years. Nearly 18 million people have gained health coverage as the Affordable Care Act has taken effect. And we have dramatically cut our deficits by almost three-quarters and set our Nation on a more sustainable fiscal path.

Yet while it is important to take stock of our progress, this Budget is not about looking back at the road we have traveled. It is about looking forward and making sure our economy works for everybody, not just those at the top. It is about choosing investments that not only make us stronger today, but also reflect the kind of country we aspire to be – the kind of country we want to pass on to our children and grandchildren.

The Budget makes critical investments in our domestic and national security priorities while adhering to the bipartisan budget agreement signed into law last fall, and it lifts sequestration in future years so that we continue to invest in our economic future and our national security. It also drives down deficits and maintains our fiscal progress through smart savings from health care, immigration, and tax reforms.

The Budget shows that the President and the Administration remain focused on meeting our greatest challenges – including accelerating the pace of innovation to tackle climate change and find new treatments for devastating diseases; giving everyone a fair shot at opportunity and economic security; and advancing our national security and global leadership – not only for the year ahead, but for decades to come.

In January 2016, the unemployment rate for African Americans stood at 8.8 percent, down 1.5 percentage points from the year before and down 8.0 percentage points from March 2010 when it reached its highest level as a result of the Great Recession. But while the unemployment rate among African Americans has dropped significantly, it remains well above the national average and far too high overall. The Administration is committed to doing everything it can to ensure that all African Americans have a fair shot at opportunity and economic security. The Budget does this by:

EQUIPPING EVERY AMERICAN WITH A HIGH-QUALITY EDUCATION

Expanding Access to High-Quality Early Childhood Education.

High-quality child care and early education provide children with a foundation for success in school and put them on a path toward realizing their full potential. Supporting children during this critical stage of development yields long-lasting benefits, particularly for children from low-income families who often start kindergarten far less prepared than their peers. The Budget expands access to high-quality early childhood education while also investing in innovation and evaluation to continue to build the evidence base about what works for our youngest learners and their families. The Budget:

- Expands access to quality child care for working families.** The Budget reflects the President's commitment to quality, affordable child care. The Budget invests \$82 billion in additional funding over the next ten years to ensure that all low- and moderate-income working families with young children have access to high quality, affordable child care, as opposed to the small share of families who receive this help today. This landmark proposal makes significant investments in raising the quality of child care, including investments to improve the skills, competencies, and training of the child care workforce, and a higher subsidy rate for higher quality care. This increased subsidy rate, paired with investments in workforce development, will improve the quality of care children receive, partly by allowing for more adequate compensation of child care workers. Overall, this proposal will expand access to high-quality care for more than 1.1 million additional children under age four by 2026. In addition, the Budget includes \$200 million in discretionary funding above the 2016 level to help States implement the changes required by the new bipartisan Child Care and Development Block Grant Act of 2014 and for competitive pilot projects to help build a supply of high-quality child care in rural areas and during non-traditional hours.
- Cuts taxes for families paying for child care with a credit of up to \$3,000 per child.** The Budget triples the maximum Child and Dependent Care Tax Credit (CDCTC) for families with children under age five and makes the full CDCTC available to families with incomes of up to \$120,000, benefiting families with young children, older children, and dependents who are elderly or have disabilities. Meanwhile, the Budget would eliminate tax preferences for flexible spending accounts (FSAs) for child care expenses, which are poorly targeted and complex, reinvesting the savings in the improved CDCTC. The child care tax reforms would benefit 5.1 million families, helping them cover costs for 6.7 million children beginning in 2017.
- Increases the duration of Head Start programs, while maintaining access to Head Start.** The Budget includes \$9.6 billion for Head Start, an increase of \$434 million over 2016 enacted. This funding will help ensure that grantees, including Early Head Start-Child Care Partnership grantees, maintain the number of children served and the quality of their program. This level also includes an additional \$292 million in 2017 to increase the number of children participating in a full school day and year Head Start program, which research shows is more effective than programs of shorter duration and also helps meet the needs of working parents. This investment builds on the nearly \$300 million investment made in 2016 to increase the duration of Head Start programs.
- Supports universal preschool through the Preschool for All Initiative.** As a new federal-state partnership, the President's Preschool for All Initiative would provide \$75 billion in funding over the next ten years to give all four-year-olds from low- and moderate-income families access to high-quality preschool, while encouraging States to expand those programs to reach additional children from middle-class families and establish full-day kindergarten policies. The initiative is paid for through an increase in tobacco taxes that will help reduce youth smoking and save lives.
- Lays the groundwork for universal preschool with the Preschool Development Grants.** The Budget provides \$350 million at the Department of Health and Human Services for the Preschool Development Grants (PDG) program – an initiative jointly administered by the Departments of Health and Human Services and Education. This represents an increase of \$100 million from the 2016 enacted level. With the support of federal funding made available

through the Administration's PDG program, 18 States are currently expanding high-quality preschool programs to reach additional children in targeted, high-need communities. This work will continue under the bipartisan congressional authorization of the new PDG program in ESSA, the first program in a major elementary and secondary education statute devoted solely to the expansion of high-quality preschool and early education, a clear recognition of the importance of preschool in ensuring students are successful in school. These grants lay the groundwork for universal preschool as envisioned in the Preschool for All initiative.

- **Invests in voluntary, evidence-based home visiting.** The Budget extends and expands evidence-based, voluntary home visiting programs, which enable nurses, social workers, and other professionals to connect families to services to support children's healthy development and learning. As with Preschool for All, the proposal is paid for through an increase in tobacco taxes. The Budget also includes \$20 million for a new initiative in rural home visiting that the Department of Agriculture will administer in coordination with the Department of Health and Human Services. This initiative will focus exclusively on providing home visiting services in the most remote rural and tribal areas.
- **Invests in early learning for children with disabilities.** The Budget provides \$907 million in Individuals with Disabilities Education Act (IDEA) Preschools Grants and the IDEA Infants and Families program, an increase of \$80 million compared to 2016. This proposal includes \$15 million for a demonstration initiative for early identification of and intervention for learning and developmental delays and disabilities, with a potential focus on autism, intended to help identify, develop, and scale-up evidence-based practices.

Putting Students on a Path to College and Careers.

In 2015, Congress enacted the Every Student Succeeds Act (ESSA), a bipartisan reauthorization of the Elementary and Secondary Education Act (ESEA) that cements many of the Administration's key education reforms and reflects the progress States and districts have made in implementing these important changes. Building on earlier Administration initiatives, ESSA requires States to set high standards for all students that prepare them for college and careers, ensures that States and districts will hold schools accountable for the success of all students, invests in place-based and evidence-based strategies, reduces the burden of unnecessary standardized testing, supports the recruitment and retention of effective teachers and school leaders, recognizes the importance of expanding high-quality preschool, and replicates high-quality charter schools. The Budget supports ESSA, and emphasizes two particular areas of investment: increasing equity and excellence, and supporting teachers and principals.

Increasing Equity and Excellence. While the Nation has made significant progress in increasing overall graduation rates, gaps between different student groups continue to persist. One reason for these disparities is significant resource inequities, including stark differences in funding, effective teaching, student support services, and challenging coursework. For example, children from low-income families are less likely to be enrolled in preschool than their more affluent peers – 41 percent compared to 61 percent. In addition, students of color have less access to rigorous coursework; only 57 percent of African American students and two-thirds of Hispanic students attend a high school where the full range of college prep coursework is offered. ESSA seeks to address these inequities, building on the progress that States, schools, and educators have made to deliver on the promise of education as a fundamental civil right – true to the intent of the original Elementary and Secondary Education Act

signed by President Lyndon Johnson in 1965. The Budget provides funding where States and school districts most need it to advance equity and excellence. Investments include:

- \$15.4 billion for Title I Grants to Local Educational Agencies (LEAs) the cornerstone of Federal efforts to ensure that all students, including poor and minority students, students with disabilities, and English learners, graduate from high school prepared for college and careers. A portion of the increase would be reserved to support State and local school improvement activities.
- \$4 billion in mandatory funding over three years for the new Computer Science for All program, which would support all 50 States in their efforts to expand access to rigorous instruction, learning, and programs of study in computer science. The Budget also includes the \$100 million discretionary Computer Science for All Development Grants program for school districts to jumpstart this effort and promote innovative strategies to provide high-quality instruction and other learning opportunities in computer science.
- \$80 million for a new Next Generation High Schools program to promote the whole school redesign of the high school experience through competitive grants to LEAs and their partners. The program would support innovative models that personalize teaching and promote active learning for students, and that enable secondary schools to adopt new approaches for engaging, preparing, and inspiring college and career-ready students. The proposal would focus particularly on school models that are designed to engage and expand opportunities for girls and other groups underrepresented in science, technology, engineering, and mathematics (STEM) fields.
- \$180 million for the Education, Innovation, and Research program, an increase of \$60 million over the 2016 enacted level for its predecessor, the Investing in Innovation program, to support the creation, development, implementation, replication, and scaling up of evidence-based, field-initiated innovations designed to improve achievement and attainment for high-need students.
- \$120 million for a new Stronger Together Grants program, which would encourage the voluntary development of innovative plans to increase socioeconomic diversity in schools through community-supported strategies, and expand existing efforts in States and communities.
- \$128 million for Promise Neighborhoods, an increase of \$55 million, to build on the success of the program by supporting up to 15 new implementation grants in communities that seek to break the intergenerational cycle of poverty through a continuum of coordinated services from birth through college, and continuation awards in 5 communities.
- \$11.9 billion for grants to States under the Individuals with Disabilities Education Act (IDEA Part B) to support special education and related services and help States and LEAs improve results for children with disabilities.
- \$500 million for the new Student Support and Academic Enrichment grants to support States and districts in providing students with access to a well-rounded education, strengthening school conditions for learning, and improving the effective use of technology.
- \$403 million for State Assessments to support the administration and use of assessments across all 50 States, invest in the development and implementation of next-generation assessment systems, and improve assessment practices while reducing unnecessary testing consistent with the Administration's Testing Action Plan.

Supporting America's Teachers and Principals. The Budget invests \$2.8 billion in discretionary funding for programs to provide broad support for educators at every phase of their careers, from ensuring they have strong preparation before entering the classroom, to pioneering new approaches to help teachers succeed in the classroom, and equipping them with tools and training they need to

implement college- and career-ready standards. This includes \$250 million for the Teacher and School Leader Incentive Program to drive improvements in school districts' human capital management systems through innovative strategies for recruiting, developing, evaluating, and retaining excellent educators. To ensure teachers enter the classroom prepared to be effective, the Budget funds a \$125 million Teacher and Principals Pathways program to support teacher preparation programs and nonprofits partnering with school districts to create or expand high-quality pathways into the teaching profession, particularly into high-need schools and high-need subjects such as STEM. A new program, Teach to Lead, will fund teacher-led projects to improve the quality of education, drawing on the knowledge and passion of teachers to identify, implement, and expand effective practices. Finally, the Budget includes RESPECT: Best Job in the World, a \$1 billion mandatory initiative that will support a nationwide effort to attract and retain effective teachers in high-need schools by increasing compensation and paths for advancement, implementing teacher-led development opportunities to improve instruction, and creating working conditions and school climates conducive to student success. This proposal supports the Department of Education's (ED) efforts to ensure all students' equitable access to effective teachers.

Making a High-Quality College Education More Affordable.

Higher education is one of the clearest pathways into the middle class, and decades of research have shown large returns to higher education in terms of labor market earnings, health, and well-being. In fact, research shows that the typical college graduate earns twice as much over their lifetime as the typical high school graduate. Over the next decade, jobs requiring education beyond high school will grow more rapidly than jobs that do not. From the start of the Administration, the President has focused on making college more accessible and affordable for all Americans, with the goal of making the United States the leader once again in college completion, as it was a generation ago. The Administration ended the inefficient guaranteed student loan program and reinvested the savings into making college more affordable, including strengthening and expanding the Pell Grant program, the cornerstone of opportunity for low- and moderate-income students. The Budget builds on these accomplishments to make college accessible and affordable while focusing new attention on ensuring that students not only attend college, but that they complete their degrees. Too many students start but do not finish a degree, often leaving them with significant debt and without the skills and credentials they need for success.

Promoting Affordability and Completion

In order to provide new resources that will make college more affordable and will promote college completion, the Budget:

- Provides \$60.8 billion in mandatory funding over the next decade for America's College Promise (ACP), which would create a new partnership with States to make two years of community college free for responsible students, letting students earn the first half of a bachelor's degree or an associate degree and acquire skills needed in the workforce at no cost. ACP would also provide grants to four-year Historically Black Colleges & Universities (HBCUs) and Minority Serving Institutions (MSIs), to provide new low-income students, including community college transfers, with up to two years of college at zero or significantly reduced tuition.
- Supports community and technical colleges' development, operation, and expansion of innovative, evidence-based, tuition-free job training programs in high-demand fields such as

healthcare, manufacturing, and IT through \$75 million for the American Technical Training Fund. This initiative will be jointly administered by ED and the Department of Labor (DOL).

- Supports and encourages on-time and accelerated completion through year-round Pell availability to low-income students who have exhausted their award and completed a full-time course load of 24 credits.
- Promotes acceleration towards on-time completion by increasing the Pell Grant by an additional \$300 for students taking at least 15 credit hours per semester in an academic year, the number of credits typically required for on-time completion.
- Funds the full Pell Grant maximum award – estimated to be \$5,935 in award year 2017/18 (\$6,235 for students taking at least 15 credits) and continues to index Pell to inflation indefinitely beyond the 2017 award year to protect and sustain its value for future generation.
- Expands postsecondary education to incarcerated individuals eligible for release through the Second Chance Pell proposal with the goals of helping them get jobs, support their families, and strengthen their communities.
- Rewards colleges that successfully enroll and graduate a significant number of low-income students on time and encourages all institutions to improve their performance through the new College Opportunity and Graduation Bonus program.
- Reforms campus-based student aid programs to ensure that the funds are allocated to high-value schools that provide a quality education at a reasonable price to their students, particularly low-income students.
- Simplifies the FAFSA by eliminating burdensome and unnecessarily complex questions to make it easier for students and families to access federal student aid and afford a postsecondary education.
- Improves and streamlines PAYE and other income-driven repayment plans and creates a single, simple, and better targeted plan for borrowers that will help them manage their debt, as well as simplifying and strengthening teacher loan forgiveness programs. This builds on the Administration's efforts to increase enrollment in these plans, which has thus far helped more than 4 million borrowers manage their student loan debt.
- Simplifies and expands education tax benefits for all students and families. The tax bill enacted in December made the American Opportunity Tax Credit (AOTC) – first enacted in the Recovery Act – permanent. The AOTC provides a maximum credit of up to \$2,500 per year for the first four years and is refundable up to \$1,000. The Budget would streamline and further expand education tax benefits by (1) consolidating the Lifetime Learning Credit into an expanded AOTC, which would be available for five years and refundable up to \$1,500 for students enrolled half-time or more; (2) exempting Pell Grants from taxation and the AOTC calculation; and (3) eliminating tax on student loan debt forgiveness, while repealing the complicated student loan interest deduction for new borrowers.

Ensuring that Students are Well-Served in School and by the Student Aid System

For students to succeed, institutions of higher education must deliver the high-quality education that students deserve and when students have completed their degrees, the student aid system needs to provide high-quality loan servicing to ensure that students are enrolled in manageable repayment plans and are able to get the help they need to meet their loan obligations. To meet these goals, the Budget:

- Protects students and taxpayers by lowering the share of federal revenues that for-profit colleges and universities are allowed to derive from federal financial student aid, from 90 to 85 percent, and ensuring that all sources of government support – including benefits provided to current and former members of the military and their families – are included in this calculation.

The intent of this requirement is simple: quality for-profit programs should be able to secure funding that is not solely from the Federal Government and thus, show that they are able to bring in students willing to spend their own funds

- Provides \$1.6 billion for the Office of Federal Student Aid, which is responsible for administering the more than \$140 billion in new financial aid made available each year to students at over 6,000 colleges and universities. This funding will be used to implement the Administration's ongoing efforts to ensure that student loan contractors provide high-quality loan servicing to students. These funds will also allow the Department to provide enhanced oversight and strengthen enforcement activities such as pursuing schools that engage in deceptive or misleading practices toward students, including veterans. Funds will also be used to provide students and families with clear information about how students who attend different colleges fare.

Innovation in Higher Education

To support performance and innovation in higher education, with the goal of improving student success in these and other important outcomes, the Budget:

- Expands the First in the World fund to \$100 million, to identify and expand promising and evidenced-based innovations and practices at colleges and universities across the country to improve graduation rates and other educational outcomes for all students and make college more affordable.
- Provides new College Opportunity and Graduation Bonuses to reward colleges that ensure that a large share of students receiving Pell Grants finish their degrees and to schools that improve their performance on this important metric of success.
- Proposes a new \$75 million American Technical Training Fund, which would provide competitive grants to support the development, operation and expansion of innovative, evidence-based, tuition-free job training programs in high-demand fields.

Expanding Access and Opportunity at America's Minority Serving Institutions

MSIs, including HBCUs, Hispanic-Serving Institutions (HSIs), Asian American and Native American Pacific Islander-Serving Institutions (AANAPIs), and others, open the door to college for a large number of minority college students. To support student success in these important institutions, the Budget:

- Provides as part of America's College Promise (ACP) (described above) grants to four-year HBCUs and MSIs to provide first-time low-income students, including community college transfers, with up to two years of college at zero or significantly reduced tuition.
- Fosters innovative and evidence-based, student-centered strategies and interventions to increase the number of low-income students completing degree programs through a new \$30 million HBCU & MSI Innovation for Completion Fund competitive grant program.
- Sustains funding for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and TRIO, which help disadvantaged students prepare for, enroll, and complete postsecondary education.
- Provides that up to \$20 million of the TRIO funding would support a TRIO Demonstration Initiative to test new approaches to foster college success.

- Creates a 30 percent set-aside for HBCUs & MSIs in the \$100 million First in the World competition to drive innovations in higher education that increase college completion, value, and affordability.

TRAINING WORKERS FOR HIGH-DEMAND JOBS AND CAREERS

As our economy changes we need to ensure that the Nation's workers have the skills they need to succeed in family-supporting jobs. The Administration builds on the bipartisan Workforce Innovation and Opportunity Act (WIOA) with investments that connect workers with good jobs, prepare workers with the skills employers need, and partner with employers to create more on-the-job training and apprenticeship opportunities so workers can learn the skills they need for better, higher-paying jobs and earn wages while they are training.

Creating Pathways to High-Growth Jobs

Over the last several years, Congress and the Administration have worked together to improve the Nation's job training system, including through the enactment and implementation of the bipartisan Workforce Innovation and Opportunity Act (WIOA). The Budget builds on this progress by funding the core DOL WIOA formula grants at their full authorized level for the first time since the law's enactment—a \$138 million increase over the 2016 enacted level. The Budget also provides additional resources to train disadvantaged populations with barriers to employment, including ex-offenders, Native Americans, and individuals with disabilities.

Expanding the Learn-and-Earn Strategy of Apprenticeship.

Apprenticeship is a proven strategy for preparing workers for middle-class jobs. On average, apprentices who finish their program earn \$50,000 a year and increase their lifetime earning potential by \$300,000. The Budget proposes new investments that build on the progress underway in expanding apprenticeships. Today, there are 75,000 more apprentices in training than when the President first launched the American Apprenticeship Initiative in 2014, the largest increase in nearly a decade. The Budget further invests in this proven strategy, sustaining the new \$90 million in grants provided in 2016—a landmark investment—and proposing a \$2 billion mandatory Apprenticeship Training Fund to support state strategies to expand apprenticeship, add new youth apprenticeships and pre-apprenticeships, and spur new innovations in apprenticeship. These investments would help meet the President's goal to double the number of apprentices across the United States, giving more workers the opportunity to develop job-relevant skills while they are earning a paycheck. Additionally, these investments complement a proposed rule published by the Department of Labor in 2015 to modernize the equal employment opportunity requirements for apprenticeship programs to ensure they can provide a pathway to middle class jobs for women and other groups that have been historically under-represented in these programs.

Improving Employment Outcomes for HUD-Assisted Households.

The Budget increases job training and financial incentives to help public housing residents secure employment and increase their earnings through the Department of Housing and Urban Development's (HUD) Jobs-Plus program, which has been shown to boost annual incomes by \$1,300 on average. The Budget provides \$35 million for Jobs-Plus to target assistance to approximately 8,750 individuals, more than twice the 2016 number. The request includes up to \$5 million to implement a demonstration

of the Jobs-Plus model in Indian Country. The Budget also provides \$75 million for the Family Self-Sufficiency (FSS) program to link HUD-assisted households with job training, child care, transportation, financial literacy and other supportive services, and help them build assets through interest-bearing escrow accounts.

Reducing Unnecessary Occupational Licensing.

The Budget builds on the investment provided in the FY 2016 Omnibus and provides a total of \$10 million for grants to support groups of States to identify areas where occupational licensing requirements create unnecessary barriers to labor market entry or mobility, to expand reciprocity for a range of occupational licenses, and to reduce excessively burdensome licensing barriers.

Expanding Technical Training Programs for Middle Class Jobs.

Community colleges, like those in Tennessee and Texas that build strong employer partnerships and offer training in in-demand fields, are creating career pathways to the middle class. The Budget requests \$75 million for a new American Technical Training Fund (ATTF) to create or expand innovative, evidence-based, tuition-free job training programs in high-demand fields that provide a path to the middle class. Projects would emphasize strong employer partnerships, work-based learning opportunities, accelerated training, and flexible scheduling for students to accommodate part-time work. This initiative would be housed in the Career and Technical Education Innovation Fund, jointly administered by the Department of Education and the Department of Labor and builds on the Trade Adjustment Assistance Community College and Career Training Grants (for which 2014 was the final year of funding). The ATTF is complementary to other Budget proposals, including America's College Promise and the American Talent Compact.

Empowering Workers, Training Providers, and Employers through Better Data.

The President is proposing the creation of a new \$500 million Workforce Data Science and Innovation Fund. The Department of Labor (DOL) would recruit and deploy a best-in-class team to help States find new ways to use technology and data analytics to improve training programs and consumer choice. And similar to HHS's Open Health Data Initiative, DOL would partner with the Department of Commerce to develop new open source data on jobs and skills to spur the creation of new products to help match workers to better jobs. The Budget also includes a \$40 million investment to build State and local capacity to track the employment and educational outcomes of WIOA program participants, including those with disabilities, to give those seeking training meaningful information — including past participants' success in finding jobs — so they can make good choices about which programs will best prepare them for the labor market.

Providing 21st Century Career Navigation to Reconnect Workers to Jobs.

The Budget provides \$1.5 billion in mandatory funding to States to fund Career Navigators in American Job Centers who will proactively reach out to all people who have been unemployed for six months or more, those who have dropped out of the labor force altogether and people who are only able to find part time work. These Career Navigators would help workers look for a job, identify training options, and access additional supportive services. The Budget also includes almost \$190 million in discretionary funding to provide in-person reemployment services to the one-third of

Unemployment Insurance (UI) beneficiaries most at risk of exhausting their benefits, as well as all returning veterans who are receiving UI.

Creating a Talent Compact to Keep and Attract Jobs to the U.S.

One of the main assets a business considers when deciding where to locate and grow is the availability of talent. The President is proposing in his Budget \$3 billion in competitive funding to create more than 50 “Talent Hotspots” across the U.S. These Talent Hotspots would consist of employers, training programs, and workforce and economic development leaders that prioritize one sector and make a commitment to recruit and train the workforce to help local businesses grow and thrive, attract more jobs from overseas, and fuel the talent needs of entrepreneurs. This proposal would produce a pipeline of about half a million skilled workers over the next five years.

Opening Doors for Youth.

The Budget invests \$5.5 billion in mandatory funding to help more than one million young people gain the work experience, skills, and networks that come from having a first job. Of this, \$3.5 billion is devoted to getting more young Americans connected to jobs over the summer and year-round; this includes \$1.5 billion to support summer job opportunities, and \$2 billion to create year-round first jobs for nearly 150,000 opportunity youth, those who are currently out-of-school and out-of-work but ready to take on a work opportunity. Additionally, the Budget provides \$2 billion to transform communities struggling with high rates of youth disengagement, high school dropouts, and unemployment into places of opportunity for young adults to help them succeed in school and the labor force. The program will provide funds to local governments to locate and reengage youth, and connect them with the counseling, support services, employment opportunities, and education they need to succeed. The Budget also provides funding for up to 8,000 summer positions for disconnected youth through AmeriCorps that can serve as pathways to higher education and employment.

PROVIDING ASSISTANCE TO VULNERABLE POPULATIONS AND INVESTING IN THE HARDEST-HIT COMMUNITIES

Preventing Hunger and Supporting Healthy Eating.

The Administration strongly supports the Supplemental Nutrition Assistance Program (SNAP) and other federal nutrition programs as an investment that ensures American families and children have the support they need to build a better future, especially when weathering life’s ups and downs, such as loss of a job, illness, or work that pays less than a livable wage. Research increasingly shows links between food security, nutrition, and improved long-term outcomes such as better health, higher educational attainment and greater economic self-sufficiency.

Thus, the Budget maintains robust support for federal nutrition programs that reduce hunger and help families meet their nutritional needs. Chief among these is SNAP, the cornerstone of our Nation’s nutrition assistance safety net, touching the lives of about 45 million Americans, the majority of whom are children, the elderly, or people with disabilities.

In addition to supporting SNAP, the Budget invests in providing healthy meals to children during the school day. Each year, it supports almost 5.5 billion school lunches and snacks for 32 million children and almost 2.6 billion breakfasts served to 15 million children. In addition, the Budget includes \$10

million for grants to expand direct certification of children for school meals using income data from other programs, including SNAP, to ensure eligible students can access these programs and to reduce the administrative burden on schools and districts.

The Budget also seeks to ensure all children have consistent and adequate access to nutritious food year round to learn and grow. That is why the Budget invests \$12 billion over ten years to create a permanent Summer Electronic Benefits Transfer for Children (SEBTC) program that will provide all families with children eligible for free and reduced price school meals access to supplemental food benefits during the summer months.

During the academic year, school meals help meet this need for the nearly 22 million low-income children who rely on free and reduced price school meals. However, only a fraction of those children receive free and reduced price meals in the summer months. As a result, low-income children are at higher risk of food insecurity and poorer nutrition during the months when school is out of session. Rigorous evaluations of USDA pilots have found that providing additional food benefits on debit cards to low-income families with school-aged children during summer months can significantly reduce food insecurity.

The Budget also supports the ongoing implementation of the Healthy, Hunger-Free Kids Act of 2010 with an investment of \$35 million in school equipment grants, \$5 million above the 2016 enacted level, to ensure schools have the equipment they need to prepare and serve healthy meals. The Budget provides \$6.35 billion to support the 8.1 million individuals expected to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which is critical to the health of pregnant women, new mothers, infants, and young children.

Building Ladders of Opportunity for All Young People.

In 2014 the President launched *My Brother's Keeper*, a new initiative to address persistent opportunity gaps faced by boys and young men of color and ensure that all young people can reach their full potential. An interagency task force is working to improve how the Federal Government's own policies and programs can better support these efforts. Hundreds of local governments, philanthropies, and local businesses have responded to the President's call to action to implement their own cradle-to-college-and-career strategies for improving the life outcomes of all young people. The Budget provides support for many efforts that will help achieve the goals of the *My Brother's Keeper* initiative, including youth jobs programs, juvenile justice reforms, initiatives to curb the high school dropout rate for disconnected youth, investments in community college and efforts to improve postsecondary education success, and technical assistance to communities working to improve life outcomes to put all youth in America on a path to success.

Helping Workers with Disabilities Remain in the Workforce.

The Budget builds on the Bipartisan Budget Act of 2015 (BBA) reauthorization of the Social Security Disability Insurance (SSDI) demonstration authority that will enable SSA to test innovative strategies to help people with disabilities remain in the workforce. SSA can now test how changes to the SSDI benefit structure could impact employment and earnings among beneficiaries and has authority to conduct other demonstrations, including projects that seek to help those applying for or receiving SSDI to reengage in the labor market. The Budget proposes to build on these efforts by creating an Interagency Council on Workforce Attachment to better coordinate disability activities across the

Federal government, including \$200 million in funding to support a suite of demonstration projects aimed at improving employment outcomes for people with disabilities before individuals apply for SSDI. Early-intervention measures, such as supportive employment services for individuals with mental illness, targeted incentives for employers to help workers with disabilities remain on the job, and incentives and opportunities for States to better coordinate services have the potential to achieve long-term gains in the employment and the quality of life of people with disabilities. The proposed demonstrations will help build the evidence base for future program improvements.

Supporting Affordable Rental Housing for 4.5 Million Families.

Housing assistance not only helps families make ends meet, it can help families move to communities with greater opportunities and increase housing stability. The Budget provides \$20.9 billion for the Housing Choice Voucher program to help approximately 2.2 million very low-income families afford decent housing in neighborhoods of their choice. The Budget also includes \$10.8 billion for the Project-Based Rental Assistance program to maintain affordable rental housing for 1.2 million families, and \$6.4 billion in operating and capital subsidies to provide affordable public housing for 1.1 million families. Further, the Budget provides \$50 million for the Rental Assistance Demonstration program, and expands its authority to allow certain properties under the Section 202 Housing for the Elderly program to convert to long-term, project-based contracts that can leverage private financing for capital improvements.

Ending Homelessness.

The Budget sustains funding to support programs dedicated to ending veteran homelessness, while also providing \$11 billion in housing vouchers and rapid rehousing over the next ten years to reach and maintain the goal of ending homelessness among all of America's families by 2020. This significant investment is based on recent rigorous research that found that families who utilized vouchers -- compared to alternative forms of assistance to the homeless -- had fewer incidents of homelessness, child separations, intimate partner violence and school moves, less food insecurity, and generally less economic stress. Complementing this mandatory proposal, the Budget provides targeted discretionary increases to address homelessness, including 25,500 new units of permanent, supportive housing to end chronic homelessness, 10,000 new Housing Choice Vouchers targeted to homeless families with children, \$25 million to test innovative projects that support homeless youth, and 8,000 new units of rapid re-housing that provides tailored assistance to help homeless families stabilize in housing and then assists them to become more self-sufficient. This investment will further build the evidence base on this emerging intervention. The Budget also provides an additional \$6 million for the Runaway and Homeless Youth programs, including over \$2 million to support prevention demonstration projects.

Partnering with Communities to Expand Opportunity.

From day one, the President called on the Federal Government to think creatively about how to make our efforts more responsive to the ideas and concerns of local citizens. Initiatives such as Promise Zones, Investing in Manufacturing Communities Partnership, Partnership for Sustainable Communities, and Performance Partnership Pilots for Disconnected Youth have supported holistic responses to pressing issues. Today over 1,800 communities nationwide are implementing place-based initiatives that draw on resources across agencies and rely on close coordination with local businesses, philanthropy, and Government.

The 2017 Budget continues to institutionalize the Administration's place-based approach to coordinating programs that help create jobs and opportunity, promote resilience and sustainability, and implement local visions in communities across the Nation. In addition to investments in Federal staffing and training, the Budget supports key programs, providing increased funding for distressed communities to plan and implement comprehensive and community-driven approaches.

The Budget:

- **Supports the Administration's Promise Zones initiative.** This initiative establishes partnerships between the Federal Government, local communities, and businesses to more holistically address a region's or neighborhood's needs, including to create jobs, increase economic security, expand educational opportunities, increase access to quality, affordable housing, and improve public safety. The competitively-chosen Promise Zones are high-poverty urban, rural, and tribal communities where local government, non-profits, businesses, and community leaders collaborate to make investments that reward hard work and expand opportunity. The Federal Government partners with these communities to help them secure the resources and flexibility they need to achieve their goals. To date, the President has designated 13 Promise Zones, and seven more will be announced in 2016. Federal agencies support all 20 Promise Zones through tailored technical assistance at the local level. The Budget continues to propose Promise Zone tax incentives to stimulate growth and investments in targeted communities, such as tax credits for hiring workers and incentives for capital investment within the Zones.
- **Invests in efforts to transform distressed communities.** The Budget expands the Department of Education's Promise Neighborhoods program and HUD's Choice Neighborhoods program. These programs have already provided critical funding for comprehensive and community-driven approaches to improving the educational and life outcomes of residents in over 100 distressed communities. The Budget provides \$128 million for Promise Neighborhoods and \$200 million for Choice Neighborhoods, an overall increase of \$130 million over 2016 enacted levels for the two programs. This additional funding will support implementation grants for approximately 15 new Promise Neighborhoods and six new Choice Neighborhoods, and numerous other planning grants for communities to engage with stakeholders to create plans for future revitalization.
- **Addresses the unique needs of poor rural communities.** Recognizing that too many rural communities struggle with persistently high rates of child poverty, the Budget invests in innovative strategies to increase rural families' access to promising and evidence-based programs and services. The Budget provides \$20 million for two-generation demonstration projects within USDA to fight rural child poverty —intentionally aligning high-quality early childhood education for children with high-quality workforce development for parents to put the entire family on a path to permanent economic security and positive life outcomes. Specific strategies for implementing the two-generation grants will be community-driven, but may include physical colocation of services, building collaboration models across agencies, establishing new systems and referral networks to link services, aligning disparate data systems, and improving coordination of program delivery across agencies. Growing the economy by investing in rural communities and increasing opportunities for families is key to our Nation's future. In 2010, Secretary Vilsack established USDA's StrikeForce Initiative for Rural Growth and Opportunity to address the specific challenges associated with rural poverty. The Budget provides \$5 million to build upon the success of USDA's StrikeForce Initiative by developing field-based staff that will be focused on improving the access to USDA programs by persons and communities in persistent poverty areas.

Supporting Housing Assistance for People Living with HIV/AIDS.

The Budget provides \$335 million for HUD's Housing Opportunities for Persons with AIDS (HOPWA) program to address housing needs among people living with HIV/AIDS and their families. The program provides States and localities with the resources to create comprehensive strategies for providing housing assistance that gives patients the stability needed for effective treatment. In partnership with other Federal agencies, HUD is working to promote greater achievements in viral suppression through the coordination and alignment of housing support with medical care. The Administration is also proposing legislative reforms that would update HOPWA's grant formula to distribute funds based on recent Centers for Disease Control and Prevention data on persons living with HIV, rather than the cumulative number of AIDS cases.

Supporting Local Efforts to Develop Housing Markets.

The Budget proposes a \$300 million mandatory appropriation for a new Local Housing Policy Grants program. This program will provide grants to localities and regional coalitions of localities to support new policies, programs or regulatory initiatives that create a more responsive and diverse housing supply by updating outdated zoning codes and breaking down other unnecessary or counterproductive barriers to housing development. The goal of this initiative is to facilitate housing supply in responding to growing demand, resulting in improved housing affordability, increased access to jobs, reduced income inequality, and stronger economic growth. This program will support a range of activities that reduce barriers to housing development, such as design options, process changes, and land use regulations; funds will also be used to support related investments, including infrastructure expansion and/or improvement, market evaluation, code writing assistance, and stakeholder education and outreach.

Supporting Children and Youth in Foster Care.

As part of the Administration's efforts to provide support for stable homes and strong support structures for vulnerable children and youth, the Budget includes a package of proposals to help improve the lives of children and youth in foster care and to help them reach their full potential. The Budget includes \$3.4 billion in new mandatory investments designed to do more to prevent the need for foster care and assist children and families so that children can either be reunited with their biological parents or placed in a permanent home where they can thrive. The Budget includes funding to provide critical preventative services to vulnerable families and children to address hardships early, safely keeping more children out of foster care and with their families. Additionally, the Budget includes funding to promote family-based care for children with behavioral and mental health needs to reduce the use of congregate care – which can have negative effects on children. The Budget also provides funding to help improve the training and skills of the child welfare workforce—individuals working with some of the most vulnerable children and youth in the country, including funding to help caseworkers obtain a Bachelor or Master's degree in social work and incentivize State child welfare agencies to hire and retain caseworkers with this specialized education. The Budget includes funding for Tribes to build their child welfare infrastructure, and for tribal children and youth removed from their homes to remain in their communities. Additionally, the Budget includes \$35 million in new discretionary funding to provide comprehensive services to youth in the child welfare system who are victims of or at-risk of human trafficking, and to build capacity and strengthen the services of tribal child welfare systems.

Strengthening Efforts to Help Poor Families Succeed.

The Temporary Assistance for Needy Families (TANF) program was designed to provide states with more flexibility while requiring them to engage recipients in work activities, but after twenty years there is strong evidence that the program can do more to help families get back on their feet and work toward self-sufficiency.

The years after the 1996 welfare law was enacted saw a strong economy and the implementation of work-supporting policies such as an expanded EITC and child care assistance, which along with changes to cash welfare programs contributed to an increase in employment rates among single mothers. However, that progress stalled and then reversed in the early part of the 2000s, giving back a significant portion of the earlier gains. In addition, few families have worked their way into the middle class, while 3 million children are in families living on less than \$2 per person per day in cash income. The rise in children living in such deep poverty is at least in part due to the declining role of TANF as a safety net. There is now substantial evidence that further reforms are needed to meet our 21st century poverty challenges.

To address these concerning trends, the Budget includes a number of proposals to strengthen the TANF program. It (1) increases resources for TANF to help offset twenty years of erosion in TANF funding and ensures that States meet their state funding requirements without using funding gimmicks, (2) requires States to spend a majority of their funds on the core purposes of TANF, and ensures all TANF funds are spent on low-income families, (3) calls on Congress to provide States with more flexibility to design effective work programs in exchange for holding States accountable for the outcome that really matters – helping parents find jobs, (4) proposes that HHS be required to publish an annual measure or measures related to child poverty in States, and (5) creates a workable countercyclical measure modeled after the effective TANF Emergency Fund created during the Great Recession and utilized by governors of both parties. The Budget also continues a prior proposal to redirect funds currently in the poorly designed contingency fund to finance two important innovative approaches to reducing poverty and promoting self-sufficiency – subsidized jobs programs, and two generation initiatives that seek to improve employment outcomes of parents and developmental and educational outcomes of children.

Supporting Families in Crisis So They Can Stabilize and Move Toward Self-Sufficiency.

The Budget will invest in a new \$2 billion Emergency Aid and Service Connection initiative to test and scale innovative State and local approaches to aid families facing financial crisis, including families on the brink because of a temporary illness or a broken down car, and families already in crisis. The funding will provide families the emergency help they need both to avert a downward spiral or to reverse one, and then connect those who need it to longer term assistance, such as income assistance, job training, child care, and mental health and substance use disorder treatment, so that families are stabilized, parents can get back on their feet, and children can thrive. These efforts will be rigorously evaluated so that the projects can inform future policymaking and program design at the Federal, State, and local levels.

Promoting Self-Sufficiency.

The Budget continues to support the Upward Mobility Project, which will allow up to ten communities, States, or a consortium of States and communities more flexibility to use funding from

up to four Federal programs for efforts designed to implement and rigorously evaluate promising approaches to help families achieve self-sufficiency, improve children's education and health outcomes, and revitalize communities. Projects will have to rely on evidence-based approaches or be designed to test new ideas, and will have a significant evaluation component that will determine whether they meet a set of robust outcomes. The funding streams that States and communities can use in these projects are currently block grants—the Social Services Block Grant, the Community Development Block Grant, the Community Services Block Grant, and the HOME Investment Partnerships Program—that share a common goal of promoting opportunity and reducing poverty, but do not facilitate cross-sector planning and implementation as effectively as they could. The Budget also provides \$1.5 billion in additional funding over five years that States and communities can apply for to help support their Upward Mobility Projects.

Improving Mobility for Low-Income Families.

Based on studies that show that moving to higher opportunity areas can have significant and positive long-term earnings and college attainment outcomes for children, the Budget includes investments in the Housing Choice Voucher program to improve the mobility of low-income families. As part of the \$20.9 billion request for the Housing Choice Voucher program, the Budget provides \$2.1 billion in Public Housing Authority (PHA) administrative fees to not only support fundamental functions needed to operate the program, such as housing quality inspections and tenant income certifications, but to ensure that PHAs have sufficient resources to promote mobility and give low-income families greater access to areas with lower crime, more job opportunities, and better schools. In addition, the Budget provides \$15 million to implement a Mobility Counseling Demonstration program to help families with housing vouchers move to and stay in safer neighborhoods with stronger schools and access to jobs. These investments will be distributed to approximately 10 regional housing program sites with participating PHAs and/or private non-profits over a three-year period. A portion of the funding will also support an evaluation to measure the impact of the counseling demonstration to further inform the policy process and design.

INVESTING IN PUBLIC SAFETY AND CRIMINAL JUSTICE REFORM

Supporting the President's New Executive Actions to Reduce Gun Violence.

The Budget supports the President's plan to protect our children and communities by reducing gun violence through background checks, inspections of Federally-licensed firearms dealers, improved tracing and ballistics analysis, and efforts to keep guns out of the hands of dangerous criminals. The Budget provides funding to hire 200 new special agents and investigators for the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF); enhance the National Integrated Ballistics Information Network (NIBIN); and improve the National Instant Background Check System (NICS). Additionally, the Departments of Defense, Justice, and Homeland Security will conduct and sponsor research into gun safety technology that would reduce the frequency of harm from accidental discharge or unauthorized use. Lastly, the budget includes a \$500 million investment to increase access to mental health care.

Evidence-Reducing Crime and Recidivism.

The Administration is committed to a comprehensive strategy to reduce incarceration costs over the long term by facilitating inmates' transition into society in order to reduce recidivism rates, increase public safety, and strengthen communities.

The Budget takes steps to address the cycle of incarceration by investing additional resources in the Bureau of Prisons' (BOP) evidence-based re-entry programs. These investments include \$89 million to increase health and mental health services and expand staffing for Residential Reentry Centers (RRC). It also includes \$91 million to provide innovative reentry programs in BOP facilities, create programming that strengthens familial bonds, increase vocational and educational training, and expand RRC beds. In addition, the Budget provides \$100 million for the Second Chance Act Grant program, an increase of \$32 million, to reduce recidivism and help those exiting the justice system rejoin their communities and lead productive lives. The Budget provides \$95 million—an increase of \$7 million—for the Reintegration of Ex-Offenders program to prepare justice-involved adults and juveniles for success in the labor market through career assistance, training, and supportive services.

Renewing Efforts to Promote Juvenile Justice and Fight Youth Violence.

The Budget proposes \$334.4 million for the Justice Department's Juvenile Justice Programs and includes evidence-based investments to prevent youth violence. These investments include \$18 million to fund the Community-Based Violence Prevention Initiative; \$4 million for the National Forum on Youth Violence Prevention to help further leverage and scale Federal efforts that support youth violence prevention; and \$20 million for the new Smart on Juvenile Justice initiative that will provide incentive grants to assist States to foster better outcomes for justice-involved youth. Further, the Budget makes available \$23 million for research and pilot projects focused on developing appropriate responses for youth exposed to violence, as well as resources for the Centers for Disease Control and Prevention's Striving to Reduce Youth Violence Everywhere (STRYVE) Initiative.

Incentivizing Justice Reform with the 21st Century Justice Initiative

To further the Administration's support of criminal justice reform that enhances public safety, avoids excessive punishment and unnecessary incarceration, and builds trust between the justice system and the community, the Budget proposes the 21st Century Justice Initiative, a \$5 billion investment of \$500 million per year over 10 years. The Initiative will focus on three objectives: reducing crime, reversing practices that have led to unnecessarily long sentences and unnecessary incarceration, and building community trust. Specifically, States seeking funds would focus on one or more opportunities for reform in both the adult and juvenile systems, including: examining state laws and policies that contribute to unnecessarily long sentences and unnecessary incarceration and changing those laws and policies in ways that do not sacrifice public safety; promoting critical advancements in community-oriented policing; and providing comprehensive front-end and reentry services.

ENSURING ACCESS TO QUALITY, AFFORDABLE HEALTH CARE

Implementing the Affordable Care Act.

The Affordable Care Act (ACA) has taken significant steps toward putting the nation back on a sustainable fiscal course while laying the foundation for a higher quality, more secure health care system. Through financial assistance to make coverage more affordable and increased Federal support to States expanding Medicaid coverage for newly eligible low-income adults, the ACA has provided

high-quality, affordable coverage to millions of Americans who would otherwise be uninsured, while also strengthening coverage for those who already had insurance.

Now in the third year of full ACA implementation, millions of people have enrolled in private insurance through the Health Insurance Marketplace or for coverage through Medicaid and the Children's Health Insurance Program (CHIP). Additionally, millions more young adults already have gained coverage under the health care law by staying on their parents' plans until their 26th birthday.

We now live in an era where no child will be denied coverage because of a pre-existing condition like asthma. No American will have to worry that losing a job means you can't get health coverage. And small businesses may be able to get financial help to pay for new affordable coverage options for their employees.

The challenges in our health care system were decades in the making and will not be solved overnight, but millions of Americans have signed up for insurance and are getting the peace of mind of knowing that they can get the care they need without losing everything they have worked and saved for. And Americans across the country have new options with health plans that give them the security of knowing that if they want to change jobs or start their own business, they will have access to affordable health insurance for their family.

Maintaining Affordable, High-Quality Primary and Preventive Care.

Across the United States, over 1,300 health centers operate over 9,000 primary care sites that serve as high-quality, dependable sources of primary care services for nearly 23 million patients. The Budget invests \$5.1 billion in the Health Centers program in 2017 and extends mandatory resources for the program through FY 2019 so that these clinics can continue to be an accessible and dependable source of primary care services in underserved communities.

Extending the Children's Health Insurance Program (CHIP).

The Children's Health Insurance Program (CHIP) currently serves over 8 million children of working parents who are not eligible for Medicaid. The Budget proposes to extend funding for CHIP, which is slated to expire in 2017, through 2019, ensuring continued, comprehensive, and affordable coverage for these children.

Supporting Medicaid Expansion.

The ACA expanded affordable health insurance coverage to millions of low-income Americans by offering significant Federal financial support to States that expand Medicaid eligibility to non-elderly individuals with income below 133 percent of the poverty line, roughly \$26,700 for a family of three. The Budget provides a further incentive for States to expand Medicaid by covering the full cost of expansion for the first three years regardless of when a State expands, ensuring equity between States that already expanded and those that do so in the future.

SUPPORTING MINORITY BUSINESSES

Supporting the Minority Business Development Agency.

The Budget includes \$36 million for the Minority Business Development Agency (MBDA) to provide counseling, training, and technical assistance to business owners. These services will help these business owners create jobs, improve local economies, and expand into global markets.

Spurring Economic Growth and Job Creation by Providing Access to Capital.

To encourage economic growth and job creation, the Budget supports: \$27 billion in Section 7(a) SBA loan guarantees, which help small businesses operate and grow and continues to waive fees on small dollar and veteran-owned borrowers; \$7.5 billion in guaranteed lending under the 504 Certified Development Company (CDC) program to help small businesses finance commercial real estate and heavy machinery purchases; \$7.5 billion in guaranteed lending under the 504 Commercial Real Estate Refinance Program to refinance existing long- and medium-term commercial real estate debt obligations at low rates; and \$44 million in direct microloans to assist more than 650 small businesses in getting started and expanding.

Additionally, the Budget supports \$4 billion in guarantees for the Small Business Investment Company (SBIC) program at no cost to taxpayers, to enable SBICs to continue to invest in high-growth and impact-oriented small businesses that create jobs and strengthen communities.

The President's Budget proposes a new authorization of \$1.5 billion for Treasury's State Small Business Credit Initiative (SSBCI) to provide another, innovative source of needed capital to America's diverse community of entrepreneurs. This will build on the momentum of the program's first round, enabling States to continue to innovate around their means of assistance, and strengthen the Federal government's relationships with state economic development agencies. The additional \$1.5 billion will be awarded through two allocations: \$1 billion awarded on a competitive basis to States best able to target local small business and startup market needs, promote inclusion, attract private capital for startup and scale up businesses, strengthen regional entrepreneurial ecosystems, and evaluate results; and \$500 million awarded to States by formula based on economic factors such as job losses and pace of economic recovery. SSBCI is already achieving results: from FY 2011 through FY 2014 SSBCI programs in all 50 States supported over 12,400 loans and investments totaling \$4.1 billion to more than 8,500 small businesses across the country - creating or saving more than 140,000 American jobs, as reported by the small businesses who received the loans and investments.

The Budget also proposes to extend the CDFI Bond Guarantee Program and provides \$1 billion in commitment authority to provide access to affordable, long-term credit to fund large economic development projects such as multi-family rental properties, charter schools, and health care centers in low-income communities. The program's financing injects substantial and much-needed capital into our Nation's most distressed communities - helping to improve access to capital that expands options for affordable housing, education, and healthcare. These benefits will be realized at no cost to taxpayers because the program requires no subsidy.

PROVIDING SECURITY FOR AMERICAN WORKERS AND RETIREES

Raising the Minimum Wage.

In a Nation as wealthy as the United States, no one who works full-time should have to raise his or her family in poverty. And yet, the value of the minimum wage has failed to keep pace with the increasing costs of basic necessities for working families—and Congress has not passed a federal minimum wage

increase for nine years. The Administration supports raising the minimum wage—including the minimum wage that must be paid by an employer to tipped workers—so hard-working Americans can earn enough to support their families and make ends meet. Raising the minimum disproportionately benefits women, who make up more than half of workers who make the federal minimum wage, and about 70 percent of workers in predominantly tipped occupations, who can be subject to an even lower federal minimum wage, currently \$2.13. Raising wages is also good for the economy. Many companies, from small businesses to large corporations, recognize that raising wages is good for their bottom lines because it boosts productivity, reduces turnover and increases profits.

The President has already taken an important step by ensuring that workers on all new Federal contracts receive a higher minimum wage. Since the President called for a minimum wage increase during his State of the Union address in 2013, 17 States and the District of Columbia have passed increases in their minimum wage. Those increases will benefit an estimated 7 million workers as of 2017. And, about 40 cities and numerous businesses have taken action on their own to raise wages. As the President continues to encourage States, cities and businesses to act, he stands ready to work with Congress to pass legislation to increase the minimum wage for the rest of the workforce as soon as possible.

Ensuring that the EITC and CTC Continue to Support Working Families.

The tax and budget agreement signed in December 2015 made permanent improvements to the EITC and Child Tax Credit (CTC) that provide about 16 million families a year with an average tax cut of roughly \$900, as the President proposed in earlier Budgets. These improvements provide additional benefits to low-income working families, families with three or more children, and married families, but were scheduled to expire at the end of 2017. The legislation making them permanent will, for example, prevent a roughly \$1,700 tax increase for a single worker with two children who works full-time year-round at the federal minimum wage. Research has consistently shown that helping low-income working families through the EITC and CTC not only boosts parents' employment rates and reduces poverty, but has positive longer-term effects on children, including improved health, educational outcomes, and work effort and earnings in adulthood.

Expanding the EITC for Childless Workers.

The Earned Income Tax Credit (EITC) is a pro-work tax credit that reduces poverty and strongly promotes employment among families with children. However, the EITC available to “childless” workers – workers without dependent children and non-custodial parents – is much smaller with a maximum of about \$500, phases out when workers still have very low earnings, and is unavailable to workers under age 25, which means that it cannot shape work decisions during the crucial years at the beginning of a young person's career. The Budget will double the maximum credit for these workers (to roughly \$1,000), making the credit available to workers up to about 150 percent of the poverty line. It would also expand eligibility to workers age 21-24, encouraging employment and on-the-job experience for young adults and helping them to make ends meet, and age 65 to 66 to match long-scheduled increases in the Social Security retirement age. Altogether, the proposal would reduce poverty and hardship for 13.2 million low-income workers, while promoting work.

Enforcing Worker Protection Laws.

While most employers play by the rules, in too many cases workers need protection from employers who do not ensure a safe workplace or cheat workers out of their hard earned wages. The Budget includes \$1.9 billion in discretionary resources to ensure the Department of Labor's worker protection agencies can meet their responsibilities to defend the health, safety, wages, working conditions, and retirement security of American workers. The Administration continues to pursue a combination of administrative and legislative actions to strengthen these laws and their enforcement, so workers can earn family-sustaining wages, be protected from discrimination, and return home safely at the end of a day's work.

Protecting Civil Rights.

The Budget strongly supports the agencies that protect civil rights. Specifically, the Budget:

- Provides \$156 million for the Department of Justice Civil Rights Division to protect civil rights—including enforcing Federal prohibitions against racial, ethnic, and religious discrimination. For 2017, the Civil Rights Division will enhance efforts to improve policing practices, protect the rights of servicemembers, and better enforce the Americans with Disabilities Act.
- Builds upon existing resources provided to the Department of Justice Community Relations Service (CRS) to respond to alleged hate crimes on the basis of race, color, national origin, gender, gender identity, sexual orientation, religion, or disability.
- Provides \$376 million for the Equal Employment Opportunity Commission, a \$12 million increase, to allow the agency to target and remedy employment discrimination and address its backlog of private-sector discrimination charges.
- Provides \$114 million for the Department of Labor's Office of Federal Contract Compliance Programs, including additional funding to strengthen the agency's ability to target pay discrimination.
- Provides \$138 million, an increase of \$31 million over the 2016 enacted level, for the Department of Education's Office for Civil Rights, which ensures equal access to education, from preschool through higher education. The additional funding provides over 150 new full-time employees to help successfully respond to complaints of discrimination and to ensure Federal grantees follow civil rights laws. The work of this office includes combating sexual violence, promoting teacher and resource equity, and reducing discriminatory discipline practices.

Encouraging State Paid Leave Initiatives.

Too many American workers must make the painful choice between caring for their families and a paycheck they desperately need. While the Family and Medical Leave Act allows many workers to take job-protected unpaid time off to care for a new baby or sick child, or tend to their own health during a serious illness, millions of families cannot afford to use unpaid leave. A handful of States and localities have enacted policies to offer paid leave, and the Federal government can encourage more States to follow their lead. The Budget includes more than \$2 billion for the Paid Leave Partnership Initiative to assist up to five States that wish to launch paid leave programs, following the examples of California, New Jersey, and Rhode Island. States that participate in the Paid Leave Partnership Initiative would be eligible to receive funds for the initial set up and half of the benefit costs of the program for three years. The Budget also includes funding for grants to help States and localities conduct analyses to inform the development of paid family and medical leave programs. These

investments complement the President's executive actions to expand paid leave for employees of Federal contractors.

Modernizing and Improving the Unemployment Insurance Safety Net.

The Budget proposes a cost-neutral suite of reforms to update the Unemployment Insurance (UI) program so that it reflects the modern economy and workforce. These reforms will mean that more workers will have access to UI if they lose a job, and will strengthen the program's connection to work, protect workers if they have to take a pay cut when starting a new job, make the UI program more responsive to economic downturns, and improve the solvency of State programs. The Budget:

- Ensures that benefits are available to more workers who need them, including part-time workers, newer labor market entrants, certain low-income and intermittent earners, and workers who leave work for compelling family reasons (like to escape domestic violence).
- Restores the standard UI maximum benefit duration to 26 weeks to give workers a meaningful opportunity to get back on their feet.
- Establishes wage insurance for workers with at least three years of job tenure who lose their jobs and take a new job that, at least initially, pays less than their prior job and less than \$50,000 per year.
- Expands Short-Time Compensation (STC), which encourages employers to avoid layoffs by temporarily reducing workers' hours when their need for labor falls by providing employees with a partial UI benefit to help compensate for their lower wages.
- Creates a new Extended Benefits program to provide up to 52 weeks of additional Federally-funded benefits for States seeing increased and high unemployment, with the number of weeks tied to the State's unemployment rate.
- Improves UI system solvency by ensuring that States rebuild their trust fund balances and repay their loans, cover current benefits, and create reserves so they are better prepared to weather the next economic downturn.

Helping All Workers Save for Retirement.

Our system of retirement benefits has not kept pace with a rapidly evolving economy. Approximately half of workers employed by firms with fewer than 50 workers and fewer than one-quarter of part-time workers have access to workplace retirement plans. Workers without access to a plan at work rarely save for retirement: fewer than 10 percent of workers without access to a workplace plan contribute to a retirement savings account on their own. The Budget includes the following proposals that would make it easier for millions of Americans currently without employer-based retirement plans to save for retirement and take their savings with them:

- **Automatically Enroll Americans without Access to a Workplace Retirement Plan in an IRA.** Under the proposal, every employer with more than 10 employees that does not currently offer a retirement plan would be required to automatically enroll their workers in an IRA. Employers would not be required to contribute to the plan, and individuals would have the ability to opt out. Other individuals not automatically enrolled could participate so long as they fall below the income cutoff, and could continue to make their own contributions even if they change jobs.
- **Provide Tax Cuts for Auto-IRA Adoption, and for Businesses that Choose to Offer More Generous Employer Plans or Switch to Auto-Enrollment.** To minimize the burden on small

businesses, the President's auto-IRA proposal would provide any employer with 100 or fewer employees who offers an auto-IRA a tax credit of up to \$3,000. The President also proposes to triple the existing "startup" credit, so small employers who newly offer a retirement plan would receive a tax credit of \$4,500 – enough to offset administrative expenses. Small employers who already offer a plan and add auto-enrollment would get an additional tax credit of \$1,500 per employer.

- **Expand Retirement Savings Options for Long-Term, Part-Time Workers.** Part-time workers are much less likely to have access to a retirement plan compared to their full-time colleagues. The Budget would provide approximately one million individuals with access to retirement plan coverage by requiring that employees who have worked for an employer at least 500 hours per year for at least three years be eligible to participate in the employer's existing plan. Employers would not be required to offer matching contributions, and participation by employees would be voluntary.
- **Encourage State Retirement Savings Initiatives.** Several States have created their own auto-IRAs or retirement marketplaces connecting small businesses and their employees to existing investment vehicles, with approximately 20 more considering similar measures or an alternative approach that would create a state-based 401(k). The Department of Labor has proposed regulations and issued guidance to provide a path forward for state retirement savings programs consistent with the Employee Retirement Income Security Act (ERISA). To further State efforts, the Budget sets aside \$6.5 million to allow a few States to pilot and evaluate State-based 401(k)-type programs or automatic enrollment IRAs.
- **Increase Coverage by Supporting New, More Flexible Benefit Models.** To expand access to retirement and other benefits, particularly for the self-employed and workers who frequently change employers, the Budget allows the creation of open multiple employer plans (open MEPs) which allow multiple employers to offer benefits through the same administrative structure but with lower costs and less fiduciary burden. The Budget proposes to remove the current requirement of a "common bond" between employers while adding critical new worker safeguards, thereby enabling more small businesses to offer cost-effective, pooled plans to their workers and facilitating pooled plans of self-employed individuals. As an added benefit, if an employee moves between employers participating in the same open MEP, or is an independent contractor participating in a pooled plan using the open MEP structure, then he can continue contributing to the same plan even if he switches jobs. The Budget also funds pilots for States and nonprofits to design, implement, and evaluate new approaches to expand retirement and other employer-provided benefit coverage, with a focus on developing models that are portable across employers and can accommodate contributions from multiple employers for an individual worker.

Finally, recognizing the challenges workers face in this new economy, the President proposes to allow long-term unemployed individuals to withdraw up to \$50,000 per year for two years from any tax-preferred retirement account so they can draw upon their savings, not go further into debt, to make ends meet.

Ensuring Workers Get Fair Pay for a Fair Day's Work.

The Budget provides \$277 million to enforce laws that establish the minimum standards for wages and working conditions in many workplaces in the United States, particularly in industries where workers are most at risk. The Budget also expands funding for efforts to ensure that workers receive back wages they are owed and cracks down on the illegal misclassification of some employees as

independent contractors, a practice that deprives workers of basic protections like unemployment insurance, workers' compensation, and overtime pay.

Helping Working Families Build Savings.

The Budget proposes a \$100 million Financial Innovation for Working Families Fund within the Department of the Treasury to encourage the development of innovative private-sector financial products that would help low- to moderate-income workers build up "rainy day" reserves and provide a buffer against shocks to income and unforeseen significant costs. Funds will be awarded to financial institutions and intermediaries that submit strong evaluation plans for proven program models; these models could include split retirement accounts with rainy day access features, matched-savings and reward-based savings accounts, and payment set-aside accounts to prefund monthly financial needs.