

TAX & BUDGET

FACT SHEET

President Obama's FY 2016 Budget: Promoting Workplace Opportunities and Fairness

March 2015

PREPARATION FOR THE WORKFORCE

Community College Investments

The President's budget includes **America's College Promise**, a new mandatory spending program that would invest \$1.365 billion in Fiscal Year (FY) 2016 and more than \$60 billion over 10 years to provide two years of tuition-free community college to students enrolled at least half time who maintain a 2.5 G.P.A. or higher and make progress toward completing their programs.¹ This proposal is especially important for women, who account for the majority (56 percent) of community college students² and when they borrow, take out \$2,000 more on average in student loans for community college than men do.³

Pell Grants

The President's budget adheres to a scheduled increase to the maximum Pell Grant award, raising it by \$140 to \$5,915 in 2016-2017, and permanently indexing the maximum award to inflation.⁴ These increases, while critical for improving access to higher education for low-income women and men, still fall far short of covering the cost of college tuition. Nearly 8.4 million students are expected to receive Pell Grants in the 2016-2017 academic year.⁵ In 2011-2012, the latest year for which data are available, 62 percent of Pell Grant undergraduate recipients were women.⁶

The American Opportunity Tax Credit (AOTC)

The President's budget proposes to make permanent and expand the AOTC, a credit first enacted in 2009 and scheduled to expire in 2017, to provide tax assistance for college expenses. The expanded AOTC would be available for the first five years of post-

secondary education; be available to students attending less than half-time; increase the value of the refundable portion of the credit to \$1,500; and index the expense limits and refundable amount for inflation.⁷

Safety and Equity in Schools

The President's budget includes funding to make colleges more equitable and safe for students. It includes a 31 percent increase in funding for the **Department of Education's Office for Civil Rights (OCR)**, which is responsible for enforcing Title IX and other civil rights statutes.⁸ The budget more than doubles funding for the **Campus Violence Initiative** to strengthen services for sexual assault victims on college campuses.⁹

Workforce Development

The President's budget includes a number of provisions to support implementation of the **Workforce Innovation and Opportunity Act (WIOA)** enacted in 2014, including discretionary funding increases for the WIOA Adult, Dislocated Workers, and Youth programs, which help low-income individuals facing the greatest barriers to employment build career pathways in growing industry sectors.¹⁰ The budget also provides for \$16 billion in mandatory funding over 10 years to double the number of workers receiving training through the workforce development system (up from the 10 percent who receive training under WIOA now), focusing on high-growth industries such as health care, energy, advanced manufacturing, and information technology;¹¹ requests \$200 million to establish the **American Technical Training Fund**,¹² and requests an additional \$100 million in Apprenticeship Grants to support states in registering apprenticeships

that create pathways into higher-paying careers.¹³ It is critical that these initiatives include a focus on improving job training opportunities for women—especially in light of the President's proposal to eliminate funding for the **Women in Apprenticeship and Nontraditional Occupations (WANTO)** grant program.¹⁴ WANTO is dedicated to giving women the opportunity to enter high-wage, nontraditional jobs, which helps reduce occupational segregation, in turn reducing the wage gap and improving women's economic security.¹⁵

IMPROVE WAGES AND WORKPLACE POLICIES FOR WOMEN AND FAMILIES

Raising the Minimum Wage and Eliminating the Federal Insurance Contributions Act (FICA) Tip Credit

The President's budget calls on Congress to raise the federal minimum wage, currently just \$7.25 per hour.¹⁶ The budget would also eliminate a tax credit that encourages certain employers to rely more on tips to pay their workers by repealing the Federal Insurance Contributions Act (FICA) tip credit, which allows restaurants and bars to receive an income tax credit for employer-paid payroll taxes on employee tips.¹⁷ The federal tipped minimum cash wage is just \$2.13 per hour. Women represent nearly two-thirds of minimum wage workers and also two-thirds of workers in tipped occupations—and because they are a large majority of this workforce, raising the minimum wage and eliminating the tip credit would help close the wage gap.¹⁸

Unemployment Insurance (UI)

Unemployment insurance (UI) benefits provide temporary income support for jobless workers who have lost employment through no fault of their own and meet other state requirements. The President's budget proposes a series of reforms to allow the UI system to respond quickly and effectively in times of economic downturn. It would establish a new permanent Extended Benefits program, help states rebuild and continue to grow their UI trust funds, and improve connections to job training and employment.¹⁹ Nationwide, federal and state UI benefits kept more than 1.2 million people out of poverty in 2013, including nearly 427,000 women and more than 358,000 children.²⁰

Paid Leave

The President's budget includes \$35 million for the **State Paid Leave Fund**, which would provide start-up grants and technical assistance to aid states considering paid leave programs.²¹ The budget also includes a new \$2.2 billion for a **Paid Leave Partnership Initiative** to help up to five state launch paid leave programs.²² Participating states would receive set-up funds and up to 50 percent of benefit costs over the first three years of their programs.²³ State paid leave insurance programs help workers who need to take time off for reasons covered by the Family and Medical Leave Act, such as caring for a newborn or recently adopted child or for their own a family member's serious health condition. Without these programs, workers who cannot afford to take unpaid leave are forced to choose between the care their families need and the paychecks their families rely on.

Expanded Tax Credits for Workers

The budget expands the **Earned Income Tax Credit (EITC) for childless workers** in two important ways. First, it extends eligibility—currently limited to workers aged 25–64—to those aged 21–66, providing a benefit to both younger and older workers who do not currently qualify for the credit.²⁴ Second, it increases the credit's value by doubling the maximum amount of the credit to \$1,000 and raising the amount of income that a worker can earn and remain eligible for the credit, promoting employment and reducing poverty among this group of workers.²⁵ An estimated 6.1 million women would benefit from this improvement.²⁶

The President's budget also makes permanent the **improvements to the EITC and refundable Child Tax Credit (CTC)**, originally enacted in 2009.²⁷ The EITC improvements include a larger maximum credit for families with three or more children, and increasing the income level at which the EITC begins to phase out for married couples. The CTC improvement extends eligibility for a refund from the CTC to families with lower earnings. Failure to extend these improvements (which are currently scheduled to expire in 2017) would push about 16.4 million more people into, or deeper into, poverty.²⁸

The President's budget also expands the **Child and Dependent Care Tax Credit** (see Child Care, below) and provides a new **second-earner tax credit** of up to \$500 for married couples to offset some of the additional expenses families face when both spouses work.²⁹

Child Care for Working Families

The President's budget includes increases to important child care programs.³⁰ The **Child Care and Development Block Grant (CCDBG)** program helps low-income working families afford child care and supports activities that improve the quality of care for all families. The budget invests an additional \$82 billion over 10 years for CCDBG to make child care assistance available to all children under age four in low- and moderate-income families (under 200 percent of poverty).³¹ The budget further increases the **Child and Dependent Care Tax Credit (CDCTC)**, which helps offset parents' work related child and dependent care expenses. Currently, the maximum credit is \$1,050 for families with one child and \$2,100 for families with two or more children, but the credit declines as family income rises above \$15,000.³² Under the President's proposal, the CDCTC would increase to a maximum of \$3,000 for a family with one child under 5 in child care and \$6,000 for a family with two or more children under age 5, and the credit would not begin to decline until family income rises above \$120,000.³³ However, the credit still would not be refundable, so families with little or no federal income tax liability would receive little or no benefit from the tax credit.

Bureau of Labor Statistics Contingent Work Supplement

The President's budget proposes \$1,577,000 for the Bureau of Labor Statistics (BLS) to collect additional data on contingent work and alternative work arrangements, as well as issues of workplace flexibility and work-family balance.³⁴ Contingent workers are those that are employed temporarily; this supplement would provide information on the type of workers most likely to be contingent workers as well as explore different working arrangements by occupation, age, gender, and race.³⁵

PROTECT WORKERS' RIGHTS

Increased Funding for Enforcement Agencies

The President's budget proposes increases to funding for agencies responsible for enforcing nondiscrimination and affirmative action laws. The **Department of Labor's Wage and Hour Division**, which enforces a range of worker protection laws, including minimum wage, overtime pay, and family and medical leave, is budgeted to receive \$333 million in FY 2016, an increase of almost \$50 million from last year's spending.³⁶

Funding for the Office of Federal Contract

Compliance Programs, which is responsible for enforcing nondiscrimination and affirmative action in federal contractor workplaces, increased by \$7 million to \$114 million for FY 2016.³⁷ OFCCP is essential to ensuring that women receive employment opportunities and fair compensation from government contractors, and \$1.1 million of this funding is allocated for identifying and addressing pay discrimination on the basis of sex and race, with the goal of narrowing the wage gap.³⁸

Funding for **civil rights divisions and offices** is also increased within the Department of Justice (by \$28 million, to \$175 million),³⁹ the Department of Health and Human Services (by \$4 million, to \$43 million),⁴⁰ and the Department of Education (by \$31 million, to \$131 million).⁴¹

Misclassification Detection Grants

The **state misclassification detection grant program** receives \$10 million in the President's budget to upgrade detection and enforcement programs.⁴² Employees who are misclassified as independent contractors are wrongfully deprived of employment protections and entitlements, such as overtime pay, unemployment benefits, and employer contributions to Social Security.

- 1 U.S. Dep't of Education (ED), Higher Education, Fiscal Year 2016 Request, at S-149-50 (Feb. 2015), *available at* <http://www2.ed.gov/about/overview/budget/budget16/justifications/s-highered.pdf>.
- 2 NWLC calculations based on ED, National Center for Education Statistics (NCES), IPEDS Data Center, <http://nces.ed.gov/ipeds/datacenter/> (last visited Feb. 19, 2015). “Community college students” are undergraduate students in two-year public degree-granting institutions that participate in Title IV federal financial aid programs.
- 3 ED, NCES, 2011-12 National Postsecondary Student Aid Study (NPSAS:12). NWLC Computation by NCES PowerStats, <http://nces.ed.gov/datalab/powerstats/output.aspx> (last visited Feb. 19, 2015). Average>0 Cumulative amount borrowed for undergrad by Gender and NPSAS institution sector. Women who attended public two-year institutions and borrowed money for college borrowed an average of \$12,597.92, while men borrowed an average of \$10,575.11.
4. ED, Student Financial Assistance, FY 2016 Budget Request, at P-20 & P-16 (Feb. 2015), *available at* <http://www2.ed.gov/about/overview/budget/budget16/justifications/p-sfa.pdf>.
- 5 *Id.* at P-19.
- 6 ED, National Center for Education Statistics (NCES), 2011-12 National Postsecondary Student Aid Study (NPSAS:12). Computation by NCES QuickStats on Feb. 9, 2015, *available at* <http://nces.ed.gov/datalab/quickstats/default.aspx>.
7. U.S. Dep't of Treasury, General Explanations of the Administration's FY 2016 Revenue Proposals, at 7-8 and 132 (Feb. 2015), *available at* <http://www.treasury.gov/resource-center/tax-policy/Documents/General-Explanations-FY2016.pdf> [hereinafter U.S. Dep't of Treasury, FY 2016 Greenbook].
8. ED, Budget Tables: Fiscal Year 2016 President's Budget Request, at 18 (Feb. 2015), *available at* <http://www2.ed.gov/about/overview/budget/budget16/16pbapt.pdf>.
- 9 U.S. Dep't of Justice (DOJ), FY 2016 Congressional Budget Submission, Office of Violence Against Women, at 10 (Feb. 2015), *available at* https://editjustice.gov/sites/default/files/jmd/pages/attachments/2015/02/02/30_office_on_violence_against_women_owv.pdf and DOJ, FY 2016 DOJ Request, State, Local and Tribal Law Enforcement Assistance, at 3 (Feb. 2015), *available at* http://www.justice.gov/sites/default/files/jmd/pages/attachments/2015/01/30/3_2016_state_and_local_chart.pdf.
- 10 U.S. Dep't of Labor (DOL), Fiscal Year 2016 Budget in Brief, at 2, 8-10 (Feb. 2015), *available at* <http://www.dol.gov/dol/budget/2016/PDF/FY2016BIB.pdf>. See also Ctr. for Law & Social Policy, Strong Emphasis on Proven Education and Training Strategies in President Obama's FY 2016 Budget (Feb. 2015), *available at* <http://www.clasp.org/issues/basic-skills-and-workforce-training/pages/strong-emphasis-on-proven-education-and-training-strategies-in-president-obamas-fy-2016-budget>.
- 11 *Id.* at 35 and DOL, Fiscal Year 2016—DOL Budget Fact Sheet, at 3 (Feb. 2015), *available at* <http://www.dol.gov/dol/budget/2016/PDF/FY2016DOLFACTSHEET.pdf>.
- 12 DOL Budget in Brief, *supra* note 10, at 3.
- 13 *Id.* at 12.
- 14 *Id.* at 15.
- 15 NWLC, 50 Years & Counting: The Unfinished Business of Achieving Fair Pay, at 17 (June 2013), *available at* http://www.nwlc.org/sites/default/files/pdfs/final_nwlc_equal_pay_report.pdf.
- 16 DOL, Fiscal Year 2016—DOL Budget Fact Sheet, *supra* note 11, at 6.
- 17 U.S. Dep't of Treasury, FY 2016 Greenbook, *supra* note 7, at 122.
- 18 Julie Vogtman & Katherine Gallagher Robbins, NWLC, Fair Pay for Women Requires Increasing the Minimum Wage and Tipped Minimum Wage (Oct. 2014), *available at* http://www.nwlc.org/sites/default/files/pdfs/fair_pay_for_women_requires_increasing_the_minimum_wage_and_tipped_minimum_wage_october_2014.pdf.
- 19 Office of Management & Budget, Fiscal Year 2016 Budget of the U.S. Government, at 41 (Feb. 2015), *available at* <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf>.
- 20 Anne Morrison, Katherine Gallagher Robbins, & Julie Vogtman, NWLC, Public Programs Lift Millions of Women and Children Out of Poverty (Nov. 2014), *available at* http://www.nwlc.org/sites/default/files/pdfs/public_programs_lift_millions_of_women_and_children_out_of_povertyfinal.pdf.
- 21 DOL Budget in Brief, *supra* note 10, at 34.
- 22 *Id.*
- 23 *Id.*
- 24 U.S. Dep't of Treasury, FY 2016 Greenbook, *supra* note 7, at 147-48.
- 25 *Id.*
- 26 Executive Office of the President and the U.S. Dep't of Treasury, The President's Proposal to Expand the Earned Income Tax Credit, at 12 (Mar. 2014), *available at* http://www.whitehouse.gov/sites/default/files/docs/eitc_report.pdf.
- 27 *Id.* at 2-6.
- 28 Chuck Marr, Bryann DaSilva, & Arloc Sherman, Ctr. on Budget & Policy Priorities, Letting Key Provisions of Working-Family Tax Credits Expire Would Push 16 Million People Into or Deeper Into Poverty (Dec. 2014), *available at* <http://www.cbpp.org/files/11-12-14tax.pdf>.
- 29 U.S. Dep't of Treasury, FY 2016 Greenbook, *supra* note 7, at 150.
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- 31 U.S. Dep't of Health & Human Servs. (HHS), Fiscal Year 2016 Budget in Brief, at 9, 126 (Feb. 2015), *available at* <http://www.hhs.gov/budget/fy2016/fy-2016-budget-in-brief.pdf>.
- 32 U.S. Dep't of Treasury, FY 2016 Greenbook, *supra* note 7, at 126-27.
- 33 *Id.*
- 34 DOL, FY 2016 Congressional Budget Justifications, Bureau of Labor Statistics, at 28 *available at* <http://www.dol.gov/dol/budget/2016/PDF/CBJ-2016-V3-01.pdf>.
- 35 *Id.*
- 36 DOL, FY 2016 Budget in Brief, *supra* note 10, at 41.
- 37 *Id.* at 43.
- 38 *Id.*
- 39 DOJ, Summary of Budget Authority by Appropriation FY 2016, at 1 (Feb. 2015), *available at* http://www.justice.gov/sites/default/files/jmd/pages/attachments/2015/01/30/1_summary_of_budget_authority_by_appr.pdf.
- 40 HHS, FY 2016 Budget in Brief, *supra* note 31, at 15.
- 41 ED, Budget Tables: Fiscal Year 2016 President's Budget Request, at 18 (Feb. 2015), *available at* <http://www2.ed.gov/about/overview/budget/budget16/16pbapt.pdf>.
- 42 DOL, FY 2016 Budget in Brief, *supra* note 10, at 24.