

Equity Analysis: FY 2015 Presidential Budget

[President Obama's \\$3.9 trillion budget for Fiscal Year 2015](#)

represents a strong blueprint for an equitable growth strategy at the federal and local levels, this coming year and beyond. It leverages the federal government's ability to encourage community-led efforts to promote equity—just and fair inclusion for all—and allows America's neighborhoods to become communities of opportunity for low-income people and communities of color.

Through targeted investments, the President's budget focuses on growing good jobs, building human capabilities through education and job-training investments, and erasing barriers and expanding opportunities. Given our nation's [changing demographics](#), these investments are crucial to our economic growth. There is [incredible potential in our rising diversity](#), but all people and communities need a fair shot at success. Through the use of infrastructure and education investments, and tax measures such as the Earned Income Tax Credit (EITC) that keep low-income workers from sinking deeper into poverty, President Obama proposes concrete steps that, if approved, can significantly reduce inequality and increase employment, thereby boosting our economy.



The budget includes several place-based programs that have been shown to expand opportunity into low-income areas such as the [Promise Neighborhoods](#) program, which has funded dozens of neighborhoods over the past three years to help children reach their true potential, and efforts like the [Healthy Food Financing Initiative](#), [Choice Neighborhoods](#), [TIGER grants](#), and the Partnership for Sustainable Communities Integrated Planning and Implementation grants that collectively continue to expand access to healthy food, affordable housing, coordinated community services, and much-needed infrastructure and transportation improvements and regional planning.

Much-needed investments are made in other place-based efforts and job-training programs that focus on getting one million long-term unemployed workers back into the workforce, and address some of the needs of disconnected youth.

The President's budget proposes a new initiative that calls for additional resources to be spent with a focus on *Opportunity, Growth, and Security* (OGS). This initiative, which makes proposals for investments in 2015 and beyond, provides means for the newly created [Promise Zones](#), and heavily invests in job training, education, infrastructure, and ideas focused on opportunity and economic mobility.

Our analysis of the President's FY 2015 budget highlights the programs that will help advance economic and social equity for low-income people and communities of color. These are the policies that will help create a more inclusive economy in which everyone can participate and prosper.

Creating Communities of Opportunity: Removing Barriers and Expanding Opportunities

With the continuing housing crisis and too many Americans still unemployed or underemployed, the President's FY 2015 budget contains a number of critical infrastructure investments needed to reduce poverty, increase access to quality housing and accessible transportation in communities, cities, and regions. Specific programs also direct resources to focus on building assets and savings; strategies to improve the lives of children and families through improved access to coordinated services and programs; increased access to healthy foods; and partnerships with local communities to address issues of violence, public safety, and other local needs.

The U.S. Department of Housing and Urban Development (HUD) dedicates resources for housing counseling for those facing foreclosure, provides rental and homeless assistance for vulnerable veterans and families, and addresses the blight and abandonment of too many cities and neighborhoods. While these proposals are responsive to the challenges families are facing with continuing foreclosures and homelessness, the budget also takes proactive steps to promote economic equality by investing in people and places.

The budget includes mandatory and discretionary spending and tax proposals that preserve the current number of subsidized housing units—redressing cuts from sequestration—while increasing funding to maintain over a million units of public housing. It proposes to expand Veterans Affairs programs to serve 10,000 more homeless veterans—providing resources to end veteran homelessness by 2015. The budget also increases housing support resources to seniors and people with disabilities, and increases funding to the Fair Housing Initiatives program to support the implementation of the forthcoming Affirmatively Furthering Fair Housing regulation that provides clarity on how to implement and promote fair housing.

Within these proposals, the President's request includes \$1 billion in mandatory funding for the National Housing Trust Fund, which is projected to create 16,000 new homes for extremely low-income households.

In the proposed *Opportunity, Growth and Security Initiative (OGS)*, additional priorities include closing tax loopholes and enacting other reforms beyond the current budget authority. The OGS contains clear priorities for investments in the Office of Economic Resilience's Integrated Planning and Investment grants, invests in workforce development targeted at 50,000 public housing residents, and also expands the Family Self Sufficiency program to other HUD tenants outside of public housing. The initiative also incentivizes energy efficiency retrofit opportunities through the Pay for Success program, and expands job-training resources under HUD departments.

Key budget line items that promote the creation of communities of opportunity include:

Place-based Initiatives (Community-led public/private partnerships)

- **Jobs Plus Demonstration Initiative: \$25 million** for community-based partnerships in seven select cities across the country to allow public housing residents to design and implement local solutions to remove barriers to employment and reduce income disparities in their communities.

- **Integrated Planning and Investment Grants: \$75 million** to HUD's Office of Economic Resilience, a cross-agency collaboration with the U.S. Department of Transportation (DOT), the Environmental Protection Agency (EPA), and other federal agencies to enable 30 regions or communities to develop comprehensive economic resilience plans that foster private sector investment, develop innovative job creation strategies, modernize land use plans and ensure rich community engagement efforts that support access to opportunity for low-income communities and people of color.
- **Healthy Food Financing Initiative: \$48 million** to increase access to healthy food and to bring needed jobs and private investment to underserved urban, rural, and suburban communities. Of the funds requested for the initiative, \$35 million would be allocated to the U.S. Department of Treasury's Community Development Financial Institutions Fund and \$13 million to the U.S. Department of Agriculture's new Healthy Food Financing Initiative authorized by the recent passage of the farm bill.
- **Promise Neighborhoods: \$100 million** through the U.S. Department of Education (ED) to support comprehensive, cradle-to-college-to-career services and academic opportunities for children in high-poverty areas. The funding requested—an increase of about \$40 million from the amount appropriated in FY 2014—would allow for the continued support of the current 12 implementation grants and would also allow for expanding the work with grants to five new communities, some of which could be located within Promise Zones. *An additional \$200 million* is requested as part of the OGS, which would expand the Promise Neighborhoods program to include 30 to 35 new sites.
- **Choice Neighborhoods: \$120 million** through HUD to transform neighborhoods with distressed public housing and concentrated poverty into opportunity-rich, mixed-income neighborhoods by linking housing improvements with appropriate services, schools, public assets, transportation, and access to jobs. Some Choice Neighborhoods will be located within Promise Zones. The OGS includes an *additional \$280 million* in resources.
- **Byrne Criminal Justice Innovation Grants: \$29.5 million** to the U.S. Department of Justice (DOJ) to target neighborhoods that have significant crime challenges, some of which will be located within Promise Zones, to help these neighborhoods use data to identify the local drivers of crime and develop evidence-informed strategies that address the needs of the local community. Safety is a key feature of a community of opportunity.

Investment Incentives for Jobs and Housing

- **New Markets Tax Credit: \$5 billion** to permanently authorize annual New Markets Tax Credits (NMTC), offering investors a tax credit for investing in businesses located in qualified low-income communities. A set-aside is also provided for projects and businesses that provide healthy food access to low-access areas.
- **Promise Zone Tax Incentives:** Proposes tax incentives to stimulate growth and investments in targeted communities, including tax credits for hiring workers and incentives for capital investment within zones.
- **Housing Choice Voucher Program: \$20 billion** to provide rental assistance to 2.2 million low-income families and restore all funding for vouchers currently in use that were threatened by sequestration. Proposes 10,000 additional vouchers for homeless veterans.

Transportation

- **Public Transportation: \$17.6 billion** to fund formula and discretionary public transportation programs to support various modes of public transportation opportunities, a remarkable proposed 63 percent increase over the President's FY 2014 budget request.
- **Bus Rapid Transit: \$500 million** to support a new rapid transit grant program, which could provide more affordable travel options to low-income households in suburban communities.

Asset-Building & Wealth Gap Reduction

- **MyRA Retirement Accounts:** These "starter" retirement accounts would be available through employers and assist millions of people in saving for retirement. The accounts would offer low initial-contribution requirements and guarantee a decent return with no risk of losing principal.
- **Individual Retirement Accounts:** The President's budget would provide for automatic enrollments in Individual Retirement Accounts that can be used and leveraged toward decreasing the wealth and savings gap between low-income earners and retirees, and those at higher income levels.

Growing Good Jobs with Livable Wages

The President's budget supports programs that train students and workers for good jobs in high-demand fields that pay family-supporting wages. The budget invests in a variety of areas to ensure that people have the skills needed to work and that communities can support employment. The budget also helps to ensure that people are able to move into sustainable careers and can access opportunities through an efficient transportation system and an effective, navigable workforce development system.

By focusing on strengthening capacities, the budget aligns dozens of existing and new programs across multiple agencies in a way that fosters cradle-to-career services and supports for children and adolescents, disconnected youth, and unemployed workers to connect to quality jobs. For African American and Latino workers who face unemployment and long-term unemployment rates as much as twice the national average, these programs seek to surmount barriers to long-term employment and careers by expanding resources for community-based partnerships.

In addition to building capacities, the budget includes a number of streamlined investments for encouraging and supporting innovation, entrepreneurship, and small business development. Entrepreneurs of color—African American women in particular—have the highest rates of business starts in this country, but face some of the fiercest and most sustained obstacles to their businesses' success and growth. There are several proposals in the budget that would help eradicate these barriers and grow new businesses and good jobs, and a vast set of programs in manufacturing and transportation that specifically address these disparities.

Key budget lines to promote good jobs and livable wages include:

Workforce Development

- **Job-driven Training Fund: \$8.5 billion** to connect workers to employment: \$2.5 billion to support summer and year-round jobs and targeted strategies for disconnected youth; \$4 billion in competitive grants to help one million long-term unemployed workers return to work; and \$2 billion to incentivize work by maintaining unemployment insurance checks for people who find short-term work.
- **Workforce Innovation Fund: \$60 million** through the U.S. Department of Labor to provide funding to test new, innovative, and effective strategies to keep the workforce competitive for 21st century jobs. Of the total funding proposed, \$15 million is set aside for grants to target in-demand industries and individuals who face significant barriers to employment, and another \$80 million is added in new grants for states that demonstrate outcomes for the long-term unemployed, disconnected youth, people re-entering society from prison, and others.
- **Community College Job-driven Training Fund: \$6 billion** through OGS to create a new four-year competitive grant program for community colleges to create jobs-driven training partnerships with regional employers and national industry associations that effectively implement best practices for connecting trained workers to relevant jobs.
- **Work Opportunities for Low-Income Parents: \$602 million** in Temporary Assistance for Needy Families to fund a Pathways to Jobs initiative to support state partnerships with employers to provide subsidized job opportunities for low-income individuals.
- **Earned Income Tax Credit (EITC):** Increases the maximum income for EITC available to childless workers and non-custodial parents from \$500 to \$1,000 and would expand the EITC by lowering the eligibility age from 25 to 21. The proposal also raises the childless worker EITC upper age limit to 66 from 64, and makes the tax credit available to workers at slightly higher income levels. If adopted, an estimated 10 million people—including five million children—would be kept above the poverty line.

Small Business Development and Entrepreneurship

- **Economic Development Assistance Programs: \$25 million** to support regional innovations and entrepreneurship, prioritizing economically depressed areas.
- **Entrepreneurial Development Programs: \$200 million** to fund entrepreneurial development, including \$5 million for growth accelerator initiatives and \$6 million for Regional Innovation Clusters programs to grow small businesses by connecting them to universities, venture capital, and industry leaders.
- **Minority Business Development Agency: \$28 million** to the Department of Commerce office that focuses on the growth, capacity, and scale of minority-owned business through innovative collaborations, technical assistance, and strategic partnerships.

Transportation

- **Transportation Investment Generating Economic Recovery (TIGER) Program: \$1.25 billion** to invest in construction projects that bring together coordinated improvements to roads, bridges, freight, and transit. This proposal represents an increase of more than 50 percent over the FY 2014 funding level.

- **New Starts: \$2.5 billion** in grants for the construction of new light rail, subway, and bus systems, representing an increase of 30 percent over the \$1.9 billion enacted in FY 2014.

Manufacturing

- **Manufacturing Innovation Institutes: \$141 million** to support Manufacturing Extension Partnerships, with a focus on smaller manufacturers. In addition, the budget would fund network development and coordination of as many as 45 Manufacturing Innovation Institutes nationwide. Combined, these and other programs can help grow good jobs that are accessible to workers with less than a four-year college degree. This amount represents an increase of \$13 million from last year's request.

Investing in Our Future: Preparing Today's Young People to Be the Leaders of Tomorrow

A focus on preparing children for educational and economic opportunity is evident in this year's U.S. Department of Education budget: \$68.6 billion, representing an increase of \$1.3 billion over the FY 2014 appropriations given by Congress. Ninety percent of the President's education budget is going to large formula grants that specifically address the needs of students in low-income communities, students with disabilities and English language learners (e.g., Title I and IDEA), and approximately 75 percent of the budget goes to financial aid for students in college, special education, and high-poverty schools. Sixteen million (1 in 5) children live in poverty. These programs demonstrate a huge commitment to addressing our nation's growing inequality among children, and help empower local institutions and communities leading the charge for better educational, economic, health, and social outcomes for children.

Key budget lines that secure needed investment in America's future:

Early Childhood & Preschool

- **Head Start and Early Head Start: \$8.9 billion** to support low-income families and working parents by ensuring access to quality learning environments for every child. *An additional \$800 million* is requested in OGS for Early Head Start-Child Care Partnerships, and \$200 million in discretionary funds to promote high-quality child care for more than 100,000 children, including expanding program duration and investing in teacher quality.
- **Universal Preschool: \$1.3 billion** in FY 2015 and \$75 billion over 10 years in mandatory funds to provide four-year-olds from low- and moderate-income families with universal access to high-quality preschool.

K-12

- **Race to the Top Equity and Opportunity Competition: \$300 million** to encourage states and school districts to increase academic performance and close the achievement gap, and to ensure that all students are prepared for college and careers. The program has a strong focus on the use of data to identify and address disparities, increase the number of effective teachers and leaders in high-poverty schools, and expand access to rigorous coursework.
- **Recognizing Educational Success, Professional Excellence, and Collaborative Teaching (RESPECT) Grants: \$5 billion** to support teachers' professional development and create supportive environments for teachers.

- **Connect Educators Initiative: \$200 million** toward funding a new effort to provide professional development opportunities and high-quality digital instruction to teachers. This initiative is part of the President's effort to ensure that students have broadband and high-speed wireless networks in their schools and libraries. *An additional \$300 million* is requested as part of the OGS. The total amount would impact 100,000 teachers in 500 school districts, helping to close the digital divides in digital information and learning.

Post-secondary Education

- **First in the World Fund: \$100 million** to support promising practices to improve educational outcomes and make college affordable for low-income students and families. The requested funding represents a \$25 million increase over the FY 2014 appropriation.
- **College Success Grants: \$75 million** to support sustainable strategies that reduce costs and improve student outcomes at Minority Serving Institutions. Grants to Historically Black Colleges and Universities and Minority Serving Institutions will help to increase access to college and improve outcomes for students of color.
- **Pay-As-You-Earn (PAYE):** Extends the rules for PAYE—an income-driven repayment plan which caps student loan payments at 10 percent of discretionary income—to all student borrowers and reforms the program to better target its benefits.
- **TRIO Programs: \$838 million** to support a conglomerate of eight federal outreach and student service programs aimed at helping low-income individuals, first-generation college students, and persons with disabilities to progress through the academic pipeline, from middle school to post-baccalaureate programs. Competitive grants support institutions, agencies, and organizations with experience helping disadvantaged youth achieve academic success.
- **Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP): \$302 million** to increase the number of low-income students prepared to enter and succeed in post-secondary education by supporting services at high-poverty middle and high schools, and to provide college scholarships to low-income students.

Cradle-to-Career Pipelines & Services for Youth

- **Promise Neighborhoods: \$100 million** (also mentioned on page 3) to support comprehensive, cradle-to-college-to-career services and academic opportunities for children in targeted, high-poverty areas. *An additional \$200 million* is requested as part of the OGS, which would expand the Promise Neighborhoods program to include 30 to 35 new sites.
- **Workforce Innovation Fund: \$60 million** (also mentioned on page 5) through the U.S. Department of Labor to provide funding to test new, innovative, and effective strategies to keep the workforce competitive for 21st century jobs. Of the total funding proposed, \$10 million is set aside for strategies for disconnected youth, and \$15 million will be set aside for targeting in-demand industries and individuals who face significant barriers to employment. In addition, the budget allocates another \$80 million in new grants for states that have demonstrated proven outcomes serving workers who face barriers to employment, including the long-term unemployed, and disconnected youth.
- **Community College Job-driven Training Fund: \$6 billion** (also mentioned on page 5) through the U.S. Department of Labor within the OGS calls for a four-year fund that would double the number of apprenticeships in the next five years, and launches new training programs in high-demand fields for workers.

Building Healthier Families and Communities

The President's proposed budget includes \$77.1 billion in federal health spending, a slight decrease from the \$80 billion proposed in FY 2014. The proposed budget includes support for the implementation of the Affordable Care Act (ACA), health-care workforce training, and early childhood programs. Unfortunately, the budget proposes eliminating the Racial and Ethnic Approaches to Community Health (REACH), a national effort to advance health equity among people of color. Expanded access to mental health services for youth and young adults, improved programs to serve American Indians and Alaska Natives, as well as increased work opportunities for low-income parents are some of the positive highlights in the President's FY 2015 budget proposal.

Key budget lines to build healthier families and communities include:

- **Health Care Provider Training: \$14.6 billion** over 10 years to train future health-care providers in delivering high-quality and efficient health-care services, and \$5.23 billion over 10 years to support 13,000 new residents through a competitive graduate medical education program. These investments should be directed and targeted to support job training in low-income communities and communities of color where both safe, meaningful job opportunities and access to high-quality health care are in great need.
- **Health Centers: \$4.6 billion** for community health centers, a primary source of care for many low-income people and communities of color. The funding supports services for more than 30 million patients. As these clinics gear up for ACA implementation, this continued funding is essential.
- **Mental Health Services Access: \$50 million** to train 5,000 new mental health professionals to serve students and young adults. As many youth of color do not have adequate access to mental health professionals, this is an opportunity to increase access in underserved areas. The program emphasizes School Based Health Centers where youth of color are more likely to access care.
- **Health Care for American Indians and Alaska Natives: \$4.6 billion** to improve access to health-care services and improve the Indian Health Service (IHS), including an additional \$200 million for the construction of much-needed IHS health-care facilities.
- **National Institute for Minority Health and Health Disparities: \$268 million** to study, collect data, and to provide guidance to the National Institutes of Health on issues related to health disparities and inequities, particularly among people of color.

Our nation's economic growth depends on the inclusion and advancement of all people—regardless of race, zip code, or income level. Equity has been proven to boost economic growth and prosperity. By implementing the equitable policies in the President's budget, the nation can build a stronger, healthier, more inclusive economy with longer periods of sustained economic growth. These proposals would create all-in cities and regions, each a strong piece of an all-in nation. President Obama's budget presents a strong blueprint for equitable economic growth. Its adoption will benefit our country, our communities, and our children.