

# Overview of President Obama's Fiscal Year 2014 Budget Proposal



April 2013

President Obama's FY 2014 Budget proposes a giant step forward for children with a more than \$4 billion investment in early childhood development and education to ensure future success for our children and our nation. In addition, the President's Budget addresses the epidemic of gun violence in our nation that kills or injures a child or teen every 30 seconds by making important investments in gun safety, school safety and access to mental health services. The Budget protects Medicaid, which provides almost 36 million children (who otherwise could not afford coverage) the comprehensive and affordable health and mental health coverage they need for a healthy start in life. Additional investments in education, child nutrition initiatives, supports for low-income families, prevention and early intervention will help level the playing field for children across the country and provide the foundation for success all children need to survive and thrive.

The Children's Defense Fund supports a federal Budget that invests in children to promote long-term economic growth for the nation, protects children and low-income families from Budget cuts, and ensures that the most advantaged Americans and corporations pay their fair share. The President's Budget meets many of these criteria: it makes investments in children that will help improve the long-term economic prospects of this nation; it protects children and families from Budget cuts by eliminating the sequester; and it makes the most advantaged Americans contribute more.

In an attempt to bridge the highly partisan environment in Washington, the President included in his Budget the compromise he had offered House Majority Leader Boehner in 2012 that would reduce the deficit without slashing the social safety net that ensures critical supports for vulnerable children and families. Unfortunately, this compromise embodies an imbalance between spending cuts and new revenues: the President's Budget includes \$2 in spending cuts for every \$1 in new revenue and leaves intact some of the tax breaks and loopholes for the wealthiest Americans and corporations.

## Overall, President Obama's FY 2014 Budget:

- *Replaces sequester.* Replaces cuts resulting from sequestration with a more balanced mix of spending cuts and revenue increases, generating an additional \$1.8 trillion of deficit reduction over 10 years (bringing total deficit reduction achieved to \$4.3 trillion).
- *Raises new revenue.* Includes \$583 billion in new revenue from upper income taxpayers over 10 years by limiting tax deductions and exclusions for households with incomes in the top two percent and implementing the "Buffett Rule" to ensure that millionaires pay at least 30 percent of their income in taxes. It also raises \$100 billion in revenues by shifting to a more conservative measure of inflation in annual cost of living adjustments for Social Security and federal retirement programs with some exceptions. It levies \$78 billion from new tobacco taxes over the next ten years to pay for the President's new early childhood initiative.
- *Closes corporate loopholes but raises no new corporate revenue.* While the Budget would eliminate a number of corporate tax loopholes, it does so in a "revenue neutral" way, holding the funds raised in reserve to pay for an unspecified reduction in corporate tax rates—not investments in children and families or deficit reduction.

## President Obama's FY 2014 Budget Proposes to:<sup>1</sup>

*Make critical improvements in early childhood development and education by making new investments in children across the birth to five continuum:*

- *A new preschool initiative.* Includes \$1.3 billion in new mandatory funding for Preschool for All, a new federal-state partnership that will support states in serving all 4-year-old children from low- and moderate-income families in high-quality preschool. It will also incentivize states to expand access to preschool for higher income families while acknowledging the importance of access to full-day kindergarten. The initiative also includes \$750 million in discretionary funding for competitive Preschool Development Grants to assist states in developing a high-quality early childhood system and implementing Preschool for All.
- *Head Start.* Increases funding by almost \$1.7 billion over FY 2013, bringing total funding up to \$9.6 billion. This includes \$1.4 billion in funding for new Early Head Start-Child Care Partnerships that will expand the availability of high-quality, full-day and full-year early learning programs for infants and toddlers. It also provides \$200 million in new funding for Head Start to strengthen services and supports for children currently enrolled in the program and help transition grantees in the new Designation Renewal System.
- *Child Care Funding.* Increases the Child Care Entitlement to the states by \$500 million and the Child Care and Development Block Grant by \$200 million over FY 2013, bringing the total Child Care and Development Fund up to \$5.9 billion in FY 2014. These increases could provide child care to approximately 100,000 more children. The \$200 million added to the Child Care and Development Block Grant would help states improve child care quality by developing higher standards, improving monitoring, and investing in professional development.
- *Home Visiting.* Provides \$15 billion over the next 10 years to improve the health and developmental outcomes of low-income mothers and children. The Maternal, Infant and Early Childhood Home Visiting Program expires at the end of FY 2014. The Budget proposes to reauthorize the program for the next 10 years, beginning in FY 2015.

*Stop the epidemic of gun violence in our nation by prioritizing action in gun safety, school safety, gun violence research, and access to mental health services:*

- *Gun violence prevention.* Invests \$382 million in new Department of Justice resources to combat gun violence and ensure that those who are not eligible to purchase or possess guns are prevented from doing so. This includes \$232 million to help State and local governments continue implementing the Administration's proposals for increasing firearms safety and supporting programs to keep communities safe from mass casualty violence. The Justice Department's \$150 million investment for the Community Oriented Policing Services (COPS) Comprehensive School Safety Program will assist schools in developing safety plans, purchasing safety equipment, and hiring school safety personnel, including psychologists, social workers, counselors, resource officers, and civilian public safety officers.
- *Safer schools.* In addition to the new funding for the COPS initiative, the Department of Education consolidates three narrowly targeted programs into one: Successful, Safe, and

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<sup>1</sup> Note that the final fiscal year 2013 funding levels for many programs are not yet known because agencies are still developing operating plans detailing how they plan to implement sequestration. The increases noted here in the President's Budget assume sequestration will be halted for 2013 and beyond.

Healthy Students; and provides \$280 billion in flexible grant funding (an \$84 billion increase) to assist states, school districts, and schools to design strategies to create comprehensive safe, healthy, and drug free learning environments that address students' mental and physical well being.

- *Research.* Increases funding for gun violence prevention research, including an additional \$20 million for the National Violent Death Reporting System to expand the surveillance system to all states in 2014 to improve our understanding of violence, and \$10 million to reinstate research at the Centers for Disease Control and Prevention on causes and prevention of gun violence.
- *Mental health treatment and prevention.* Includes a new \$55 million initiative to help fund Project AWARE (Advancing Wellness and Resilience in Education) to provide Mental Health "First Aid" training in schools and communities in an effort to reach 750,000 young people, an additional \$50 million for workforce activities to help train 5,000 new mental health professionals to serve students and young adults, and \$25 million towards the new Healthy Transitions Program, a demonstration grant to help support transitioning youth (ages 16-25) and their families access and navigate behavioral health treatment systems.

*Expand access to health coverage for children by protecting:*

- *The Affordable Care Act (ACA).* Continues funding for implementation of the ACA, which will provide access to health coverage for 95 percent of all children.
- *Medicaid.* Protects Medicaid from significant structural changes such as block grants or reductions in funding. It fully funds the ACA's Medicaid expansion, which will provide health coverage to millions of low income parents for the first time. In 2011, Medicaid provided almost 36 million children who otherwise could not afford coverage the comprehensive and affordable health and mental health coverage they need for a healthy start in life.

*Strengthen and maintain the safety net for some of the lowest income Americans by addressing:*

- *College affordability.* Makes permanent the American Opportunity Tax Credit, which currently helps about 11 million students and families afford college.
- *Refundable tax credits.* Makes earlier improvements to the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) permanent. These tax credits both help move working families with children out of poverty. Research has shown that children in households receiving the EITC do better in school, are more likely to attend college and have higher incomes as adults.
- *Food stamps.* Restores a cut to monthly SNAP benefits made in 2010 that is scheduled to go into effect in November 2013. Today SNAP serves one in seven Americans, three-quarters of whom are families with children.
- *Child nutrition.* Adds no new funds but strengthens child nutrition programs and expands children's access to healthy meals and snacks through continued implementation of the Healthy, Hunger-Free Kids Act of 2010 and provides funding to support the 9.1 million individuals expected to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program.

- *Income security.* Raises the minimum wage to \$9.00 an hour from \$7.25.
- *TANF.* Holds funding steady for TANF, including the Supplemental Grants, at \$17.4 billion.

*Protect critical education programs and build on the Administration's earlier reform initiatives to support student success through college completion by focusing on:*

- *High poverty communities.* Increases funding for Promise Neighborhoods from \$60 million to \$300 million in order to assist more low-income communities to invest in comprehensive coordinated reforms, such as those in the Harlem Children's Zone. These investments will provide comprehensive wrap-around services and improve outcomes for children in high poverty communities.
- *Innovation.* Increases funding for the Investing in Innovation (i3) competitive grant program, School Turnaround Grants, 21<sup>st</sup> Century Community Learning Centers, and Expanding Educational Opportunities to help reform low-performing schools.
- *Teacher quality.* Increases support for teachers by maintaining a \$2.5 billion investment in Effective Teachers and Leaders State Grants (formerly Improving Teacher Quality State Grants), creating a new \$400 million Teacher and Leader Innovation Fund, and investing \$5 billion in new one-time mandatory funding for the RESPECT Project, all to support states, districts, and schools in recruiting, developing, and evaluating effective teachers and principals. Creates a new Presidential Teaching Fellows program to fund scholarships of up to \$10,000 for 14,900 students who commit to attend high quality teacher preparation programs.
- *Modernization.* Invests \$300 million in a new High School Redesign program. It would offer competitive grants to local education agencies to partner with institutions of higher education and employers in engaging in personalized learning opportunities; providing opportunities for students to engage in college-level coursework and receive college credit while in high school to learn career competencies and employability and technical skills; and providing college and career exploration opportunities and quality advisory services.
- *College affordability and accessibility.* Invests \$1 billion in a new Race to the Top—College Affordability and Completion competition to help drive states to change their higher education policies and practices to promote access to and completion of a high quality, affordable college education.
- *Title I program.* Maintains level funding for the \$14.5 billion Title I formula grant program, College- and Career-Ready Students, that supports state and local efforts to raise the achievement of disadvantaged students in high poverty schools and help prepare them to graduate from high school on track and be ready for college and a career.

*Invest in new initiatives for vulnerable children, youth, and families addressing:*

- *Teen pregnancy.* Prevents pregnancy for youth in foster care by offering new competitive funds to state and local child welfare agencies with the strongest and boldest plans for intervention. This program is designed to expand the evidence base for preventing pregnancy among youth in foster care, train staff and collaborate with key stakeholders. It will be funded through the unobligated dollars for the Abstinence Education program established through the Affordable Care Act, estimated to be between \$11-15 million.

- *The “school-to-prison pipeline.”* Funds a new \$20 million initiative for Juvenile Justice and Education Collaboration Assistance through the Title V Local Delinquency Prevention Incentive Grants Program aimed at reducing the use of arrest and juvenile justice courts as a response to non-serious youth misbehaving in and around schools. This initiative is coordinated with the Department of Education’s School Climate Transformation Grants to end the “school-to-prison pipeline” and improve school safety.
- *Delinquency in girls.* Focuses on girls in the juvenile justice system through a new \$2 million competitive demonstration grant program to respond more specifically to their needs.
- *Domestic human trafficking.* Prevents and addresses domestic human trafficking with \$10 million for domestic trafficking victims in the Department of Justice and another \$10 million for a new initiative in the Administration for Children and Families (ACF in the Department of Health and Human Services). The \$10 million program in ACF that would include funding for two demonstration projects that focus on effective housing solutions for young domestic trafficking victims who are runaways, homeless or in foster care.
- *Child support and fatherhood.* Invests \$2 billion over 10 years, \$10 million in FY 2014, to strengthen the ability of both parents to support and care for their children through a new Child Support and Fatherhood Initiative. This program would promote strong families and responsible fatherhood by ensuring that children benefit when parents pay support, promoting access and visitation, and improving enforcement tools.
- *Other child welfare services.* Funding for the majority of programs for children and families involved in, or at risk of entering, the child welfare system remained at their previous funding levels.

*Decrease funding for programs that will result in many vulnerable families going unserved, including:*

- *Energy assistance.* Cuts funding to the Low Income Home Energy Assistance Program (LIHEAP) by \$452 million (to \$3 billion), at a time when the cost of heating oil is rising.
- *Community services.* Slashes funding for the Community Services Block Grant and other community services program by \$363 million. These funds support community action agencies nationwide, which administer Head Start, home energy assistance, emergency food and local economic development and other anti-poverty initiatives. This would cut the funding for the Block Grant to less than half of what it was in FY2012.
- *Unspent CHIP funds.* Returns \$3.8 billion in unspent funds from the CHIP State Performance Bonus Pool to the Treasury on top of the \$6.7 billion rescinded last year and \$6.3 billion in FY 2012. CDF believes any unspent CHIP funds should be reinvested in child health or used to extend funding for CHIP, which is currently runs only through FY 2015.
- *School Based Health Centers.* Zeroes out funding for School Based Health Centers that provide primary health, mental health and counseling, family outreach, and chronic illness management in schools without concern for the student’s ability to pay..
- *Children’s Hospitals Graduate Medical Education (GME).* Slashes funding for Children’s Hospitals GME, which help ensure an adequate supply of pediatricians and pediatric subspecialists, from \$269 million to \$88 million.