

MEETING OUR GREATEST CHALLENGES: OPPORTUNITY FOR ALL

Since the onset of the Great Recession, we have restored economic growth and created millions of jobs. We have also laid the groundwork for long-term growth through investments in education, job training, infrastructure, and research and development that help businesses thrive and create high-paying jobs. But while the benefits of a growing economy are beginning to be more widely shared, too many hard-working Americans still are not experiencing those benefits. Too many are struggling to make ends meet.

This economic insecurity is due in part to changes in the U.S. economy that began long before the recession and will continue in the years to come. With increased globalization and automation in the workplace, workers have less leverage and job security. Because the face of the Nation's workforce has changed dramatically since many key benefit structures were established decades ago, those structures need updating.

As the President stated in the 2016 State of the Union Address, one of the Nation's key challenges is how to give everyone a fair shot at opportunity and security in this new economy. This is not only a moral imperative, but an economic one. The Nation does best when everyone shares in—and contributes to—our success. Failing to tap the potential of every

American weakens the economy and harms us all. That is why the Budget makes a series of investments to ensure that if you work hard, you have a chance to get ahead and ensure a better future for your children.

The Budget invests in education from our youngest learners to those striving to complete college. It invests in job training to help workers get the skills they need to secure better paying jobs, updates worker benefits to reflect today's workforce and economy, and calls for a higher minimum wage and expanded working family tax credits. The Budget also takes new steps to reduce poverty and reinvigorate distressed communities.

It builds on the success of the Affordable Care Act to improve the health of all Americans, including through investments in mental health treatment and treatment for opioid use disorders. It supports meaningful criminal justice reform to break the cycle of poverty, criminality, and incarceration that traps too many Americans and weakens too many communities. The Budget also reforms the Nation's immigration system to make American society safer and more just, and to boost U.S. economic growth.

EDUCATING FOR THE FUTURE: FROM EARLY LEARNING TO COLLEGE

Americans must be prepared with the skills and knowledge necessary to compete in today's global economy and achieve economic security. Expanding educational opportunities is critical

to equipping all children with these skills and positioning them to succeed as adults, and increasing educational attainment is central to the Nation's future economic strength.

We have made significant progress in expanding educational opportunities. By focusing on improving student outcomes and tying investments to evidence-based reform, the Administration has worked to support States and communities as they establish high academic standards that will prepare students for success in college and future careers, improve teacher effectiveness, and use data to ensure students graduate from high school prepared for college and a successful career. These investments have given teachers, school districts, and States the tools to turn around some of the Nation's lowest-performing schools. The Nation's high school graduation rate is at an all-time high and we have made college easier to access and afford.

However, there is more we must do to improve all levels of education, from early childhood through college, and ensure the Nation's workforce has the skills American businesses need. To meet this challenge, the Budget builds on our progress and reflects key developments over the past year, most significantly the reauthorization of the Elementary and Secondary Education Act, a bipartisan effort that was eight years overdue. The new law, the Every Student Succeeds Act (ESSA), embraces many reforms the Administration has long supported, including requiring States to define and set high standards for college and career readiness, ensuring that States are held accountable for the success of all students, spurring innovation in education, encouraging States to reduce unnecessary testing, and expanding access to high-quality preschool.

The Budget supports ESSA implementation and builds on its priorities. It reflects a strong commitment to ensuring that all students receive a high-quality education by improving access to early education, preparing elementary and secondary education students for success, increasing access to quality, affordable higher education, and continuing to build the evidence base for what works to improve student outcomes. The Budget provides \$69.4 billion in discretionary funding for Department of Education programs, an increase of \$1.3 billion from the 2016 enacted level adjusted for comparability.

Improving Access to High-Quality, Affordable Early Education

High-quality early education provides children with a foundation for success in school and puts them on a path toward realizing their full potential. Supporting children during this critical stage of development yields long-lasting benefits, providing a strong return on investment. This is particularly true for low-income children, who too often start kindergarten far less prepared than their peers.

Preschool for All. The Budget maintains support for the President's landmark Preschool for All initiative to ensure four-year-olds across the Nation have access to high-quality preschool programs. The Department of Education initiative establishes a partnership with States to provide all four-year-olds from low- and moderate-income families with high-quality preschool, while providing States with incentives to expand these programs to reach additional children from middle-class families and put in place full-day kindergarten policies. The initiative is paid for through an increase in tobacco taxes that will help reduce youth smoking and save lives.

With the support of Federal funding made available through the Administration's Preschool Development Grants (PDG) program, 18 States are currently developing and expanding high-quality preschool programs in targeted high-need communities. This work will continue under the newly authorized 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.

The Budget provides \$350 million for Preschool Development Grants at the Department of Health and Human Services (HHS)—which are jointly administered by HHS and the Department of Education under ESSA—an increase of \$100 million from the 2016 enacted level. The Budget also provides \$907 million for the Department of Education's early intervention and preschool

services for children with disabilities, an increase of \$80 million from the 2016 enacted level. This proposal includes up to \$15 million for competitive grants for early identification of and intervention for developmental delays and disabilities, with a potential focus on autism, intended to help identify, develop, and scale-up evidence-based practices.

Head Start. The Budget provides \$9.6 billion for HHS’s Head Start program, which delivers comprehensive early childhood services to support the learning and development of America’s neediest children. This funding level, a \$434 million increase, includes a total of \$645 million for the Administration’s Early Head Start-Child Care Partnerships, through which local Early Head Start grantees partner with child care providers and leverage Early Head Start standards to expand access to high-quality early care and education for infants and toddlers. The Budget also builds on the nearly \$300 million investment made in 2016 to increase the number of children attending Head Start in a full school day and year program, which research shows is more effective than programs of shorter duration and also helps meet the needs of working parents. The Budget continues funding for those programs that expand their full day and full year offerings with 2016 resources, and provides an additional \$292 million to enable more programs to expand their full day and full year programs. Taken together, the 2016 and 2017 investments will mean that more than half of all Head Start children will now be provided a full school day and year program.

Home Visiting. The Budget invests \$15 billion in new funding over the next 10 years to extend and expand evidence-based, voluntary home visiting programs, which enable nurses, social workers, and other professionals to work with new and expecting parents to help families track their children’s healthy development and learning, connect them to services to address any issues, and utilize good parenting practices that foster healthy development and later school success. The program builds on research showing that home visiting programs can signifi-

cantly improve maternal and child health, child development, learning, and success. As with Preschool for All, the proposal is paid for through an increase in tobacco taxes. To complement this investment, the Budget includes \$20 million for a new initiative in rural home visiting that the Department of Agriculture (USDA) will administer in coordination with HHS. This initiative will focus exclusively on providing home visiting services in the most remote rural and tribal areas.

As discussed below under Making the 21st Century Economy Work for Workers, the Budget also makes historic investments in expanding access to quality, affordable child care. This investment is designed to meet two important purposes—help parents afford child care so they can work, and help children access quality care that supports their healthy development.

Putting Students on a Path to College and Careers

ESSA, the new elementary and secondary education law, 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, it requires States to set high college and career standards for all students, invests in place-based and evidence-based strategies, supports the recruitment and retention of effective teachers and school leaders, and replicates high-quality charter schools. The Budget provides \$24.4 billion to the Department of Education to support ESSA and related programs, an increase of \$629 million above the 2016 enacted level.

Funding High-Poverty Schools and the Important Work of Improving Low-Performing Schools. The Budget proposes a \$450 million increase for Title I, which ESSA maintained as the Department’s largest K-12 grant program, and the cornerstone of the commitment to support schools in low-income communities with the funding necessary to provide high-need students access to an excel-

lent education. Title I supports local solutions in States and school districts, while ensuring that students make progress toward high academic standards. As part of Title I, ESSA requires annual statewide assessments that measure student achievement, and ensure that the information about student achievement is available to teachers, school leaders, families, and communities. While retaining this critical accountability measure, the law also encourages States to reduce excessive standardized testing, aligned with the efforts of the Department of Education's testing action plan that supports maximizing the time students spend learning. ESSA also holds States and school districts accountable for improving their lowest-performing schools, requiring evidence-based interventions to turn them around. The Budget calls for dedicating additional funds within Title I to address the urgent need to improve the Nation's lowest-performing schools. This dedicated funding, which will be distributed based on the Title I formulas, will ensure States and school districts have the support necessary to successfully turn around these schools.

Supporting Computer Science for All and Rigorous STEM Coursework. There are currently more than 600,000 high-paying tech jobs open across the United States, and by 2020, 51 percent of all STEM jobs are projected to be in computer science-related fields. More than 9 of 10 parents want computer science taught at their child's school. However, by some estimates, just one quarter of all U.S. K-12 schools offer computer science with programming and coding even as other advanced economies, such as England, are making it available for all students between the ages of 5 and 16. Wide disparities exist even for those who do have access to these courses. For example, of the very few schools that offer advanced placement computer science courses, only 15 percent of enrollees are girls, and fewer than eight percent are African-American or Latino students. Disparities in computer science are emblematic of the large gaps in student access and engagement in STEM courses overall; only half of high schools offer calculus, and only 63 percent offer physics.

To address these disparities, the Budget provides resources to empower States and districts to create high-quality computer science learning opportunities in grades K-8 and access to computer science courses in high school. Under the Computer Science for All proposal, the Budget includes \$4 billion in mandatory funding over three years for States to increase access to K-12 computer science and other rigorous STEM coursework by training more than 250,000 teachers, providing infrastructure upgrades, offering online courses, and building effective partnerships. Complementing the mandatory proposal, the Budget also dedicates \$100 million in discretionary funding for Computer Science for All Development Grants to help school districts, alone or in consortia, execute ambitious computer science expansion efforts, particularly for traditionally under-represented students. Both the mandatory and discretionary proposals would also encourage States and districts to expand overall access to rigorous STEM coursework.

Redesigning and Strengthening America's High Schools. The Budget provides \$80 million for a new, competitive program to promote the redesign of America's high schools by integrating deeper learning and personalized instruction, with a particular focus on STEM-themed high schools that expand opportunities for all students, including girls and other under-represented groups in STEM fields. This is complemented by the \$375 million in private and public sector commitments that were announced in November 2015 as part of the White House Summit on Next Generation High Schools.

Promoting Student Support and Academic Enrichment. To compete in the 21st Century economy, students need a well-rounded education and rigorous coursework. To help ensure all students have such access, the Budget provides \$500 million for Student Support and Academic Enrichment Grants, newly authorized in ESSA, which would provide funds for States and school districts to support student achievement and promote academic enrichment opportunities. This flexible funding can support expanding STEM

opportunities and the arts, improving supports for student learning, and enhancing the use of technology for instruction.

Promoting Socioeconomic Diversity and School Choice. Poverty and negative educational outcomes are closely linked, with students who attend high-poverty schools often struggling to meet high standards and finish high school college- and career-ready. Research suggests that socioeconomically diverse schools can lead to improved outcomes for disadvantaged students. Based on this research and the work already underway in communities across the United States, the Budget supports a new initiative that would support new and ongoing State and local efforts to develop and implement strategies that increase socioeconomic diversity in the Nation's preK-12 schools.

The Stronger Together initiative would make \$120 million in voluntary competitive grants available to school districts or consortia of school districts that are interested in exploring ways to foster socioeconomic diversity through a robust process of parental, educator and community engagement, and data analysis; and to school districts and consortia of school districts that already have set goals and developed strategies and are ready to begin implementation. The funding would be available for five-year projects.

In addition to this proposal, the Budget strengthens its support for investments in school choice programs designed to increase the supply of high-quality schools available to all students, including both magnet schools and charter schools. The Budget proposes \$115 million for magnet schools, an \$18 million increase compared to 2016, which would complement the Stronger Together program through a new provision under ESSA that allows districts to take into account socioeconomic diversity in the design and implementation of magnet school programs. The Budget also proposes \$350 million for charter schools, a \$17 million increase over 2016, for the start-up, replication, and expansion of effective charter schools that would improve

students' access to high-quality educational opportunities regardless of their zip code.

Maintaining a Commitment to Evidence, Data, and Innovation. The Budget maintains a strong commitment to evidence, data, and innovation in education. The Budget provides \$180 million for Education Innovation and Research, a new program authorized by ESSA. The program is modeled on the Investing in Innovation program, which has been the Administration's signature effort to develop and test effective practices that improve student outcomes, such as implementing college- and career-ready standards, using data to inform instruction and personalize learning, and improving low-performing schools. This funding level represents an increase of \$60 million compared to Investing in Innovation's 2016 funding. The Budget amplifies this commitment by providing \$209 million for the Institute of Education Sciences' Research, Development, and Dissemination program to produce strong evidence on effective strategies for improving student learning in early childhood, K-12, postsecondary, and adult education. An investment of \$81 million in the State Longitudinal Data Systems program would support State and school district efforts to provide educators, parents, policymakers, researchers, and the public with information on the performance of schools and what works in education.

Supporting America's Teachers. 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. The Budget provides \$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. A new \$125 million Teacher and Principals Pathways program, to be

proposed in the next Higher Education Act reauthorization, would support teacher and principal preparation programs and nonprofits partnering with school districts to create or expand high-quality pathways into teaching and school leadership, particularly in high-need subjects such as STEM. A new program, Teach to Lead, would 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. Furthermore, the Budget includes RESPECT: Best Job in the World, a \$1 billion mandatory initiative that would 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 is a key strategy in the Department's efforts to ensure all students' equitable access to effective teachers.

Promoting College Affordability and Completion

Today's economy increasingly demands highly-educated workers. Higher education is one of the clearest pathways into the middle class, and decades of research has 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 his or her lifetime as the typical high school graduate. Further, over the next decade, jobs requiring education beyond high school will grow more rapidly than jobs that do not, with more than half of the 30 fastest-growing occupations requiring postsecondary education.

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 Pell Grant program is now supporting scholarships for significantly more students to attend college than when the President took office.

In December, the American Opportunity Tax Credit (AOTC)—first enacted in the Recovery Act—was made permanent. The AOTC expands the level of support for college by providing a maximum credit of \$2,500 per year for the first four years of college—up to \$10,000 per student to cover tuition and educational expenses. The AOTC is partially refundable, so it provides critical college tuition help to low- and moderate-income families. The AOTC will cut taxes by over \$1,000, on average, for nearly 10 million families in 2016.

Overall, since 2009, these investments in Pell Grants and tax credits have doubled, increasing the access and affordability of college for students.

The Administration has also made historic investments in the creation and expansion of community college programs aligned to in-demand jobs in high-growth industries from health care to information technology (IT). From 2011 through 2014, some \$2 billion in funding reached more than half of all community colleges across the United States, enrolling over 176,000 students to date. Employers have donated thousands of dollars in equipment, scholarships, tuition, and more to support these programs.

The Administration also has made it easier and faster for students to apply for Pell Grants and other financial aid. Since taking office, the Department of Education has significantly simplified the Free Application for Federal Student Aid, known as the FAFSA. The Administration has reduced the time required to complete the FAFSA by two-thirds, to about 20 minutes, by revamping the online form for all families so they can skip questions that are not relevant to them

and automatically retrieve needed tax information when filling out the FAFSA. More than six million students and parents took advantage of the ability to electronically retrieve their income information from the Internal Revenue Service (IRS) when completing their 2014-2015 FAFSA, an innovation that improves both speed and accuracy.

Building on this progress, starting in calendar year 2016, students and families will be able to fill out the FAFSA three months earlier—in October—so they can understand the financial resources available for them as they are applying to college. Families filling out the FAFSA in October 2016 will be able to fill it out immediately by electronically retrieving information from their 2015 tax returns. Families and students will no longer have to wait until the next year's tax season to finalize their FAFSAs and to learn about their financial aid. The Administration is working with college financial aid officers and State aid programs to ensure that they align their financial aid awards with the new Federal schedule so students have as much information as possible early in their college search process. These changes—coupled with further FAFSA simplification proposals in the Budget—could encourage hundreds of thousands of additional students to apply for and claim the aid they are eligible for.

Making Two Years of Community College Free for Responsible Students. The Budget ensures all Americans have the opportunity to pursue and succeed in higher education, with a goal of making at least two years of college as universal as high school. America's College Promise (ACP) would provide funding to support community colleges, as well as four-year Historically Black Colleges and Universities and other Minority-Serving Institutions, that undertake a set of reforms to improve the quality of their programs of study. The funding provided under ACP will offset tuition—fully in community colleges—before the application of Pell grants or student loans. This would allow students who qualify for Pell grants to use financial aid to cov-

er additional costs, such as academic supplies and living expenses.

Since the President announced his plan, Tennessee's free community college program, Tennessee Promise, has helped increase enrollment in State colleges by over 4,000 students. Ten additional States and communities have created programs to provide free community college, including legislation enacted in Oregon and Minnesota, and new initiatives in Rhode Island, Richmond and Scotland Counties in North Carolina, and at Sinclair Community College (OH), Harper College (IL), Community College of Philadelphia (PA), Milwaukee Area Technical College (WI), Madison Area Technical College (WI), and Ivy Tech Community College (IN). Furthermore, legislation creating free community college has been introduced at the State level in at least 12 States.

There is Federal momentum as well. Senator Baldwin (WI) and Representative Scott (VA) have proposed the America's College Promise Act of 2015.

Building Effective Education and Training in High-Demand Fields. In addition to America's College Promise, the Budget includes \$75 million for a complementary tuition-free investment in the American Technical Training Fund (ATTF). The ATTF would provide competitive grants to support the development, operation, and expansion of innovative, evidence-based, tuition-free job training programs in high-demand fields such as manufacturing, health care, and IT.

Promoting Completion through Pell Grants. The Budget continues the President's commitment to college affordability by ensuring that Pell Grants keep pace with inflation and by investing in new efforts that promote college completion. Data show that degree completion is critical to ensuring that the time and money invested in college pays off for students.

To promote completion, the Budget puts forward three important Pell Grant policies.

- *Pell for Accelerated Completion.* The Budget proposes to allow students to earn a third semester of Pell grants in an academic year so they can take courses year-round and make steady progress toward their degrees. The “year-round” Pell option was previously available to students, but cost more than anticipated and was eliminated in 2011 to preserve funding for the basic Pell award and close a funding shortfall. The Budget proposes to reinstate year-round Pell, but with changes to ensure that the additional aid is facilitating timely completion of a degree. In particular, the Budget proposes to allow students to access a third semester of Pell during a year if they have already completed a full-time course load of 24 credits to ensure that the third semester of eligibility is assisting students to accelerate progress toward completion.
- *Incentivizing Students to Take 15 or More Credits.* Since the beginning of the Administration, the President has increased the maximum Pell Grant by more than \$1,000. To further incentivize students to enroll in enough credits to complete degree programs on time, the Budget proposes to increase 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.
- *Incentivizing Colleges to Do More to Promote Completion.* The Budget recognizes that schools themselves can and should do more to help disadvantaged students succeed in college and graduate. The Budget provides a College Opportunity and Graduation Bonus to schools 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.

Seeding Innovation. The Budget provides \$100 million for the First in the World program (FITW) to develop, test, and scale-up new and promising strategies to help more students complete high-quality, affordable degrees. This

proposal builds off of \$60 million invested in 2015, and expands FITW to allow for greater piloting at-scale to facilitate wider adoption of evidenced-based practices that successfully support student persistence and lead to college completion. This investment is critical to ensure that students facing significant barriers to degree completion, such as adult learners and low-income students, can benefit from the cutting-edge research on student success at colleges and universities across the Nation.

Further Simplifying the FAFSA. While significant progress has been made in simplifying the FAFSA, many of the most time-consuming questions that remain cannot be completed with IRS data because they require information that is not reported on tax returns. To answer those burdensome questions, affected students have to collect information about assets and untaxed forms of income from multiple sources—even though these questions have little or no impact on aid eligibility in the vast majority of cases. The Budget proposes to eliminate up to 30 burdensome and unnecessarily complex questions, shortening the FAFSA application substantially, and making it easier for students and families to access critical resources to pay for college.

Ensuring High-Quality Service for Students and Borrowers. The Budget 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 would be used to implement the Administration’s ongoing efforts to ensure that student loan contractors provide high-quality loan servicing to students. These funds would also allow the Department of Education to provide enhanced oversight and strengthen enforcement activities, such as pursuing schools that engage in deceptive or misleading practices toward students, including veterans. Funds would also be used to provide students and families with clear information about how students who attend different colleges fare.

Creating Business Partnerships to Strengthen Community Colleges. The Budget also proposes a new tax credit to encourage businesses to invest in strengthening community college programs. While many regions face a shortage of skilled workers, community colleges providing training for in-demand fields often lack the needed regular investments in up-to-date equipment and highly-skilled instructors to meet the needs of employers and students. Under this proposal, businesses that help community colleges fill in these investment gaps would be eligible for up to \$5,000 for each graduate they hire. Investing in workers' skills—

just as they invest in research, development, and physical equipment—is one way that businesses can promote long-term, shared growth.

Streamlining and Expanding Higher Education Tax Incentives. The Budget would streamline and expand education tax benefits by: 1) consolidating the Lifetime Learning Credit into an expanded AOTC; 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.

TRAINING AMERICANS FOR THE JOBS OF THE FUTURE

The record-setting 70 months of job growth in the United States reflects the strength of one of our Nation's greatest assets: a skilled, educated, and adaptable workforce. In the new economy, technology is allowing businesses to locate anywhere. In deciding where to locate jobs, employers seek the most educated, adaptable, and nimble workforce. A nation's ability to ensure a steady and consistent pipeline of highly skilled workers is one key ingredient to helping its economy grow and thrive. One of the surest paths to ensuring that the economy works for everyone is to expand access to job training and education for in-demand skills.

The Budget builds on the plan that the Administration released in July 2014 for a job-training system that, as the President has laid out, "trains our workers first based on what employers are telling us they're hiring for and helps business design training programs so that we're creating a pipeline into jobs that are actually out there." Since July 2014, agencies have awarded more than \$1 billion in job training grants that incorporate seven essential elements that matter most for getting Americans into better jobs—stronger employer engagement, work-based learning approaches, better use of labor market information, accountability for employment outcomes, more seamless progression between education and

jobs, expansion of key support services, and regional partnerships. The Budget continues to support job-driven training.

Supporting Implementation of the Workforce Innovation and Opportunity Act (WIOA). Over the last several years, the Congress and the Administration have worked together to improve the Nation's job training system, including through the enactment and implementation of the bipartisan WIOA, which encompasses programs that serve about 20 million people annually. The reforms supported by WIOA—such as accountability for business engagement and new requirements to measure and report program outcomes—are allowing us to do more to make sure that training programs match in-demand jobs. The Budget helps to realize the goals of WIOA by funding the core Department of Labor (DOL) WIOA formula grants at their full authorized level—a \$138 million, or five percent, increase over the 2016 enacted level. The Budget also gives DOL and States the funding they need to oversee and implement the extensive changes envisioned in the law. The Budget includes a \$40 million investment to build State and local capacity to track the employment and educational outcomes of WIOA program participants, and give those seeking training meaningful information—including past participants' success in finding jobs—so they can make good choices

about which program would best prepare them for the labor market.

Building a System of Apprenticeships. Apprenticeship is a proven strategy for preparing workers for careers. On average, apprentices who finish their program earn \$50,000 a year and increase their lifetime earning potential by \$300,000. The Administration has successfully expanded this proven model. There are now 75,000 more apprentices in training than when the President first launched the American Apprenticeship Initiative in 2014. The Budget further invests in this proven strategy, sustaining the new \$90 million in grants provided in 2016—a landmark investment—and adding a \$2 billion mandatory Apprenticeship Training Fund. 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.

Creating an American Talent Compact. A key to successful job training is ensuring that employers and training providers—including the Nation’s community and technical colleges—work together so that students learn the skills needed for jobs and careers that are available in their communities. The Budget puts forward a substantial investment in this high-quality training by providing \$3 billion in mandatory competitive funding for regional partnerships between workforce boards, economic development organizations, employers, K-12 career and technical education programs, and community colleges with the goal of training a half million people and placing them into jobs in high demand sectors.

Reconnecting Workers to Jobs. The Administration makes significant investments to reach those who have been left on the sidelines of the economic recovery. The Budget provides \$1.5 billion in mandatory funding to States to fund Career Navigators in American Job Centers to 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. Evidence suggests these services are a cost-effective strategy that gets workers back into jobs faster with higher wages.

Empowering Workers, Training Providers, and Employers through Better Data. Each year, millions of Americans choose education and training programs with very little high-quality information and advice to go on. In a recent survey, only 40 percent of people knew post-graduation job placement rates before entering post-secondary education, and at most community colleges and secondary schools there is only one academic adviser per 800 to 1,200 students. One of the main tools we have to ensure that workers are making the best investments of time and money is empowering them with good data and information to make smart choices. In pursuit of that goal, the Budget proposes a \$500 million mandatory Workforce Data Science and Innovation Fund that would invest in data systems in States to enable them to create easy-to-understand scorecards that provide key data on training participants’ outcomes. In conjunction with the Departments of Commerce and Education, DOL would also develop new data standards, analytical data sets, and open source data products on jobs and skills to spur continued market innovation and provide key labor market actors with a more comprehensive view of local labor market demand. Finally, the Fund would establish a Center of Excellence with a best-in-class team of private sector researchers, statisticians, data scientists, and innovators to help States and localities find new ways to use technology and data analytics to improve training programs and consumer choice.

Opening Doors for Youth. Today, approximately six million Americans between the ages of 16 and 24 are out of school and work—a tremendous untapped resource for the Nation. Despite talent and motivation, these young Americans lack access to the education and training that can provide them with a pathway to better jobs and careers with advancement opportunities. The enactment of WIOA took a step toward addressing this problem by requiring that a minimum of 75 percent of WIOA Youth program funds be directed to out-of-school youth. The Budget fulfills this promise by fully funding the youth program at its authorized level, which would result in approximately \$560 million in funding for out-of-school youth.

In addition, the Budget invests \$5.5 billion in mandatory funding to engage young people in education and the workforce and set them on a path to a better future. Of this, \$3.5 billion is devoted to giving more American youth the valuable experience of a paid learning opportunity; 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. A critical component to the success of these programs is a strong focus on financial empowerment. To that end, all grantees receiving funds to support summer job opportunities or provide first jobs for opportunity youth must help participants establish bank accounts and directly deposit wages into those accounts. These accounts must be established with reputable banks and be affordable to youth. The accounts would be a tool to allow youth to learn sound money management practices, and would be used by youth employment programs to implement high-quality financial literacy education for participating youth.

The Budget also 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 would 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.

Improving Interstate Mobility and Expanding Access to Jobs for Qualified Workers. The Budget builds on the investment provided in the 2016 Consolidated Appropriations Act (2016 Omnibus) and provides a total of \$10 million for grants to States and partnerships of States to identify and address areas where occupational licensing requirements create an unnecessary barrier to labor market entry or mobility and where interstate portability of licenses can improve economic opportunity, particularly for dislocated workers, transitioning service members, veterans, and military spouses.

Protecting Workers

While most employers play by the rules, in too many cases workers need protection from employers who cheat workers out of their hard-earned wages or do not ensure a safe workplace. The Budget includes \$1.9 billion in discretionary resources to ensure that DOL'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. The Administration continues to support workers by:

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 of the 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.

Keeping Workers Safe. The Budget provides almost \$1 billion for the Occupational and Mine Safety and Health Administrations (OSHA and MSHA) to ensure workers are protected from health and safety hazards on the

job. In particular, the Budget provides resources to enhance safety and security at chemical facilities and improve response procedures when major incidents at these sites occur. The Budget also includes funds for OSHA to enforce the more than 20 whistleblower laws that protect workers from discrimination and retaliation when they report unsafe and unscrupulous practices. The Budget also pro-

Leveling the Playing Field through Wall Street Reform

In response to the destabilizing 2008 financial crisis, the Administration achieved landmark reform of the Nation's financial system in 2010 with enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Wall Street Reform). In the years since enactment, Federal agencies have helped make home, auto, and short-term consumer loan terms fairer and easier to understand for consumers, improved the transparency of financial markets, and made the system more resilient to downturns. These actions are already curbing excessive risk-taking, closing regulatory gaps, and making our financial system safer and more resilient. However, the financial services industry continues to rapidly evolve, expand and grow more complex. The agencies charged with establishing and enforcing the rules of the road are hampered by budget limitations. For example, resource constraints have forced the Commodity Futures Trading Commission (CFTC) to delay and even cut back on its examination of clearinghouses, critical points of systemic risk in our financial system. Similarly, without adequate staffing the Securities and Exchange Commission (SEC) is not able to examine investment advisors as frequently as it should, introducing significant risk to investors and the economy. To match these growing challenges and strengthen regulation of the financial system, the President is calling for doubling the funding of these agencies from their 2015 levels by 2021.

The Budget's 2017 down payment toward the five-year doubling target includes \$1.8 billion for the SEC and \$330 million for the CFTC. The Budget also reflects continued support for legislation to enable funding the CFTC through user fees like other Federal financial and banking regulators. Fee funding would shift the costs of regulatory services provided by the CFTC from the general taxpayer to the primary beneficiaries of the CFTC's oversight, and fee rates would be designed in a way that supports market access, liquidity, and the efficiency of the Nation's futures, options on futures, and swaps markets. Increasing the transaction fees that currently fund the SEC would particularly fall on high-frequency trading. In addition, the Budget takes other steps designed to reduce risk in the financial sector, such as leveling a fee on the largest financial firms on the basis of their liabilities. The Administration will also continue to oppose efforts to restrict the funding independence of the other financial regulators, including the Consumer Financial Protection Bureau, and will fight other attempts to roll back Wall Street Reform.

To finish addressing the weaknesses exposed by the financial crisis, the Government must reform the housing finance system and move forward to wind down the Government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, which have been in conservatorship since September 2008. As part of the 2016 Omnibus, the Congress included a provision that limits the ability to return to the dysfunctional system in effect prior to conservatorship, and reinforces the need to enact comprehensive reform. A bipartisan bill developed in the Senate in the previous session includes many of the Administration's key housing finance reform principles, including ensuring that private capital is at the center of the housing finance system, and that the new system supports affordable housing through programs such as the Housing Trust and Capital Magnet Funds. The President stands ready to work with Members of Congress in both parties to enact commonsense housing finance legislation that embodies these core principles. (For additional discussion of the GSEs, see the Credit and Insurance chapter in the *Analytical Perspectives* volume of the Budget.)

vides MSHA the resources it needs to meet its statutory obligation to inspect every mine and address the risks posed to miners by the Nation's most dangerous mines.

MAKING THE 21ST CENTURY ECONOMY WORK FOR WORKERS

The economy and the Nation's workforce have changed significantly since the 1930s when many core worker protections and benefits, like unemployment insurance, were first established. Today, women are almost twice as likely to be in the workforce as they were eight decades ago and the issues of the intersection of work and family are more widely recognized. New industries and ways of organizing work continue to emerge. As the nature of work continues to evolve, it is important that we update key worker benefit structures to ensure that workers in the 21st Century economy can balance work and family obligations, save for retirement, and are protected during temporary periods of unemployment and upon return to work.

Helping Workers Balance Work and Family

Expanding Access to Quality Child Care for Working Families. The Budget reflects the President's commitment to quality, affordable child care, which research shows can increase parents' employment and earnings and promote healthy child development. The Budget invests \$82 billion in additional mandatory funding over 10 years to ensure that all low- and moderate-income working families with children ages three or younger have access to quality, affordable child care. 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 increase in the subsidy rate, paired with investments in workforce development, would improve the quality of care that children receive in part by allowing for more adequate compensation of child care workers.

The Budget also provides \$200 million in discretionary funding above the 2016 enacted level.

This funding would help States implement the policies required by the new bipartisan Child Care and Development Block Grant Act of 2014, designed to improve the safety and quality of care while giving parents the information they need to make good choices about their child care providers. The new funding would help States improve quality while preserving access to care. The additional funding in the Budget would also go toward new pilot grants to States and local communities to help build a supply of high-quality child care in rural areas and during non-traditional hours. These grants focus on what low-income working families need most—high-quality, affordable care that is close to home and available during the hours they work and on short notice.

Cutting Taxes for Middle-Class Families with Child Care Expenses. The current tax benefits for child care are unnecessarily complex and provide too little help for families facing high child care costs. To ensure that all working families have access to high-quality, affordable child care, the Budget streamlines child care tax benefits, extends the child care tax credit to more middle-class families, and triples the maximum child care credit for families with young children, increasing it to \$3,000 per child. This would benefit 5.3 million families, helping them cover child care costs for 6.9 million children, including 3.6 million children under five. This tax proposal complements the other substantial investments to improve child care quality, access, and affordability.

Encouraging State Paid Leave Initiatives and Creating Paid Leave for Federal Workers. Too many American workers face the difficult choice between caring for a new baby or sick family member and a paycheck they desperately need. The Family and Medical Leave Act allows many workers to take job-protected un-

paid time off to care for a new baby or sick family member, or tend to their own health during a serious illness. However, millions of families cannot afford to use unpaid leave.

The United States is the only industrialized nation in the world that fails to offer workers paid maternity leave. Evidence shows that the availability of paid maternity leave increases the likelihood that mothers return to their jobs following the birth of a child, in addition to producing better outcomes for infants, yet employers are not required to offer paid leave in most States.

A handful of States and localities have enacted policies to offer paid family 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 to launch paid leave programs, following the example of California, New Jersey, and Rhode Island. States that choose to participate in the Paid Leave Partnership Initiative would be eligible to receive funds for the initial set up and three years of benefits. The Budget also includes funding for grants to help States and localities conduct analysis to inform the development of paid family and medical leave programs. These grants have helped recipients obtain the information they needed to understand how a paid family leave policy could work in their communities.

The Budget also proposes legislation that would offer Federal employees six weeks of paid administrative leave for the birth, adoption, or foster placement of a child. In addition, the proposal would make explicit the ability for mothers and fathers to use sick days to bond with a healthy new child. This proposal is part of a broader effort to expand the availability of paid family leave for the Federal workforce, and establish a Federal family leave policy that is on par with leading private sector companies and other industrialized nations so that the Government can recruit and retain the best possible workforce to provide outstanding service to American taxpayers. These proposals complement the President's

executive actions to expand paid leave for employees of Federal contractors.

Helping the Paychecks of Families Go Further. The Budget helps families' paychecks go further by cutting taxes for middle-class families when both spouses work. Two-earner couples can face higher marginal tax rates when both spouses work, even though the family incurs additional costs from commuting, professional expenses, child care, and, increasingly, elder care. The Budget proposes a new, simple second earner credit of up to \$500 that recognizes the additional costs faced by families in which both spouses work. A total of 23.4 million couples would benefit from this proposal.

In addition, 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 spending needs. Funds would be awarded to financial institutions and intermediaries that provide strong evaluation plans for promising programs.

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.

Helping Workers without Access to Workplace Retirement Plans. The Budget includes the following proposals that would make saving easier for millions of Americans currently without employer-based retirement plans:

- *Automatically Enroll Americans without Access to a Workplace Retirement Plan in an Individual Retirement Account (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. There is strong evidence that making enrollment the default option results in greater participation. Under the proposal, approximately 30 million Americans would be automatically enrolled in an IRA. 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 Budget's auto-IRA proposal would provide any employer with 100 or fewer employees who offers an auto-IRA a tax credit of up to \$4,500. The Budget also proposes to triple the existing "startup" credit and extend it to an additional year, so small employers who newly offer a retirement plan would receive a tax credit of up to \$6,000, enough to offset administrative expenses. Furthermore, because auto-enrollment is the most effective way to ensure workers with access to a plan participate, small employers who already offer a plan and add auto-enrollment would get an additional tax credit of \$1,500.
- *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, in part because employers can exclude them from participation. 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 consecutive 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.* Many States have been exploring options for creating retirement accounts for workers in the private sector who do not otherwise have access to a workplace retirement plan. 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 guidance to provide a path forward for State retirement savings programs consistent with the Employee Retirement Income Security Act. To further State efforts, the Budget sets aside \$6.5 million to allow a handful of 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 provides for the creation of open multiple employer plans (open MEPs) that 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 significant new worker safeguards, thereby enabling more small businesses to offer cost-effective, pooled plans to their workers and potentially 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 non-profits 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. Policies proposed in this Budget, as well as past Budgets, to expand access to IRAs should also increase portability since workers can continue contributing to their IRA even if they change jobs, though their employers cannot.

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.

Protecting Workers' Retirement Security.

The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to insure pension payments for workers whose companies or plans have failed. PBGC's single-employer program covers plans that are sponsored by an individual company; the multiemployer program covers plans maintained pursuant to one or more collective bargaining agreements involving more than one unrelated employer. Both programs are underfunded, with combined liabilities exceeding assets by \$76 billion at the end of 2015. While the single-employer program's financial position is projected to improve over the next 10 years, in part because the Congress has raised premiums in that program several times in recent years, the multiemployer program is projected to run out of funds in 2024. Particularly in the multi-employer program, premium rates remain much lower than what a private financial institution would charge for insuring the same risk and well below what is needed to ensure PBGC's solvency.

To address these concerns, the Budget proposes to give the PBGC Board the authority to adjust premiums. The 2016 Budget proposed to raise premiums by \$19 billion, with premiums

to be split between the multiemployer and single-employer programs based on the size of their deficits. Given the \$4 billion in recent premium increases enacted in the Bipartisan Budget Act of 2015, and the single-employer program's improving financial projections, the Budget directs the Board to raise \$15 billion in additional premium revenue within the Budget window only from the multiemployer program. The Administration believes additional increases in single-employer premiums are unwise at this time and would unnecessarily create further disincentives to maintaining defined benefit pension plans. This level of additional multiemployer premium revenue would nearly eliminate the risk of the multiemployer program becoming insolvent over the next 20 years.

The Budget assumes that the Board would raise these revenues by using its premium-setting authority to create a variable-rate premium (VRP) and an exit premium in the multiemployer program. A multiemployer VRP would require plans to pay additional premiums based on their level of underfunding—as is done in the single-employer program. An exit premium assessed on employers that withdraw from a plan would compensate the PBGC for the additional risk imposed on it when healthy employers exit.

Helping Workers Who Lose Their Jobs and Reducing Job Loss

The Budget proposes a cost-neutral suite of reforms to strengthen and modernize the Unemployment Insurance (UI) program. UI provides critical income support to unemployed workers. But after cutbacks in coverage by States and broader changes in the evolving economy, fewer than one out of every three unemployed workers today receives UI benefits, the lowest level in half a century. The Budget's reforms would address this by providing coverage for more workers—including more part-time workers, low-wage and intermittent workers, and workers who must leave a job for compelling family reasons. The Budget would also help unemployed workers get back to work more quickly; reform UI to help prevent layoffs; make

the UI program more responsive to economic downturns; and shore up the solvency of State UI programs so they are prepared if unemployment in their State rises. In addition, the Budget establishes wage insurance to help workers make ends meet if a new job pays less than an old one while encouraging workers to get off the sidelines quickly and stay in the workforce. The goal is a modernized, well-funded UI program that better serves the diverse set of workers in today's economy and better supports economic recoveries.

UI Solvency. Three out of five State UI programs are insolvent, and only 20 States have sufficient reserves to weather a single year of recession. Low State reserves remain a serious threat to UI for working Americans. The President's proposal would put State unemployment insurance programs on a path to permanent solvency while ensuring they have sufficient reserves to weather the next economic crisis. The proposal would modernize Federal unemployment insurance taxes and hold States accountable for maintaining sufficient reserves to provide benefits for at least six months of an average economic recession.

Expanded Access to UI Benefits and Services. The Budget makes changes to ensure that UI benefits and reemployment opportunities are available to more workers who need them. The Budget requires UI coverage for part-time workers and those who must leave a job due to compelling family reasons like domestic violence or family illness, and mandates the provision of at least 26 weeks of benefits, so workers have time to get back on their feet. Building on the success of the Recovery Act, the Budget also includes a \$5 billion Modernization Fund to incentivize States to make other improvements in their UI programs' coverage, benefits, and connection to work. Through the Modernization Fund, States would be encouraged to allow workers to retool their skills to prepare for new job opportunities while receiving UI benefits and to create apprenticeship and on-the-job training programs to help the unemployed get back to work.

Wage Insurance. Wage insurance would provide a safety net for workers who lose their jobs and become reemployed at lower wages at least initially, often in new industries. The Budget proposes establishing wage insurance for all workers with at least three years of job tenure who are laid off and become reemployed in a lower-paying job at less than \$50,000 per year. Wage insurance would pay half of the difference between the previous wage and the new wage, up to a maximum of \$10,000 over a period of two years. The goal of the program is two-fold: help workers who return to work at lower wages on a temporary basis as they gain a foothold in their new jobs and provide workers an incentive to return to work, even if they must take a pay cut relative to their former employment.

Work Sharing. Work-sharing programs, also known as Short Time Compensation (STC), encourage employers to avoid layoffs by temporarily reducing hours when their need for labor falls and providing employees with a partial UI benefit to help compensate for their lower wages. Aided by incentives that were enacted in the Middle Class Tax Relief and Job Creation Act of 2012, about half the States are now operating STC programs. The Budget seeks to expand on this progress by renewing expired incentives for States to enact programs, providing for a 50-50 Federal cost share for STC benefits when State unemployment is high, and encouraging employers to use STC by allowing States to reduce employers' UI taxes for the portion of benefits that is paid by the Federal Government.

Extended Benefits During Recessions. The Budget seeks to create a more inclusive and responsive unemployment system by establishing a new Extended Benefits program to provide additional benefits during economic downturns. The new permanent Extended Benefits program would 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. This new program would ensure that the UI system responds quickly, providing critical support for unemployed workers in States where jobs are

scarce, and helping to reduce the severity of recessions by providing timely economic stimulus.

Addressing Wage Stagnation and Helping Low-Wage Workers

While economic growth is strong, too many workers continue to see their wages stagnate, making it hard for them to get ahead. The Budget seeks to improve wage growth through a series of investments in the Nation's economy—from infrastructure to research and development—and also includes targeted policies to address wage stagnation directly.

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. The value of the minimum wage, which has not increased in more than five years, has failed to keep pace with the higher costs of basic necessities for working families. The Administration supports raising the minimum wage so hard-working Americans can earn enough to support their families and make ends meet. Raising the minimum wage is good for workers, their families, and 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 those working on new and replacement Federal contracts receive a higher minimum wage. The Administration is encouraged that 17 States and the District of Columbia have passed increases in their minimum wage since the President called for a minimum wage increase during his State of the Union address in February 2013. Those increases will benefit an estimated seven million workers as of 2017. As the President continues to encourage States, cities, and businesses to act, he stands ready to work with the Congress to pass legislation to

increase the minimum wage for the rest of the workforce as soon as possible.

Building on the Success of the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). The EITC and CTC are among the Nation's most effective tools for reducing poverty and encouraging people to enter the workforce. The 2016 Omnibus permanently extended Recovery Act expansions of the EITC and CTC for families with children that were scheduled to expire after 2017. These provisions provide a tax cut of about \$900 on average for 16 million working families a year. If the expansions had been allowed to expire, more than 16 million people—including eight million children—would have fallen into, or deeper into, poverty in 2018. With the expansions in place, the EITC and CTC lift more children out of poverty than any other Federal program.

Because the EITC available to workers without children and to non-custodial parents is so small, they largely miss out on these antipov-erty and employment effects of the EITC. The Budget would double the EITC for so-called “childless workers”—workers who are not raising dependent children, as well as noncustodial parents—and make the credit available to workers with earnings up to about 150 percent of the poverty line. It would also expand eligibility to single workers between the ages of 21 and 24 and ages 65 and 66, so that the EITC can encourage employment and on-the-job experience for young adults, as well as older workers, and harmonize the EITC rules with ongoing increases in the Social Security full retirement age. The proposal would reduce hardship and improve financial security for 13.2 million low-income workers struggling to make ends meet, while encouraging and supporting work.

The Budget also proposes providing funding for an EITC for Puerto Rico as part of a package to help the Commonwealth recover from an economic and fiscal crisis. (See text box below.)

Addressing Puerto Rico's Economic and Fiscal Crisis

The Commonwealth of Puerto Rico is in the midst of an economic and fiscal crisis which without action from the Congress could devolve into a humanitarian crisis. The 3.5 million Americans living in Puerto Rico have endured a decade of economic stagnation. Since 2006, Puerto Rico's economy has shrunk by more than 10 percent and shed more than 250,000 jobs. More than 45 percent of the Commonwealth's residents live in poverty—the highest poverty rate of any State or territory—and its 12.5 percent unemployment rate is more than twice the national level. These challenges have sparked the largest wave of outmigration since the 1950s, and the pace continues to accelerate. More than 300,000 people have left Puerto Rico in the past decade; a record 84,000 people left in 2014.

Consistent with the Roadmap for Congressional Action on Puerto Rico that the Administration established in October 2015, the Budget proposes a series of measures to provide Puerto Rico with the tools it needs to address its economic and fiscal crisis in a fair, orderly, and comprehensive manner while creating the foundation for recovery.

The President remains committed to the principle of self-determination for the people of Puerto Rico, and it is clear from the results of the 2012 referendum on the political status of Puerto Rico that the people of Puerto Rico want to resolve the issue. We believe that the Congress and this Administration have key roles to play to help Puerto Rico determine its future status through a fair, clearly defined, and transparent process—and we believe the outcome of that process should be respected and acted upon in the Congress.

There are four key elements of the Roadmap for Congressional Action on Puerto Rico in the Budget:

1. Provide tools for Puerto Rico to comprehensively address its financial liabilities. The Budget proposes to provide Puerto Rico with the necessary tools to restructure its financial liabilities in a fair and orderly manner under the supervision of a Federal court. Specifically, the Budget proposes a broad legal framework that allows for a comprehensive restructuring of Puerto Rico's financial liabilities. This framework should be reserved exclusively for U.S. territories. As under current law, States would remain ineligible to file for bankruptcy under this or any other bankruptcy regime.

2. Enact strong fiscal oversight and help strengthen Puerto Rico's fiscal governance. Puerto Rico must reform its fiscal governance in a credible and transparent way while implementing the changes needed to achieve financial stability. The Budget proposes to strengthen Puerto Rico's ability to implement a sound plan for achieving financial stability while also respecting Puerto Rico's unique status and local autonomy.

3. Strengthen Medicaid in Puerto Rico and other U.S. territories. To avoid a loss in coverage when one-time funds from the Affordable Care Act run out, and to better align territory Medicaid programs with the mainland, the Budget would remove the cap on Medicaid funding in the territories, gradually increase the Federal support territories receive through the Federal Medicaid match by transitioning them to the same level that is received on the mainland, and expand eligibility to 100 percent of the Federal poverty level in territories currently below this level. To be eligible for maximum Federal financial support, territories will have to meet financial management and program integrity requirements and achieve milestones related to providing full Medicaid benefits. (See details below in Building on the ACA to Improve Americans' Health.)

4. Reward work and support growth. The decade-long recession has taken a toll on Puerto Rico's finances, its economy, and its people. To reward work and break this vicious cycle, the Budget proposes an EITC for Puerto Rico. The EITC is already available to Americans living in the 50 States and the District of Columbia, and providing the EITC in Puerto Rico would create incentives for work and increase participation in the formal economy.

TAX REFORM THAT PROMOTES GROWTH AND OPPORTUNITY

A simpler, fairer, and more efficient tax system is critical to achieving many of the President's fiscal and economic goals. At a time when middle class and working parents remain anxious about how they will meet their families' needs, the tax system does not do enough to reward hard work, support working families, or create opportunity. After decades of rising income and wealth inequality, the tax system continues to favor unearned over earned income, and a porous capital gains tax system lets the wealthy shelter hundreds of billions of dollars from taxes each year. In a period where an aging population will put increasing pressure on the Federal budget, a wide range of inefficient tax breaks prevent the tax system from raising the level of revenue the Nation needs. While commerce around the world is increasingly interconnected, an out-of-date, loophole-ridden business tax system puts U.S. companies at a disadvantage relative to their competitors, while also failing to encourage investment in the United States.

The Budget addresses each of these challenges. As described above, it reforms and simplifies tax incentives that help families afford child care, pay for college, and save for retirement. The Budget expands tax benefits, like the EITC for workers without qualifying children, and creates new benefits, like a second earner tax credit, that support and reward work. It also makes important investments in the IRS that will improve taxpayer services, allow the IRS to fairly enforce the tax code, and takes steps to counter cybersecurity threats and protect taxpayers from identity theft.

Closing Tax Loopholes for the Wealthy, Imposing a Fee on Large Financial Firms, and Making Sure Everyone Pays Their Fair Share

The Budget pays for tax reforms that support work, help middle-class families get ahead, and reduce the deficit through numerous changes to make the tax code fairer, simpler, and more efficient, including by closing loopholes that let the wealthy pay less than their fair share and im-

posing a fee on large financial firms. Specifically, the Budget would:

- **Reform the Taxation of Capital Income.** The Budget would reform the taxation of capital income in two important ways: first, by increasing the top tax rate on capital gains and dividends to 28 percent (inclusive of the 3.8 percent Net Investment Income Tax (NIIT), the rate at which capital gains were taxed under President Reagan; and second, by ending “stepped-up basis,” which allows hundreds of billions of dollars in capital gains to avoid income tax, while preventing undue burdens on middle-class families and small businesses through various exclusions.
- **Impose a Financial Fee.** The Budget would also impose a new fee on large, highly-leveraged financial institutions. Specifically, the Budget would raise \$111 billion over 10 years by imposing a seven basis point fee on the liabilities of large U.S. financial firms—the roughly 100 firms with assets over \$50 billion. By attaching a direct cost to leverage for large firms, this fee will reduce the incentive for large financial institutions to use excess leverage, complementing other Administration policies aimed at preventing future financial crises and making the economy more resilient.
- **Limit the Value of Itemized Deductions and Other Tax Preferences to 28 Percent.** Currently, a millionaire who deducts a dollar of mortgage interest enjoys a tax benefit that is more than twice as generous as that received by a middle-class family. The Budget would limit the value of most tax deductions and exclusions to 28 cents on the dollar, a limitation that would affect only couples with incomes over about \$250,000 (singles with incomes over about \$200,000).
- **Close Tax Loopholes.** The Budget would also close a number of inefficient, unintended, and unfair tax loopholes in the individual tax code. For example, it would end the “car-

ried interest” loophole that allows certain investment fund managers to take advantage of preferential capital gains tax rates and prevent wealthy individuals from using loopholes to accumulate huge amounts in tax-favored retirement accounts.

- **Ensure that High-Income Individuals Pay into Medicare.** As in 2016, the Budget proposes to end the loophole that allows some high-paid professionals to avoid paying Medicare and Social Security payroll taxes. The Budget further closes gaps between the Self-Employment Contributions Act (SECA) tax and the NIIT to ensure that all high-income individuals fully contribute to Medicare, either through the NIIT or through payroll or SECA taxes. Revenue from the NIIT would be dedicated to the Medicare Hospital Insurance Trust Fund, extending Medicare’s long-term solvency by more than 15 years.
- **Observe the “Buffett Rule.”** As in past years, the Budget proposes to institute the Buffett Rule, requiring that wealthy millionaires pay no less than 30 percent of income—after charitable contributions—in taxes. This proposal acts as a backstop to prevent high-income households from using tax preferences to reduce their total tax bills to less than what many middle-class families pay.

Fixing America’s Broken Business Tax System

In February 2012, the President proposed a framework for business tax reform that would help create jobs and spur investment, while eliminating loopholes that let companies avoid paying their fair share. The President’s framework would cut the corporate rate to 28 percent—with a 25 percent effective rate for domestic manufacturing—putting the United States in line with other major countries and

encouraging greater investment here at home. The rate reduction would be paid for by eliminating dozens of inefficient tax expenditures and through additional structural reforms. Together, these reforms would help achieve more neutral tax treatment of different industries, types of investment, and means of financing, improving capital allocation and contributing to economic growth.

Consistent with that framework, the Budget proposes a number of reforms that would make the business tax code fairer and more efficient, including a detailed international tax reform plan. The Budget includes improved incentives for research and clean energy investment and simplifies and cuts taxes on small businesses—allowing more than 99 percent of all businesses to dispense with many of the tax system’s most complex rules and instead pay tax based on simpler, “cash” accounting.

The Budget details the President’s full plan for reforming and modernizing the international business tax system, including a 19 percent minimum tax on foreign earnings that would require U.S. companies to pay tax on all of their foreign earnings when earned—with no loopholes or opportunities for deferral—after which earnings could be reinvested in the United States without additional tax. It would prevent U.S. companies from avoiding tax through “inversions”—transactions in which U.S. companies buy smaller foreign companies and then reorganize the combined firm to reduce U.S. tax liability—and prevent foreign companies operating in the United States from using excessive interest deductions to “strip” earnings out of the United States. The Department of the Treasury has taken steps within its authority to reduce the economic benefits of inversions, but the President has been clear that the only way to fully address the issue of inversions is through action by the Congress.

PARTNERING WITH COMMUNITIES TO EXPAND OPPORTUNITY

Since the start of the Administration, the President has called on the Federal Government to disrupt an outdated, top-down approach to working with communities, and to think creatively about how to make our efforts more user-friendly and responsive to the ideas and concerns of local citizens. Too often in the past, innovative efforts to expand opportunity at the State and local level have been stymied by less flexible Federal approaches and a failure to recognize community assets alongside their challenges. In communities facing limited local revenues and capacity, the imperative for the Federal Government to serve as a strong partner only increases.

The need for this community-level focus and collaboration is clear. Groundbreaking new research shows that the place in which a child grows up has a significant impact on his or her prospects for upward economic mobility.¹ A child's zip code should never determine her destiny, but today, the neighborhood she grows up in impacts her odds of graduating high school, her health outcomes, and her lifetime economic opportunities. This inequality of opportunity in childhood is not just a moral failure, it is also an economic failure for the Nation and its cities and communities. Every year, the United States incurs an estimated half-trillion dollar cost as a result of allowing millions of America's children to grow up in poverty.²

Over the course of the past six years, the Administration has been steadily testing new ways of working in partnership with the communities that our programs serve—from southeastern Kentucky to Fresno, California to Detroit, and also in Indian Country. These collaborative efforts take a comprehensive approach to community revitalization instead of addressing

problems in isolation; work with local leaders to support their vision for their communities; and embrace creative new solutions to old problems to learn and apply what works and stop doing what does not.

The first step in this approach is ensuring that the Federal Government is working in a coordinated way across agencies, and then improving how it interacts with individual communities as a partner. It also requires investments in the basic building blocks for program success, such as data infrastructure to measure outcomes and assess need across communities. By modernizing Federal programs to meet urban, suburban, and rural communities where they are, and updating Federal policies to respond to the ways that people live, we can better meet the demands of communities that are striving for a better quality of life.

Early initiatives such as Strong Cities, Strong Communities, which strengthens towns, cities, and regions by improving the capacity of local governments to develop and execute their local vision and strategies, and the Neighborhood Revitalization Initiative, which has helped nearly 200 communities pursue local solutions to revitalize and transform neighborhoods, have informed many other initiatives and programs as place-based approaches have spread.

The Budget increases the Administration's support for such holistic community solutions through investments that include the Administration's Promise Zone initiative, which establishes partnerships between the Federal Government, local communities, and businesses 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 that partner with local government, and business and community leaders to make investments that reward hard work and expand opportunity. In exchange, the Federal Government partners with these communities to help them secure the resources and flexibility

¹ Chetty, Raj and Hendren, Nathaniel, "The Impacts of Neighborhoods on Intergenerational Mobility." Harvard University, April 2015, available at: http://www.equality-of-opportunity.org/images/nbhd_exec_summary.pdf

² Holzer, Harry; Schanzenbach, Diane Whitmore; Duncan, Greg; & Ludwig, Jens, "The Economic Costs of Poverty: Subsequent Effects of Children Growing Up Poor." Center for American Progress, January 2007, available at: https://cdn.americanprogress.org/wp-content/uploads/issues/2007/01/pdf/poverty_report.pdf

they need to help them achieve their goals. To date, the President has designated 13 Promise Zones, and seven more will be announced in 2016. The Budget supports all 20 Promise Zones through intensive, tailored Federal 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.

The Budget further supports efforts to transform distressed communities by expanding the Department of Education's Promise Neighborhoods program and the Department of Housing and Urban Development's (HUD) 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 would 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.

To support private-sector partnerships and investments that play a key role in strengthening communities, the President also proposed to expand and make permanent the New Markets Tax Credit, which promotes investments in low-income communities. Under legislation signed into law by President Obama in December, \$3.5 billion in New Markets Tax Credits will be available annually through 2019. The Budget would make the program permanent with an annual allocation of \$5 billion.

HOUSING AND HOMELESSNESS

Improving Mobility with Housing Choice Vouchers. In addition to the studies mentioned above related to the impact of poverty on families and children new research demonstrates moving to higher-opportunity areas with a rental subsidy can generate large benefits for children's long-term earnings and educational attainment, especially for young children. These findings have significant policy implications. Though we must continue to prioritize revitalizing distressed communities, this research demonstrates the need to also invest in and make improvements to HUD's Housing Choice Voucher (HCV) program, which provides rental assistance to over 2.2 million extremely low- to very low-income households to enable them to rent modest units in the private market. The goal of the HCV program is not only to make decent, safe and sanitary housing affordable for low-income families, but also to improve the ability of families to rent in safer neighborhoods with more jobs and better schools.

The President proposes \$20.9 billion for the HCV program in 2017, an increase of \$1.2 billion over the 2016 enacted level, to expand opportunities for very low-income families. This includes additional funding for Public Housing Authorities' (PHAs) to ensure they have sufficient resources to promote mobility and greater access to opportunity, as well as cover fundamental functions, such as housing quality inspections and tenant income certifications.

In addition, the Budget requests \$15 million for a new mobility counseling pilot designed to help HUD-assisted families move to and stay in higher-opportunity neighborhoods. These funds will be distributed to about 10 regional housing program sites with participating PHAs and/or private non-profits over a three-year period to provide outreach to landlords and counseling to voucher recipients on the benefits of opportunity-rich, low-poverty neighborhoods, as well as facilitate regional collaboration. A portion of the funding would also support an evaluation

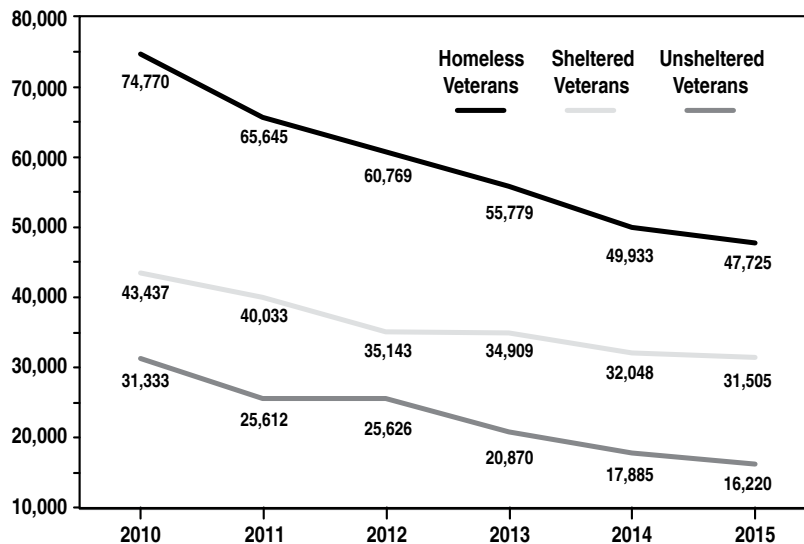
to measure the impact of the counseling pilot to further inform the policy process and design.

Ending Homelessness. In 2010, the President set the ambitious goal of ending homelessness in America. Since then significant progress has been made, especially in the area of veteran homelessness where the Administration, the Congress, local leaders, and nonprofit partners have committed to achieving the goal. Since 2010, the overall number of veterans experiencing homelessness on a single night has declined by 36 percent. Moreover, the number of homeless veterans on the streets has been nearly cut in half. Over 850 mayors, governors, and county executives have committed to ending veteran homelessness in their communities through the Mayors Challenge to End Veteran Homelessness. In the past year, communities across the Nation, including Las Vegas, Houston, Philadelphia, and the Commonwealth of Virginia, have successfully ended veteran homelessness—putting in place systems that ensure veterans and their families can get back into housing quickly and permanently if they experience homelessness.

The Nation’s work to end veteran homelessness has proven that ending homelessness is

possible. The Budget sustains funding to support programs dedicated to ending veteran homelessness, while also providing \$11 billion in housing vouchers and rapid rehousing—a strategy that helps stabilize families’ housing and then assists them to become more self-sufficient—over the next 10 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 homeless assistance—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 HCVs 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 further builds the evidence base on this emerging intervention.

Veterans Homelessness Continues to Decline



Source: Department of Housing and Urban Development. The 2015 Annual Homeless Assessment Report to Congress, Part 1

STRENGTHENING EFFORTS TO HELP POOR FAMILIES SUCCEED

Between 2012 and 2014 child poverty fell farther than it had since 2000, indicating that the economic recovery is starting to improve prospects for poor families. Still, in 2014, 15.5 million children, or 21.1 percent of all children, were poor and nearly 6.8 million children lived in families with cash incomes that fell below half of the poverty line, or just \$785 per month for a family of three. There is recent evidence showing that the number of very poor families with children living on less than \$2 in cash income per person per day rose sharply after 1996: in 2011, roughly 1.5 million households had cash income of less than \$2 per person per day.³ While non-cash benefits such as the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps, helps cushion the hardships these families face, their cash incomes are so low that they are at substantial risk of homelessness and hunger.

Improving the opportunity and economic security of poor children is both a moral and an economic imperative. Research shows that poverty has significant negative impacts on children's future prospects. For example, a large body of recent research finds that when children's families are more financially secure, children are healthier and do better in school. Importantly, this research shows that when poor families receive additional income, children's outcomes improve. In the 21st Century economy, the United States cannot afford for a large share of its children to have their learning and health hindered because of poverty.

Twenty years ago, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 created the Temporary Assistance for Needy Families Program (TANF), which replaced the Aid to Families with Dependent Children program. TANF gave States more flexibility in how they operate their cash welfare program, put in place work-related requirements that many States have found overly prescriptive, and capped and froze Federal funding. A strong

economy, work-supporting policies such as an expanded EITC and child care assistance, and changes to cash welfare programs contributed to an increase in employment rates among single mothers in the 1990s. However, that progress stalled and then reversed in the early part of the 2000s, ceding a significant portion of the earlier gains. In addition, too few families have worked their way into the middle class, while three million children are living on less than \$2 a 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.

Given the need to do more to combat poverty and provide opportunity for all children, the Budget includes several proposals designed to reduce poverty, assist families in deep poverty or experiencing a financial crisis, and improve efforts to help parents find and keep jobs. These include:

Establishing Emergency Aid and Service Connection Pilots. For some financially stressed families, a needed car repair or a week of missed work due to the flu can bring the family to the brink of financial collapse—including the loss of a job or even homelessness. Some families have already hit bottom, living in extreme poverty without help. The Budget provides \$2 billion for a robust round of pilots to test new approaches to providing emergency aid for these families, including both short-term financial assistance and connection to longer term supports for those who need them. Building on the lessons learned from the rapid rehousing approach, these pilots will seek to both prevent families from financial collapse when emergency help, such as fixing a car or paying a security deposit is needed, and connect families that need them to services and supports—such as TANF, employment assistance, SNAP, child care, or Medicaid—that can help them find jobs, stabilize their families, and become more financially secure. The pilots would be rigorously evaluated to inform future

³ Edin, K.J., & Shafer, H.L. (2015). *\$2.00 a Day*. New York, NY: Houghton Mifflin Harcourt.

policy and program decisions at the local, State, and Federal levels.

Strengthening TANF. TANF was designed to provide States with more flexibility while requiring them to engage recipients in work activities, but after 20 years there is strong evidence that the program can do more to help families get back on their feet and work toward self-sufficiency. Currently, some States use only a small share of their TANF funds to provide assistance to very poor families or to help parents find jobs. One major issue that has arisen is that a large share of poor families with children do not get any help at all from TANF, even when the parents are out of work and the family has no regular source of income. A particularly troubling indicator is the decline in the TANF-to-poverty ratio since TANF's inception: in 1996, for every 100 families in poverty, 68 received TANF assistance; by 2014, that number had dropped to just 23. Currently, just 32 percent of families that meet State eligibility requirements for TANF (such as income and asset rules) actually receive income assistance. Furthermore, when families do not receive income assistance, they also typically lose access to the employment services that TANF programs provide.

One contributing factor to this drop in help for poor families is the fact that TANF funding has remained frozen since it was created in 1996—after adjusting for inflation, TANF funding to States has fallen by about one-third over the last 20 years. Even with the resources available, too few TANF dollars are spent on the core purposes of supporting destitute families and helping them find jobs. In nearly half the States, the share of Federal and State TANF funds spent on basic income assistance to poor families, work programs, and child care is less than 50 percent. In addition, some Federal rules limit State flexibility in a way that hinders the effectiveness of TANF employment programs. Finally, TANF is not adequately responsive to recessions, which is why during the Great Recession, the Congress and the Administration had to create the temporary TANF Emergency Fund (now expired) to

ensure that States had the resources required to meet the increased need.

In order to address these concerns, the Budget: 1) increases resources for TANF and ensures that States meet their State funding requirements without using funding gimmicks; 2) requires States to spend a majority of their funds (both Federal TANF funds and the funds States contribute to TANF) on core purposes of TANF, defined as welfare-to-work efforts, child care, and basic assistance, and ensures all TANF funds are spent on low-income families; 3) calls for providing 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 builds on a prior proposal to redirect funds currently in the poorly designed contingency fund. The proposal would shift these funds 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.

Ensuring Adequate Food for Children throughout the Year. With a consistent focus on raising a healthier next generation of kids, the Administration has made historic improvements in child nutrition programs, including through the Healthy, Hunger Free Kids Act of 2010, which updated nutrition standards for schools for the first time in 15 years. The Budget seeks to ensure all children have consistent and adequate access to nutritious food year round to learn and grow. 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 invests \$12 billion over 10 years to create a permanent Summer Electronic Benefits Transfer for Children program that would provide all families with children eligible for free and reduced price school meals access to supplemental food benefits during the summer months.

Expanding Opportunity for Native American Youth. In December 2014, President Obama announced Generation Indigeno, a Native youth initiative focused on taking a comprehensive, culturally appropriate approach to help improve the lives of and opportunities for Native youth. The Budget builds on key investments the Congress made across several agencies in 2016 to support Generation Indigeno, providing \$40 million at HHS to support youth-focused behavioral and mental health services, \$23 million at the Department of Education (ED) for the Native Youth Community Projects, and \$1 billion for Bureau of Indian Education (BIE) schools.

The additional resources provided in the Budget for Native youth would ensure that multiple agencies, including the Departments of the Interior (DOI), ED, HUD, HHS, USDA, and Justice (DOJ), are working collaboratively with Tribes and can successfully implement education reforms and address issues facing Native youth.

The Budget makes a number of investments in these priorities, including:

- \$1 billion to support DOI's comprehensive redesign and reform of the BIE, including \$138 million to improve facilities conditions and \$25 million to extend broadband internet and computer access at BIE-funded schools and dormitories;
- \$20 million for HUD-funded community facilities to support Native youth and teacher

housing and \$8 million for DOI's efforts to address teacher housing needs;

- \$55 million in HHS's Substance Abuse and Mental Health Services Administration and Indian Health Service to support the Administration's priority of expanding access to mental health services to Native youth. The funding would provide youth-focused behavioral and mental health, and substance abuse services, and reduce the number of suicides among Native youth, which is currently the second leading cause of death among Native youth ages 8-24 and occurs at 2.5 times the national rate;
- \$26.6 million for HHS's Administration for Children and Families to support Native youth resiliency and leadership development, implement special programs to increase and improve Native American language instruction across the educational continuum, and increase the ability of Tribes to effectively serve Native youth involved in the child welfare system, as well as \$242 million in mandatory funding over 10 years to strengthen the capacity of tribal child welfare systems, including tribal courts; and
- A \$30 million increase to the Native Youth Community Projects at ED to support community-driven, comprehensive strategies to improve college- and career-readiness of Native youth.

These investments build on current efforts to better serve Native youth by coordinating and demonstrating results across the Federal Government.

Reducing Rural Child Poverty. According to a 2015 report by USDA's Economic Research Service, roughly one in four rural children live in poverty. Not only is rural child poverty pervasive, it is persistent: approximately 80 percent of persistent child poverty counties—that is, counties with 20 percent or more of their child populations living in poverty over the last 30 years—are rural. To address these challenges, the Budget invests in innovative strategies to

increase rural families' access to promising and evidence-based programs and services. The Budget makes unprecedented investments in two-generation approaches—aligning high-quality early childhood education for children with high-quality workforce development for parents to put the entire family on a path to educational success and permanent economic security. The Budget provides \$20 million for two-generation demonstration projects within USDA to fight rural child poverty and \$16 million to support an integrated model for early childhood development and parental involvement for American Indian families in BIE-funded schools. As discussed above, the Budget also introduces a new rural home visiting program that complements HHS's evidence-based Maternal, Infant, and Early Childhood Home Visiting program to serve more high-risk, high-need children and families in remote rural areas.

Promoting Permanency, Safety, and Well-Being for Children and Youth in Foster Care. On any given day, there are more than 400,000 young people in the Nation's foster care system, with over 100,000 waiting to be adopted. The Budget includes a package of 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, keeping more children out of foster care and with their families, as well as 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 Nation, 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 continues to include funding for Tribes to build their child welfare infrastructure, and for tribal children and youth removed from their homes to remain in their communities.

Improving Health Outcomes for Children and Youth in Foster Care. The Budget continues to propose a Medicaid demonstration project in partnership with HHS's Administration for Children and Families to encourage States to provide evidence-based psychosocial interventions to address the behavioral and mental health needs of children in foster care and reduce reliance on psychotropic medications to improve overall health outcomes.

Helping Families Achieve Self-Sufficiency through the Upward Mobility Project. The Budget continues to support the Upward Mobility Project, which would allow up to 10 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 helping families achieve self-sufficiency, improving children's education and health outcomes, and revitalizing 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.

BUILDING ON THE ACA TO IMPROVE AMERICANS' HEALTH

For decades, too many Americans went without the security of health insurance. Since the ACA's coverage provisions have taken effect, 17.6 million Americans have gained health insurance coverage through the Health Insurance Marketplace, Medicaid, and other sources. Now, fewer than 1 in 10 Americans lack health insurance for the first time in history. The dramatic decline in the uninsured rate shows the ACA is working, making health care more affordable and accessible for millions of people.

The ACA also provides Americans the economic security they deserve. Because of the ACA, American families no longer need to worry about losing coverage due to economic setbacks, such as lay-offs or job changes, or due to pre-existing conditions, such as asthma, cancer, or diabetes. In addition, health insurance plans cannot bill patients into debt because of an illness or injury, or limit annual or lifetime dollar benefits. Americans have benefited from these changes. For example, the number of people in households that faced problems paying medical bills fell by 12 million from 2011 to 2015.

Further, the ACA has taken historic and significant steps toward putting the Nation back on a sustainable fiscal course, while laying the foundation for a higher quality health care system. It is improving the quality of care that Americans receive and reducing cost growth by deploying innovative new payment and delivery models that incentivize more efficient, higher-quality care.

With the ACA as a solid foundation, the Budget makes additional health care investments and reforms to further improve the Nation's health care system and the health of all Americans. With approximately \$375 billion in health savings that will grow over time, the Budget would extend the exceptionally slow cost growth of recent years. It builds on the dependable health insurance provided to Medicare, Medicaid, and Children's Health Insurance Program (CHIP) beneficiaries, supports an aggressive agenda to transform the Nation's health care delivery sys-

tem into one that better incentivizes quality and efficiency, reins in growing drug costs while improving quality and transparency, and includes proposals that extend the life of the Medicare Hospital Insurance Trust Fund by over 15 years.

Implementing the ACA and Improving Health Care in America

The Budget fully funds the ongoing implementation of the ACA and makes a number of improvements to the health care system.

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. In the 30 States (and the District of Columbia) that expanded Medicaid by the end of 2015, the share of people without health insurance has fallen significantly, along with the cost of uncompensated care. The Budget provides 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 will expand in the future. Previously, the ACA covered the full costs through calendar year 2016 before gradually reducing the level of support to 90 percent.

Protecting Consumers and Other Reforms. The Budget makes targeted improvements to the ACA's private insurance programs, including proposals to help eliminate unexpected health care charges and provide for uniform health care billing documents, among other reforms. It also proposes to standardize the definition for American Indians and Alaska Natives used in the ACA. The Budget bolsters program integrity efforts with additional investments and a proposal to allow the Centers for Medicare & Medicaid Services (CMS) access to new data sources to improve the accuracy

of eligibility determinations for Marketplace financial assistance.

Improving the Excise Tax on High-Cost Employer Coverage. The ACA included an excise tax on the highest-cost employer-sponsored health insurance plans to give employers an incentive to make those plans more efficient. The Budget proposes to modify the threshold above which the tax applies to be equal to the greater of the current law threshold or the average premium for a Marketplace gold plan in each State. This reform would protect employers from paying the tax only because they are in high-cost areas and ensure that the tax remains targeted at the highest-cost plans in the long term. The Budget would also make it easier for employers offering flexible spending arrangements to calculate the tax. Finally, the proposal would require the Government Accountability Office to conduct a study of the potential effects of the tax on firms with unusually sick employees, in consultation with the Department of the Treasury and other experts.

Strengthening Medicare, Medicaid and CHIP

Together, Medicare, Medicaid, and CHIP provide affordable health coverage to support longer, healthier lives and economic security for the Nation's seniors, people with disabilities, and low-income working Americans and families. Today, Medicare provides about 55 million Americans with dependable health insurance. State Medicaid and CHIP programs provide health and long-term care coverage to more than 70 million low-income Americans. The Budget strengthens the Medicare and Medicaid programs through reforms that expand and extend health coverage in Medicaid and CHIP, encourage high-quality and efficient care, and continue the progress of reducing cost growth.

Expanding Health Coverage by Improving Access to Medicaid and CHIP Coverage and Services. The Budget gives States the option to streamline eligibility determinations for children in Medicaid and CHIP

and to maintain Medicaid coverage for adults by providing one-year of continuous eligibility. The Budget also extends full Medicaid coverage to pregnant and post-partum Medicaid beneficiaries, expands access to preventive benefits and tobacco cessation for adults in Medicaid, streamlines appeals processes, and ensures children in inpatient psychiatric treatment facilities have access to comprehensive benefits. The Budget also fully covers the costs of the Urban Indian Health Program (UIHP) clinics for Medicaid services provided to eligible American Indians and Alaska Natives, supporting the expansion of UIHP service offerings and improving beneficiary care.

Preserving Coverage through CHIP. CHIP currently serves more than eight million children of working parents who are not eligible for Medicaid. While the Medicare Access and CHIP Reauthorization Act extended CHIP funding through 2017, the Budget proposes to extend funding for CHIP through 2019, ensuring continued, comprehensive, affordable coverage for these children.

Strengthening Medicaid in Puerto Rico and other U.S. Territories. The Medicaid programs in Puerto Rico and the other U.S. territories of American Samoa, Guam, Northern Mariana Islands, and the U.S. Virgin Islands are fundamentally different from the Medicaid program in the States, leading to a lower standard of care than may be otherwise experienced on the mainland. Medicaid funding in Puerto Rico and the other territories is capped; beneficiaries are offered fewer benefits; and the Federal Government contributes less on a per-capita basis than it does to the rest of the Nation. The ACA increased the Federal match rate and provided \$7.3 billion above the territory funding caps between July 1, 2011 and the end of 2019. To avoid a loss in coverage when the supplemental funds provided in the ACA run out and to better align Puerto Rico and other territory Medicaid programs with the mainland, the Budget would remove the cap on Medicaid funding in Puerto Rico and the other territories. It also would gradually increase the Federal support territories receive through

the Federal Medicaid match by transitioning them to the same level of Federal support as is received on the mainland, and expand eligibility to 100 percent of the Federal poverty level in territories currently below this level. To be eligible for maximum Federal financial support, territories would have to meet financial management and program integrity requirements and achieve milestones related to providing full Medicaid benefits.

Promoting Access to Long-Term Care Services and Supports (LTSS). The Administration has made it a priority to help more older Americans and people with disabilities with Medicaid coverage have the choice to receive home and community-based services (HCBS) rather than institutional care. The Administration has focused on implementing key initiatives in this area, including supporting State efforts to transition disabled and elderly individuals from institutions to community-based care. The Budget builds on these efforts by expanding and simplifying eligibility to encourage more States to provide HCBS in their Medicaid programs. The Budget also includes a comprehensive long-term care pilot for up to five States to test, with enhanced Federal funding, a more streamlined approach to delivering LTSS to support greater access and improve quality of care. In addition, the Budget includes an increase of \$10 million for HCBS provided through HHS's Administration for Community Living, which provides supportive services such as in-home personal care, respite care, and transportation assistance.

Improving Care Delivery for Low-Income Medicare-Medicaid Beneficiaries. The Budget proposes to streamline enrollment for the Medicare Savings Programs, which assist low-income beneficiaries with their Medicare premiums and cost-sharing, by setting a national standard for income and asset definitions. The Budget also proposes to implement simpler, faster processes for Federal-State review of marketing materials and beneficiary appeals for managed care plans that serve Medicare-Medicaid enrollees. In addition, the Budget proposes to permanently

authorize a demonstration that provides retroactive drug coverage for certain low-income Medicare beneficiaries through a single plan, establishing a single point of contact for beneficiaries seeking reimbursement for claims.

Strengthening the Medicare Advantage Program. The Budget proposes a package of reforms that encourage greater quality and efficiency in Medicare Advantage. First, the Budget proposes to reform payments to Medicare Advantage plans by using competition to set payment rates. Under the Budget's proposed competitive bidding system, Medicare Advantage payment rates would be based on plans' bids, ensuring that plan payments reflect plans' costs for covering Medicare beneficiaries. The proposal also preserves most beneficiaries' access to a Medicare Advantage plan that provides supplemental benefits, without paying an additional premium. In addition, the Budget includes higher payments to high-quality Medicare Advantage plans to encourage quality improvement and attainment. These reforms would save about \$77 billion combined.

Encouraging High-Quality, Efficient Care among Medicare Providers. The Budget includes new proposals to expand competitive bidding to additional durable medical equipment and to encourage efficiency among hospice providers through changes to payments. The Budget continues a robust set of proposals that build on ACA initiatives to help extend Medicare's solvency while encouraging provider efficiencies and improved patient care among hospitals and post-acute care providers. Together, these proposals would save almost \$180 billion over 10 years.

Reducing Cost Growth by Encouraging Beneficiaries to Seek High-Value Services. The Budget includes structural changes to encourage Medicare beneficiaries to seek high-value health care services and improve the financial stability of the Medicare program. It also includes new proposals to improve coverage of colonoscopies and incentivize primary care delivery. The Budget continues to propose several modifications for new beneficiaries starting in

2020, such as a modified Part B deductible and a modest copayment for certain home health episodes. Together, these proposals would save approximately \$54 billion over 10 years.

Making Targeted Reforms to Increase Quality and Maximize Cost-Effectiveness in Medicaid and CHIP. The Budget proposes to limit the portion of Medicaid and CHIP managed care dollars spent on administration and incentivize more investments in quality health care services by establishing a Medical Loss Ratio (MLR) ratio of 85 percent. This would modernize Medicaid and CHIP managed care by aligning program requirements with those in Medicare Advantage and private insurance. Furthermore, it will strengthen State and Federal financial management of managed care contracts with a requirement to return payments in excess of the minimum MLR. The Budget extends funding for the Medicaid adult quality program, and continues to propose better aligning Medicaid Disproportionate Share Hospital Payments, which compensate hospitals that treat high numbers of uninsured patients, with expected levels of uncompensated care.

Cutting Waste, Fraud, and Abuse in Medicare and Medicaid. The Administration has made targeting waste, fraud, and abuse in Medicare, Medicaid, and CHIP a priority and is aggressively implementing new tools for fraud prevention provided by the ACA. In 2014, the Government's health care fraud prevention and enforcement efforts recovered \$3.3 billion in taxpayer dollars from individuals and companies attempting to defraud Federal health programs, including programs serving seniors, persons with disabilities, and low-income individuals. In addition, further development of the CMS Fraud Prevention System, a predictive analytic model similar to those used by private-sector experts, continues to support CMS' efforts to identify and prevent wasteful, abusive, and potentially fraudulent billing activities. Building on this progress, the Budget proposes a series of policies that would save nearly \$3.4 billion over the next 10 years by:

- Requiring prior authorization for power mobility devices and advanced imaging, which could be expanded to other items and services at high risk of fraud and abuse;
- Supporting efforts to investigate and prosecute allegations of abuse or neglect of Medicaid beneficiaries in non-institutional health care settings;
- Strengthening the Federal Government's ability to identify and act on fraud, waste, and abuse through investments in the Medicaid Integrity Program;
- Providing the Secretary of HHS with greater authority to reject claims for certain items and services in areas of the United States where there is evidence of fraud and abuse;
- Ensuring Federal and State governments can confidentially share data algorithms developed to detect waste, fraud, and abuse;
- Improving the Recovery Audit Contractor (RAC) program by authorizing CMS to pay RACs after the second-level of appeals, and by requiring RACs to maintain a surety bond or other form of protection to cover overturned recovery auditor decisions; and
- Requiring States to suspend Medicaid payments when there is a significant risk of fraud.

In order to decrease waste, fraud, and abuse and strengthen program integrity in the Medicare prescription drug program, the Budget also provides the Secretary the authority to suspend coverage and payment for questionable Part D prescriptions and establishes a program to reduce prescription drug abuse in Medicare.

Transforming the Nation's Health Care Delivery System

The Administration continues to support an aggressive reform agenda to transform the Nation's health care delivery system into one that better incentivizes quality and efficiency. These reforms are designed to not only improve Americans' health, but also to help further slow

growth in health care costs and increase quality in Medicare and Medicaid.

Supporting Alternative Payment and Delivery Models. In January 2015, the Administration announced the goals of tying 30 percent of Medicare payments to quality and value through alternative payment models by 2016 and 50 percent by 2018. The Administration is on track to exceed the 2016 milestone by the end of 2016. This was the first time in Medicare's history that the Administration set explicit goals for alternative payment models and value-based payments.

In addition, the Administration is supporting more than 20 demonstration projects through the Center for Medicare & Medicaid Innovation (Innovation Center) to test new innovative payment and service delivery models targeted at reducing program expenditures while preserving or enhancing the quality of care. One demonstration, the Pioneer Accountable Care Organizations, generated over \$300 million in savings to Medicare over its first three years while delivering high-quality patient care. Beginning in April 2016, approximately 800 hospitals will be engaged in a mandatory demonstration to drive quality improvement and cost reduction in hip and knee replacements.

The Budget builds on the ACA as well as the Administration's current demonstration projects and other actions to further delivery system reform. It proposes bundled Medicare payments for post-acute providers, such as nursing homes and home health agencies. The Budget also includes proposals that enhance the ability of Accountable Care Organizations to increase quality and reduce costs, and includes a proposal to incentivize hospitals to engage with qualifying alternative payment models. The Budget also reduces incentives for physicians to inappropriately order services from which they would financially benefit, establishes quality bonuses for the highest rated Part D plans, and modifies incentives in the Medicare prescription drug program to encourage patient engagement in health care decisions.

In addition, the Administration also is working to implement the Medicare Access and CHIP Reauthorization Act to accelerate physician participation in high-quality and efficient health care delivery systems, align incentives, and improve care coordination.

To facilitate system-wide change, the Administration launched the Health Care Payment Learning and Action Network to bring together private payers, providers, employers, State partners, consumer groups, individual consumers, and many others to accelerate the transition to alternative payment models.

Improving Health IT and Transparency. Health information exchange is essential for a transformed delivery system. To support improvement in this area, the Administration is promoting health IT interoperability and increasing access to health care information, including cost and quality information, so that clinicians, patients and their family members, and businesses can make informed health care choices.

To improve transparency and distribution of information, the Administration continues to improve access to Federal data through the Open Data Initiative, release Medicare data on cost and quality, and invest in innovative ways to collect and share data, from the way we measure the quality of care to the way health care is documented and communicated to consumers. For example, in December 2015, the Administration released an interactive tool that can be used to examine spending and price trends for medications that are fiscally significant to Medicare.

The Budget increases support to advance interoperable health IT while protecting patient privacy. The Budget includes new incentive payments for certain behavioral health providers to adopt and meaningfully use certified electronic health records, which would further enhance the integration of physical and behavioral health care. In addition, the Budget supports the Office of the National Coordinator for Health Information Technology in developing and

advancing policies that help consumers and providers access electronic health information when and where they need it to make health care decisions, including development of interoperable tools and implementation of efforts to deter and remedy information blocking.

Investing in Public Health and Safety and the Health Care Workforce

Combating Prescription Drug Abuse and Heroin Use. More Americans now die every year from drug overdoses than in vehicle crashes, and the majority of these overdoses involve opioids—a class of drugs that includes prescription painkillers and heroin. Prescription opioid-related overdoses alone cost tens of billions in medical and work-related costs each year. The Administration has promoted and expanded community-based efforts to prevent drug use, improve opioid prescribing practices, and increase access to opioid use disorder treatment services. However, too many Americans are abusing opioids and too few are getting treatment. Individuals who want to but do not undergo treatment often report cost and lack of access as reasons why they do not get treatment.

The Budget takes a two-pronged approach to address this epidemic. First, it includes approximately \$500 million to continue and expand current efforts across HHS and DOJ to expand State-level prescription drug overdose prevention strategies, increase the availability of medication-assisted treatment programs, and improve access to the overdose-reversal drug naloxone. A portion of this funding is targeted specifically to rural areas, where rates of overdose and opioid use are particularly high.

Second, the Budget includes \$1 billion in new mandatory funding over the next two years to boost efforts to help individuals seek treatment, successfully complete treatment, and sustain recovery. States would receive funds based on the severity of the epidemic and on the strength of their strategy to respond to it. States can use these funds to expand treatment capacity and make services more affordable to those

who cannot afford it. This funding would also help expand the addiction treatment workforce through the National Health Service Corps and support the evaluation of treatment services. This investment, combined with other efforts underway to reduce barriers to treatment for substance use disorders, would help ensure that every American who wants treatment can access it and get the help they need.

Expanding Access to Mental Health Care. Too often mental health is thought of differently than other forms of health, yet mental health is essential to overall health and wellness. Recovery from and management of mental health conditions is possible and those who receive treatment can go on to lead happy, healthy, productive lives. One in five American adults experience a mental health issue at some point in their life, yet millions do not receive the care they need. The Budget includes \$500 million in new mandatory funding over two years to help engage individuals with serious mental illness in care, improve access to care by increasing service capacity and the behavioral health workforce, and ensure that behavioral health care systems work for everyone. In addition to these funds, the Budget expands the President's Now is the Time initiative to improve access to mental health services for young people; support communities in developing comprehensive systems to intervene when an individual is experiencing a mental health crisis; and funding new strategies to address the increasing number of suicides by older adults.

Investing in Native American Health Care. The Budget provides the Indian Health Service (IHS) with \$5.2 billion, a total increase of more than \$400 million over the 2016 enacted level, to expand health care services and to make progress toward the construction of health care clinics in Indian Country. The Budget proposes to fund contract support costs fully, through discretionary funds in 2017 and through mandatory funds beginning in 2018.

Strengthening HIV and Hepatitis C Services. The Budget expands access to HIV prevention and treatment activities for millions

of Americans through the continued implementation of the updated National HIV/AIDS Strategy, with a focus on three key elements of the Strategy. First, the updated Strategy calls for providing more people with highly effective prevention services such as pre-exposure prophylaxis (PrEP) to reduce new HIV infections. PrEP has been shown to reduce the risk of HIV infection by up to 92 percent in people who are at high risk. The Budget also includes \$20 million for a new innovative pilot program to increase access to PrEP and allow grantees to use a portion of funds to purchase treatment and other health care services as the payer of last resort. Second, the Strategy calls for improved screening for Hepatitis C, which disproportionately affects Americans living with HIV. The Budget includes funding for a new initiative to increase screening and expands access to Hepatitis C care and treatment among people living with HIV. Third, the Strategy calls for prioritizing HIV/AIDS resources within high-burden communities and among high-risk groups, including gay and bisexual men, Blacks/African Americans, and Latino Americans, which is reflected throughout the Budget.

Combating Antibiotic Resistant Bacteria (CARB). The Budget includes \$1.1 billion across the Federal Government to prevent, detect, and control illness and death related to infections caused by antibiotic-resistant bacteria and to support research on innovative ways to reduce or manage resistance. These resources would also help support the advancement of rapid diagnostics and new types of therapies for the treatment of bacterial infections, including managing the patient's microbiome and targeting bacterial virulence factors, as outlined in the CARB National Strategy and National Action Plan. The Budget also continues to support implementation of surveillance, prevention, and stewardship activities as outlined in the Strategy and the Action Plan.

Improving Access to Primary Care Health Care Providers. The Budget includes increased investments to strengthen the primary care workforce. The Budget expands the number of National Health Service Corps clinicians

who practice primary care in areas of the Nation that need it most, to 15,000 providers between 2018 and 2020. In addition, the Budget supports primary care residency training in medically underserved areas. To continue encouraging provider participation in Medicaid, the Budget reestablishes increased payments for primary care services delivered by certain physicians through calendar year 2017, with modifications to expand provider eligibility and better target primary care services.

Addressing the High Cost of Drugs

The Administration is deeply concerned about rapidly growing prescription drug prices, driven in part by the shift to specialty therapeutics, the slowdown in patent expirations, and challenges in measuring drug value. To address this issue, the Budget includes a package of proposals focused on Medicare, Medicaid, and drug price transparency.

Improving Quality and Lowering Drug Costs for the Medicare Program. The Budget includes proposals to lower drug costs while improving transparency and evidence development in the Medicare Part D program. The Budget proposes to increase data collection to demonstrate the effectiveness of medications in the Part D program in the Medicare population and to inform real world clinical treatment. The Budget continues to provide the Secretary of HHS the authority to negotiate drug prices for biologics and high-cost drugs in Medicare Part D and includes a new proposal to incentivize Part D plan sponsors to better manage care provided to beneficiaries with high prescription drug costs.

To help ensure access and affordability of treatments, the Budget proposes to accelerate discounts for brand name drugs for seniors who fall into Medicare's coverage gap by increasing manufacturer rebates from 50 percent to 75 percent in 2018. In addition, the Budget proposes to require drug manufacturers to provide rebates generally consistent with Medicaid rebate levels for drugs provided to low-income Part D beneficiaries. Together, these proposals would save

Medicare approximately \$140 billion over 10 years.

Lowering Medicaid Drug Costs for States and the Federal Government. The Budget includes targeted policies to lower drug costs in Medicaid. It provides States with a new, voluntary tool to negotiate lower drug prices through the creation of a Federal-State Medicaid negotiating pool for high-cost drugs. In addition, the Budget continues to support and build on previously proposed reforms to the Medicaid drug rebate program. These reforms enhance manufacturer compliance with rebate requirements, and improve access to medications. In addition, the Budget corrects and improves the ACA Medicaid rebate formula for new drug formulations, such as by exempting abuse deterrent formulations. These proposals are projected to save the Federal Government approximately \$11.4 billion over 10 years.

Increasing Transparency of Prescription Drug Pricing and Ensuring Access to Generic Medications. The Budget proposes to provide the Secretary of HHS with the authority to require drug manufacturers to publicly disclose certain information, including research and development costs, discounts, and other data as determined through regulation. It also includes three previously proposed reforms designed to increase access to generic drugs and biologics by stopping companies from entering into anti-competitive deals intended to block consumer access to safe and effective generics, by awarding brand biologic manufacturers seven years of exclusivity, rather than 12 years under current law, and by prohibiting additional periods of exclusivity for brand biologics due to minor changes in product formulations. These proposals would save the Federal Government \$21 billion over 10 years.

ENSURING SAFETY, FAIRNESS, AND COMMUNITY TRUST IN THE CRIMINAL JUSTICE SYSTEM

The President is committed to ensuring the criminal justice system is fair and effective for all Americans. Since the President took office, the rate of violent crime has fallen to levels not seen in decades. In 2014—for the first time in over 30 years—the Federal prisoner population decreased, following updates to Federal sentencing guidelines and implementation of DOJ’s Smart on Crime initiative. The Budget proposes to accelerate criminal justice reform in the States, improve post-incarceration outcomes, remove barriers to reentry, support the enhancement of community policing practices across the Nation, support DOJ’s efforts to focus its resources on the most serious threats to public safety, and to strengthen trust between the brave men and women of law enforcement and the communities they serve.

Incentivizing Justice Reform. The Administration continues to support criminal justice reform that simultaneously enhances public safety, avoids excessive punishment and

unnecessary incarceration, and builds trust between the justice system and communities. The Budget provides \$500 million per year over 10 years—a \$5 billion investment—for a new 21st Century Justice Initiative. The program will focus on achieving three objectives: reducing violent crime; reversing practices that have led to unnecessarily long sentences and unnecessary incarceration; and building community trust. Specifically, States would focus on one or more opportunities for reform in both the adult and juvenile systems, including: examining and changing State laws and policies that contribute to unnecessarily long sentences and unnecessary incarceration, without sacrificing public safety; promoting critical advancements in community-oriented policing; and providing comprehensive front-end and reentry services.

Reducing Gun Violence. The Administration maintains its commitment to reduce gun violence by providing funding to hire 200 new special agents and investigators for the Bureau

of Alcohol, Tobacco, Firearms, and Explosives, enhance the National Integrated Ballistics Information Network, and improve the National Instant Background Check System (NICS). The NICS reforms by the Federal Bureau of Investigation (FBI) and the U.S. Digital Service include processing criminal background checks 24 hours a day, seven days a week and improving notification of local authorities when certain prohibited persons unlawfully attempt to buy a gun. The FBI will hire more than 230 additional examiners and other staff to help process these background checks. In addition, within the resources provided, the Departments of Defense, Justice, and Homeland Security (DHS) will conduct or sponsor research into gun safety technology to reduce the frequency of harm from accidental discharge or unauthorized use.

Community Policing Initiative. The President's Community Policing Initiative aims to build and sustain trust between law enforcement and communities. The Budget provides \$97 million to expand training and oversight for local law enforcement, increase the use of body-worn cameras, provide additional opportunities for police department reform, and facilitate community and law enforcement engagement in 10 pilot sites, with additional technical assistance and training for dozens of communities and police departments across the Nation.

Improving Post-Incarceration Outcomes. The Administration continues working to address the problem of unnecessary and harmful collateral consequences of criminal convictions, which too often undermine the ability of the formerly incarcerated to reenter society and earn their

second chance. For example, the Administration has emphasized the importance of investing in reentry programs and "banning the box" in employment applications, including taking steps to delay inquiry into criminal history for hiring in the Federal Government.

Reviewing and Reforming the Use of Restrictive Housing. The Administration has also sought to promote policies that provide inmates with programs and services that reduce recidivism and improve outcomes, including an ongoing DOJ review to study and reform the use of restrictive housing, often called solitary confinement, in prisons. The Budget invests \$24 million to begin implementing the Department's proposals, which includes expanding mental health programming in Federal facilities. DOJ will also assist States and localities with implementing the recommendations.

Funding the New FBI Headquarters Facility. The Administration seeks \$1.4 billion to support the full consolidation of the FBI headquarters operations in a new, modern, and secure facility that brings together all of the existing disparate headquarters locations and functions. This funding would be a combination of \$759 million in the General Services Administration's Federal Building Fund and \$646 million in the FBI Construction account for a total of \$1.4 billion dedicated toward construction of the project in 2017. This substantial funding commitment illustrates the Administration's recognition of the importance of the FBI as a critical member of the U.S. intelligence community, as well as its role in national security and in enforcing the Nation's laws and protecting civil liberties.

FIXING OUR BROKEN IMMIGRATION SYSTEM AND SECURING OUR BORDERS

Immigration Executive Actions

In November of 2014, the President announced a series of actions consistent with his authority to fix what he can of our broken immigration system. These actions are improving accountability in our immigration system, strengthening our

national security and our economy, and building on our past efforts to enforce immigration laws with common sense and compassion.

According to the Council of Economic Advisors, the President's executive actions, if fully implemented, would boost the Nation's

economic output by up to \$250 billion and raise average annual wages for U.S.-born workers by 0.4 percent, or \$220 in today's dollars, in 10 years. Though the new deferred action policies announced in 2014 have been put on hold in litigation, the Administration will continue fighting to implement them. The Supreme Court of the United States has accepted DOJ's petition to review these policies.

The President's other immigration executive actions continue to move forward. DHS implemented new enforcement priorities and strengthened engagement with local law enforcement in order to better focus our limited resources on those who are threats to our national security, public safety, and border security. Over 98 percent of individuals removed by U.S. Immigration and Customs Enforcement (ICE) currently fall into DHS's enforcement priorities. DHS also ended the Secure Communities Program and replaced it with the Priority Enforcement Program (PEP). PEP is a commonsense program that works with local law enforcement and communities to apprehend priority individuals in local custody. It is tailored to the needs of each jurisdiction in order to keep communities safe, while preserving community trust. Today, the vast majority of local law enforcement agencies are working with DHS to keep America's communities safe. These include 15 of the top 25 jurisdictions that had previously declined to fully participate in ICE's efforts to apprehend individuals held in their custody.

Through new regulations and policies, the Administration is also modernizing the legal immigration system for families, employers, students, entrepreneurs, and workers. For example, DHS finalized a regulation that allows the spouses of certain high-skilled workers on their path to becoming lawful permanent residents to apply for work authorization. As a result, over 30,000 of these spouses are now able to work and contribute to their families and the economy. In addition, the White House released a report that announced further steps to modernize and streamline the legal immigration system so that

we can transform the largely paper-based system into a 21st Century, electronic system.

Finally, as a part of the immigration executive actions, the President established the White House Task Force on New Americans, a Government-wide effort tasked with better integrating and welcoming immigrants and refugees into American communities. Last April, the Task Force released its strategic plan with 48 recommendations to advance these goals. In December, the Task Force released its one-year progress report, highlighting the actions taken over the last year. These included the launch of the Building Welcoming Communities Campaign, which includes 48 communities to date and strives to support municipalities seeking to build more inclusive welcoming communities, and the "Stand Stronger" Citizenship Campaign, which works to raise awareness about the rights and responsibilities of U.S. citizenship.

These actions, however, are only a first step toward fixing our system, and the Administration continues to count on the Congress for the commonsense comprehensive reform that only legislation can provide and that the American public strongly supports. The reform supported by the President and passed by the Senate in 2013 would have fixed the Nation's broken immigration system by continuing to strengthen U.S. border security, cracking down on employers who hire undocumented workers, modernizing the Nation's legal immigration system, and providing a pathway to earned citizenship for hardworking men and women who pay a penalty and taxes, learn English, pass background checks, and go to the back of the line.

The Administration supports the bipartisan Senate approach, and calls on the Congress to act on comprehensive immigration reform this year. Although the President's executive actions will provide temporary relief while demanding accountability for those whose cases are not an enforcement priority, the Administration urges the Congress to act to permanently fix the Nation's broken immigration system. In addition to contributing to a safer and more just society,

comprehensive immigration reform would also boost economic growth, reduce deficits, and strengthen Social Security.

Improving Border Security

Our long-term investment in border security and immigration enforcement has produced significant and positive results. Under this Administration, the resources that the DHS dedicates to security at the Southwest border are at an all-time high. Compared to 2008, today there are 3,000 additional Border Patrol agents along the Southwest border. Border technology, such as unmanned aircraft surveillance systems and ground surveillance systems, as well as border fencing, has more than doubled since 2008. The Administration's approach toward border security focuses on a risk-based approach that pursues heightened deterrence, enhanced enforcement, stronger foreign cooperation, and greater capacity for Federal agencies to ensure that the U.S. border remains secure.

Even as overall unauthorized Southwest border crossings remain near the lowest levels in decades, there continue to be significant fluctuations in the level of unauthorized crossings by both families and unaccompanied children. The Administration is working to address the increase in such crossings in recent months and the Budget calls for flexible contingency funding for both DHS and HHS so that adequate funding is available if the number of such illegal crossings continues to rise. The Administration supports strengthening and improving due process for all those in immigration proceedings, including unaccompanied children and families. We need every element of the court process to work effectively to accomplish the goal of both honoring humanitarian claims and processing those who do not qualify for relief. That is why DOJ is working to hire the 55 additional immigration judges funded in 2016, and is maintaining

funding in the Budget for several programs that provide legal representation and help to ensure that individuals know their rights and responsibilities in removal proceedings.

The Budget continues to invest in border security by supporting U.S. Customs and Border Protection (CBP) front line operations, funding additional border security technology, recapitalizing aging radios and vehicles for field personnel, expanding and enhancing intelligence and targeting capabilities, and investing in initiatives that support transparency and accountability across CBP.

The Budget supports 21,070 Border Patrol Agents and 25,891 CBP Officers, including 2,070 new Officers supported by proposed increases to user fees. The Budget includes over \$353 million for the acquisition and sustainment of technology and tactical infrastructure along U.S. borders. These technology investments provide CBP with increased situational awareness on the border, as well as the ability to effectively respond to border incursions. The Budget also provides \$55 million for recapitalization of aging non-intrusive inspection equipment at ports of entry, which would help CBP more efficiently detect security threats and facilitate lawful trade and travel. The Budget includes an increase of \$95 million to support the purchase and deployment of mission-critical equipment, including radios and vehicles. The Budget also funds a total of \$529 million in CBP intelligence and targeting activities that provide cutting-edge analytic support to Agents and Officers in the field. The Budget also includes targeted investments in initiatives that support transparency and accountability, including funding a Spanish-language call center, hiring additional Internal Affairs criminal investigators, funding the purchase of less-lethal weapons, and supporting the testing, evaluation, and deployment of body worn cameras.

