

On April 10, 2013, President Obama released his Fiscal Year 2014 budget request. This document provides a comparison of President Obama's budget and the budgets passed by the House and Senate, looking at four key areas that impact children's well-being: health; nutrition; federal budget sequestration and non-defense discretionary investments like education; and family tax credits. It also provides a detailed analysis of the discretionary portion of his budget proposal from a children's perspective, highlighting notable increases, cuts, and new initiatives.

## KEY ISSUES: SIDE-BY-SIDE COMPARISONS

### Investments in Health

Federal investments in children's health go a long way in helping kids grow-up strong and happy. Medicaid and the Children's Health Insurance Program (CHIP) together help provide health services for nearly one third of the nation's children. Nearly half of all Medicaid beneficiaries are children, despite the fact that they only make up 20 percent of the cost.

House Budget	Senate Budget	Obama Budget
<ul style="list-style-type: none"> <li>• Turns Medicaid into a block grant, <b>cutting \$810 billion over the next 10 years, resulting in a cut of more than \$160 billion to children's health.</b> Last year the Urban Institute estimated that a very similar proposal in the House budget <b>would result in 14 to 21 million individuals losing Medicaid coverage by 2022.</b><sup>1</sup></li> <li>• Defunds the Affordable Care Act (ACA), making it harder for low-income and middle class families to get health coverage. In last year's analysis, the Congressional Budget Office found that the ACA cuts would cause states to make considerable cutbacks including <b>CHIP and Medicaid eligibility restrictions, rationing the care children receive, and lower payments to providers – all of which would make it harder for children to get the care they need.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Protects investments in Medicaid, CHIP, and the ACA</b> and highlights their importance for children. The budget plan also explicitly recognizes that half of the beneficiaries in Medicaid are children.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Protects investments in Medicaid, CHIP, and the ACA</b> and highlights their importance for children.</li> </ul>

### Tax Credits

The Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) are two of the most effective anti-poverty investments for working families with children. **Combined, these credits lift 5 million children out of poverty annually. In 2009, Congress passed significant improvements to these credits, which alone kept nearly 1 million kids from poverty in 2011.**<sup>2</sup> The American Tax Relief Act, of January 2013 extended these credits with the improvements through 2017. With more than one in every five children in poverty, preserving these improvements is vital.

House Budget	Senate Budget	Obama Budget
<ul style="list-style-type: none"> <li>• Assumes <b>the improvements will expire in 2017</b> and does not extend them.</li> </ul>	<ul style="list-style-type: none"> <li>• Calls for the improvements to be made <b>permanent.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Calls the improvements to be made <b>permanent.</b></li> </ul>

## Investments in Nutrition

One in every five children in America faces the possibility that they or a family member will not have enough food to eat tomorrow. Investments in child nutrition are critical to providing the help families need to put food on their tables. Nearly half of all resources in the Supplemental Nutrition Assistance Program (SNAP) go to children. **In 2011, SNAP alone helped lift 2.1 million children out of poverty.**<sup>3</sup>

House Budget	Senate Budget	Obama Budget
<ul style="list-style-type: none"> <li>• Turns SNAP into a block grant and changes eligibility requirements, <b>cutting \$135 billion over ten years. This would result in a cut of more than \$63 billion to kids.</b> These cuts and changes would jeopardize the food security of millions of children.<sup>4</sup></li> <li>• Leaves in place harmful sequestration cuts that could have had a dramatic impact on the Special Supplemental Nutrition Program for Women, Infant, and Children (WIC).<sup>5</sup></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Protects investments in SNAP and WIC.</b> The budget plan explicitly recognizes the importance of these programs for children and strongly supports their role in reducing hunger.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Protects investments in SNAP and WIC.</b> The budget plan explicitly recognizes the importance of these programs for children and strongly supports their role in reducing hunger.</li> </ul>

## Sequestration & Non-Defense Discretionary Investments like Education

Discretionary investments make up one third of all federal money that goes to children. These crucial investments include things like Head Start and child care assistance, special education services and help for low income students, as well as child abuse prevention and housing supports that prevent homelessness. **Discretionary investments provide some of the biggest bang for the buck, particularly in early childhood, where studies show a return of seven dollars for every one dollar spent.**<sup>6</sup> From 2010 to 2013, discretionary investments for kids have already been cut by more than \$5 billion dollars.

House Budget	Senate Budget	Obama Budget
<ul style="list-style-type: none"> <li>• Leaves in place and <b>extends harmful sequestration cuts that proportionally could cut investments to kids by more than \$40 billion over 11 years.</b> These cuts fall heavily on investments in education, early childhood, and children's housing.<sup>7</sup></li> <li>• Cuts non-defense discretionary spending by an additional <b>\$650 billion over 10 years</b> by shifting all the scheduled cuts in defense spending onto non-defense areas. Applied proportionally, <b>these additional cuts could cost kids another \$72 billion.</b><sup>8</sup></li> <li>• By protecting defense spending, in total, the House budget cuts non-defense discretionary investments <b>by nearly \$1 trillion below the Budget Control Act over 10 years, meaning kids lose \$112 billion.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Eliminates sequestration,</b> including the restoration of all cuts currently in effect. This alone would <b>restore more than \$4 billion in investments for kids for Fiscal Year 2013.</b></li> <li>• Further lowers non-defense discretionary spending caps by \$150 billion. Applying this reduction proportionally, this would result in a \$17 billion reduction in funding for children's initiatives. However, the budget proposal emphasizes the importance of early education, child care, child nutrition, as well as other areas suggesting the intent to protect critical investments in children.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Eliminates sequestration,</b> including the restoration of all cuts currently in effect. This alone would <b>restore more than \$4 billion in investments for kids for Fiscal Year 2013.</b></li> <li>• Further lowers non-defense discretionary spending caps by \$101 billion over 10 years, beginning in 2017. Applying this reduction proportionally, this would result in an \$11 billion reduction in funding for children's initiatives. However, like the Senate budget, the proposal emphasizes the importance of early education, child care, child nutrition, as well as other areas suggesting the intent to protect critical investments in children even with the lowered caps.</li> </ul>

In addition to the categories above there are several other sharp distinctions between the budget plans that impact kids. The House budget also calls for significant cuts in mandatory programming, much of which serves low income children. Initiatives like Supplemental Social Security, which helps disabled and orphaned children, and Temporary Assistance for Needy Families

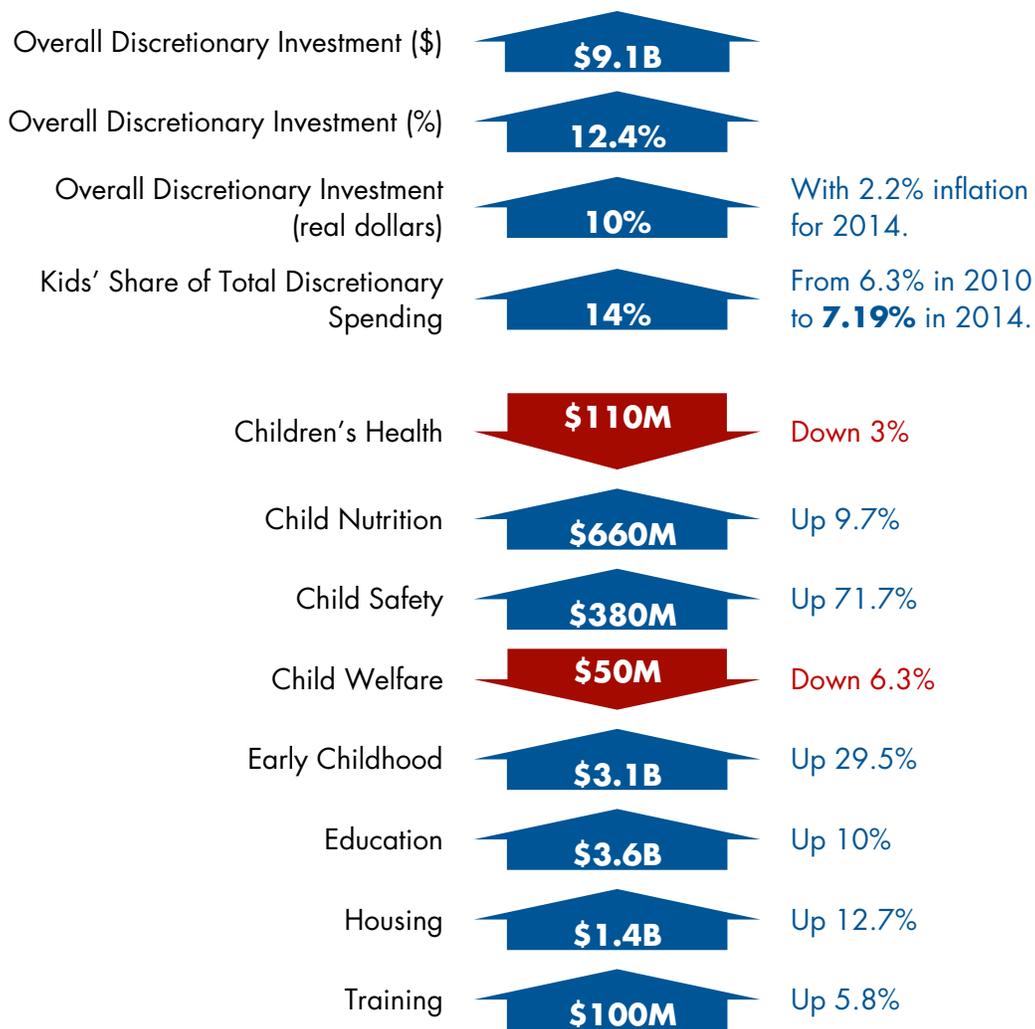
are likely to be cut. The House budget also includes reconciliation instructions to eight committees calling on them each to produce legislation that saves at least \$1 billion. **While details are unclear at this point, similar instructions last year resulted in at least another \$40 billion in cuts to investments for kids over 10 years, including ending access to the CTC for up to 5.5 million kids.**<sup>9</sup>

The Senate budget includes no such reconciliation instructions and does not call for any additional substantial cuts in mandatory initiatives that impact children. **The Senate budget does sets aside an additional \$100 billion worth of stimulus investments. Though not detailed, the budget calls for a large part of the stimulus to be invested in rebuilding schools, new education and training initiatives, and expansion of high quality early childhood initiatives.**

The President's budget calls for a number of new initiatives that will greatly benefit children. **These include a 10 year investment of more than \$76 billion for universal pre-kindergarten, a push for higher minimum wage, a stronger unemployment insurance system, a renewed focus and investment in low-income housing, and a restoration of the TANF supplemental block grants.**

### DISCRETIONARY BUDGET DETAILS

Changes below are denominated in nominal dollars, compared to 2013 appropriations, unless otherwise noted. The President's budget restores sequestration cuts, so discretionary increases to many investments for children are striking. **The kids' share of total discretionary spending would rise more than 14% under President Obama's budget, compared to 2010.**



**Note:** Totals reflect First Focus calculations on the share of spending in each program that goes to kids. 2013 spending totals assume current law, which means sequester has gone into effect. These cuts result in an approximate 5% cut to all non-defense discretionary items.

### Selected Notable Increases

Initiative	Increase (\$Nominal)	Relative to FY2013 (%)
Child Care Development Block Grant	\$200M	12%
Head Start	\$2.03B	27%
Healthy Homes Program	\$15.5M	164%
Homeless Assistance Grants <sup>10</sup>	\$454M	24%
Juvenile Justice Programs <sup>11</sup>	\$73M	37%
Project Based Rental Assistance <sup>12</sup>	\$1.4B	16%
Promise Neighborhoods	\$243M	429%
Public Housing Operating Fund <sup>13</sup>	\$560M	14%
Special Supplemental Program for Women, Infants, & Children (WIC)	\$631M	10%
Tenant Based Rental Assistance <sup>14</sup>	\$2.03B	11%
Unaccompanied Alien Child Program	\$335M	210%

### Selected Notable Cuts

Initiative	Decrease (\$Nominal)	Relative to FY2012 (%)
Children's Hospital Graduate Medical Education	\$166M	65%
Community Service Block Grant	\$325M	48%
High School Graduation Initiative	\$46M	100%
Low Income Home Energy Assistance <sup>15</sup>	\$270M	8%

### Selected New Proposals

Initiative	\$ Proposed Increase
Preschool Development Grants	\$750M
Preschool for All <sup>16</sup>	\$1.3B
Project AWARE & Other School Based Mental Health Expansions	\$130M

## CONCLUSION

While President Obama's budget and the Senate budget plan are not perfect, they clearly place a higher value on investments in children than the House plan. The White House and Senate plan show it is possible to deliver fiscal progress while still investing in our children. As policymakers continue with the FY14 budget process, it is important to remember that investments in children make up less than 8 percent of the entire federal budget. Children are not the cause of our fiscal imbalance, and cutting the investments that help them grow is a poor decision that threatens their future.

The right budget for our nation is one that provides appropriate investments in our children's healthcare, housing, nutrition, and education. Every child deserves an equal chance at the American dream.

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<sup>1</sup> Children make-up 20 percent of the overall costs of Medicaid, which applied proportionally, equals the cut to children's investments.

<sup>2</sup> CBPP (February 1, 2013) "Policy Basics: The Child Tax Credit." <http://www.cbpp.org/cms/index.cfm?fa=view&id=2989>

<sup>3</sup> CBPP (March 15, 2013) Ryan Budget Would Slash SNAP Funding By \$135 Billion Over Ten Years."

[http://www.cbpp.org/cms/index.cfm?fa=view&id=3923#\\_ftnref17](http://www.cbpp.org/cms/index.cfm?fa=view&id=3923#_ftnref17)

<sup>4</sup> Children make up 47 percent of the overall costs of SNAP, which applied proportionally, equals the cut to children's investments.

<sup>5</sup> At the last minute the Senate approved a spending bill for the Department of Agriculture that restored much of the funding cut from WIC because of sequestration in 2013. Additional cuts were offset by tapping into transfer funds, as well as the WIC contingency fund, which is meant to be used for increases in food costs or additional enrollees during a time of high need.

<sup>6</sup> Heckman, James. Journal of Public Economics. "The Rate of Return to the HighScope Perry Preschool Program." 18 November 2009.

<sup>7</sup> Non-defense discretionary investments in children make-up 11.2 percent of all non-defense discretionary investments. Applied proportionally to the extended sequestration baseline as well as scheduled cuts for FY13 gets you to over \$40 billion.

<sup>8</sup> Shifts the \$55 billion each year for 10 years from the defense sequestration and shifts additional Pell resources onto the non-defense discretionary ledger.

<sup>9</sup> First Focus (April 20, 2012) "House Budget Forces Deeper Cuts to Child Tax Credit, Child Care, and Child Welfare."

<http://www.firstfocus.net/library/fact-sheets/house-budget-forces-deeper-cuts-to-child-tax-credit-child-care-and-child-welfare>

<sup>10</sup> Share dedicated to children is 50%.

<sup>11</sup> Includes Title II, Title V, & the Juvenile Accountability Block Grant.

<sup>12</sup> Share dedicated to children is 26%.

<sup>13</sup> Share dedicated to children is 41%.

<sup>14</sup> Share dedicated to children is 26%.

<sup>15</sup> Share dedicated to children is 23%.

<sup>16</sup> Preschool for All is a mandatory investment and is not included in the discretionary totals on page 3.