

President Obama's FY 2010 Budget: A New Direction for Women and Families

After years of presidential budgets that expanded tax breaks for the very wealthiest while cutting services for women and families and neglecting long-term needs, the outline of the budget for Fiscal Year 2010 released by President Obama on February 26, 2009 charts a very different course. Although detailed information will not be available until April, it is clear that the Obama budget makes a major down payment on comprehensive health care, education, and energy reform. The budget also would increase funding for some key supports for women and families. And, the budget responsibly supports these critical investments and improves tax fairness by closing corporate tax loopholes and trimming tax breaks for the very wealthiest households, while expanding tax benefits for low- and moderate-income people.

Some provisions of special importance to women and families:

HEALTH CARE REFORM

The President demonstrated his commitment to health reform by making a significant “down payment” towards the fundamental change our health system needs to provide quality, affordable health care to every American. This commitment recognizes the economic challenges that families face within our current health care system, and that fixing our broken health system is a critical step to improving the nation’s economic security.

The President’s budget creates a new reserve fund of over \$630 billion to be used expressly for health reform. This reserve fund is fiscally responsible – paid for by changing tax deductions for wealthy individuals, and cost-saving changes to make Medicare and Medicaid more efficient while preserving the critical benefits that these programs provide. The President also outlined eight principles for health reform in which he pledges to protect families’ financial health; make health coverage affordable; aim for universal coverage; ensure portability of coverage; guarantee choice of health plans and physicians; invest in prevention and wellness; improve patient safety and quality care; and maintain long-term fiscal sustainability.

Additional health budget highlights of importance to women include:

- An investment of \$330 million to address health provider shortages, which is in addition to the \$500 million provided in the American Recovery and Reinvestment Act for this purpose. These funds will improve access to care for women and families by increasing the number of health care providers practicing in medically underserved areas and expanding provider education programs.
- Over \$6 billion for cancer research. These funds will be used to improve cancer care through the development of new diagnostic techniques, improved treatments, and cures for cancer.

INVESTMENTS IN A COMMON-SENSE PREVENTION AGENDA

The President's budget charts a new course toward a common-sense prevention agenda that will prevent unintended pregnancies and improve the health of women and families. The budget gives people the information and options they need to improve their health and make responsible life decisions:

- The budget includes a common-sense provision that would expand the availability of family planning services under Medicaid, which would make these basic preventive health services more affordable and accessible to millions of low-income women.
- The budget also recognizes the importance of providing evidence-based, medically accurate information to our teens—a critically important step towards comprehensive sex education and the elimination of ineffective, medically-inaccurate abstinence-only programs.

EARLY CARE AND EDUCATION

The budget outline emphasizes the long-term benefits of investments in early care and education programs and states that “the Administration will broaden the reach of these programs and boost their quality—encouraging new investment, a seamless delivery of services, and better information for parents about program options and quality.”

- Funding for early childhood programs through the American Recovery and Reinvestment Act (ARRA)—including \$2 billion in additional funds for the *Child Care and Development Block Grant* and an additional \$2.1 billion for *Head Start and Early Head Start*—is described in the document as a “down payment” on the President's commitment to early childhood, and is expected to be combined with funding provided in the budget to support a strong early childhood system.
- *Child Nutrition*: The budget provides an increase of \$1 billion annually for child nutrition programs, which include school lunch programs as well as the Child and Adult Care Food Program. This funding would be used to improve access to the programs, enhance the nutritional quality of school meals, expand nutrition research and evaluation, and improve oversight.
- *Zero to Five Systems*: Under this new initiative, additional resources would be provided to encourage state and local investment in early childhood education, support coordination at the federal, state, and local level, and provide better information to parents about program options and quality. The initiative is “aimed at ensuring that early childhood programs yield strong results for children.”
- *Nurse-Home Visitation Program*: This new initiative provides funds to states for home visits by trained nurses to first-time low-income mothers and mothers-to-be. The initial funding level for the program would be \$87 million in FY 2010, and increases to \$1.753 billion by 2019. These are mandatory funds.

- *Promise Neighborhoods*: This new initiative funds “innovative strategies to improve academic achievement and life outcomes in high-poverty areas.” It follows the model of the Harlem Children’s Zone, which provides comprehensive services for children from birth to college, including early childhood education, after-school activities, and college counseling.

EDUCATION AND TRAINING

To strengthen and reform public schools and meet the needs of all students, the budget encourages state efforts to develop rigorous standards and assessments, support and reward effective teaching, invest in best practices, and improve student achievement. The budget modernizes federally subsidized student loan programs to guarantee student access to loans and supports innovative state efforts to help low-income students complete college. The budget also supports job training programs and new efforts to help disadvantaged women and men gain access to good jobs.

- To reduce the high school dropout rate, the budget provides additional resources to help states develop rigorous standards and assessments, support efforts to improve achievement and life outcomes in high-poverty areas, and promote successful models for turning around low-achieving schools. It also includes additional resources for service-learning programs in schools, higher education institutions and community-based organizations.
- At the college level, the budget proposes to make college more accessible and affordable by simplifying the student aid application process, indexing Pell grants to the Consumer Price Index plus 1% to address inflation, and making the Pell Grant program mandatory to provide a regular stream of funding. The budget also includes a new five-year, \$2.5 billion fund to support innovative state efforts to help low-income students complete college, and it increases support for a program focusing on two-year colleges that supports partnerships between academic institutions and employers to promote improvement in science and engineering programs.
- The budget provides additional support for workforce training programs, including a focus on training workers for new "green jobs" and supporting new transitional jobs and career pathway programs to help low-wage workers, disproportionately women, enter and advance in the workforce.

ENFORCEMENT OF CIVIL RIGHTS AND WORKER PROTECTIONS

The budget strengthens civil rights enforcement against racial, ethnic, sexual preference, religious and gender discrimination. It also strengthens enforcement of labor standards, including workplace safety and benefit security, reversing years of erosion in funding for labor law enforcement agencies.

- The budget provides a much-needed increase in funding for the Civil Rights Division of the Department of Justice, after the politicization of the Division and the under-enforcement of civil rights laws over the last several years.

- The budget increases funding for the Department of Labor to enforce worker protection laws, including more money for the Office of Federal Contract Compliance Programs, which is responsible for enforcing equal opportunity and promoting diversity in the federal contract workforce.

RELIEF FOR LOW- AND MODERATE-INCOME FAMILIES

The budget continues the work of economic recovery by making improvements that will help vulnerable populations. It includes provisions for improved nutrition assistance, help for retired and disabled Americans, tax benefits for struggling workers, and better unemployment assistance. The budget outline also asks Congress to revisit asset limits for Federal means-tested programs in the wake of new and expanded refundable tax credits which might otherwise disqualify individuals or families from benefits, including Medicaid and Supplemental Nutrition Assistance Program (formerly Food Stamps).

- The American Recovery and Reinvestment Act creates or expands a number of tax credits for 2009 and 2010: a new refundable *Making Work Pay Credit* for most families, a new refundable *American Opportunity Tax Credit* for higher education expenses, an expanded refundable *Child Tax Credit* that will help low-income families of 13 million children, and an expanded *Earned Income Tax Credit* for families with three or more children and some married couples. The budget would make these improvements permanent. Provisions in the 2001 to 2003 tax cuts that benefit households with incomes below \$250,000 would be extended.
- The Saver’s Credit would be made refundable, as described below under “Retirement Security.”
- The budget outline does not include a proposal advanced during the campaign that would have helped low- and moderate-income families meet their child and dependent care expenses by making the Child and Dependent Care Tax Credit refundable and increasing the percentage of expenses that low- and moderate-income families may claim.
- With unemployment on the rise and those out of work going longer without new jobs, the American Recovery and Reinvestment Act both provided a boost to the economy and helped alleviate hardship for the unemployed by extending and increasing unemployment insurance benefits and providing financial incentives for states to modernize their systems to expand coverage. The budget outline proposes to make changes that would result in benefits being available more quickly and avoid the delays associated with special, temporary extended unemployment programs.
- To help people afford safe, decent housing, the budget provides funding for an Affordable Housing Trust Fund for the first time. The budget requests \$1 billion to restore financing of the development, rehabilitation, and preservation of affordable housing for very low income residents. The budget also increases funding for the Housing Choice Voucher program, increases funding for rental assistance, and provides funds to combat predatory lending, which has a disproportionate impact on women and minorities.

RETIREMENT SECURITY

To encourage savings for retirement as the economy recovers, the budget outline lays the groundwork for the future establishment of a system of automatic workplace pensions on top of and clearly outside of Social Security.

- The budget would improve the Saver's Credit to provide greater savings incentives to low- and moderate-income households. The credit would become fully refundable and be worth up to 50% of the first \$1,000 saved for retirement for families earning under \$65,000. The budget would increase participation in employer-sponsored retirement plans by requiring automatic enrollment, which employees could opt out of, and requiring employers who do not offer retirement plans to establish a direct-deposit IRA account.
- Regarding Social Security, the budget notes that Social Security can pay full benefits until 2041 and states that the President is opposed to privatization and committed to ensuring Social Security's solvency and viability for future generations.

TAX REFORM

To raise revenues needed to support essential investments and begin to restore fairness to the tax code after years of expanding tax breaks for the very wealthy and corporations, the budget proposes to close a number of tax loopholes and trim some tax breaks for very high income taxpayers.

- The budget proposes to close tax loopholes that allow corporations to move profits and jobs offshore, eliminate tax preferences for oil and gas companies, and tax the compensation that private equity managers receive in the form of "carried interest" (share of profits) as ordinary income, rather than capital gains.
- Taxpayers with incomes over \$250,000 (couple) and \$200,000 (single) would lose some of the tax breaks they received under the 2001 to 2003 tax cuts. Specifically to help pay for health care reform, the budget would limit the value of itemized tax deductions for very high-income taxpayers. For example, under current law, a taxpayer in the 35% bracket gets a subsidy of 35 cents for every dollar of deductible expense, while a middle-income taxpayer in the 15% bracket gets a tax break of 15 cents. The proposal would limit the tax subsidy for itemized deductions to 28 cents on the dollar. In addition, for high-income taxpayers, the budget would restore the top two tax rates to the levels of the Clinton years; restore the personal exemption phaseout for high-income taxpayers; and restore the tax rate on capital gains and dividends to 20%. The estate tax would be retained at 2009 levels, a level that provides a much higher exemption level and lower tax rate than pre-2001 law.