



OFFICE OF
MANAGEMENT AND BUDGET

THE FEDERAL BUDGET
FISCAL YEAR 2011

Supporting Middle Class Families

Having steered the economy back from the brink of a depression, the Administration is committed to moving the Nation from recession to recovery by sparking job creation to get millions of Americans back to work and building a new foundation for the long-term prosperity for all American families. To do this, the 2011 Budget makes critical investments in the key areas that will help to reverse the decline in economic security that American families have experienced over the past decade with investments in education, clean energy, infrastructure, and innovation.

But even as we meet the challenge of the recession and work to build an economy that works for all American families, we must also change the way Washington does business – ending programs that don't work, streamlining those that do, cracking down on special interest access, and bringing a new responsibility to how tax dollars are spent. The President's Budget takes the steps to help jumpstart job creation, works to strengthen the economic security of American families, and makes the tough choices to put our Nation back on the path to fiscal responsibility.

To support middle class families, the Budget will:

Spur Job Creation. The economy is back from the brink and is showing signs of health, but this positive news has barely been felt in the labor markets. While we are no longer hemorrhaging jobs at the rate we were last year, unemployment is still unacceptably high. Looking to the future, the investments made in the Budget in education, clean energy, infrastructure, and in several other areas will lay a new foundation for economic growth and job creation. But in the short-term, it is clear that the some targeted measures are required to spur private sector job creation. The Administration will work with Congress to implement a jobs creation package along the lines the President announced in December of 2009. It will include immediate steps to help small businesses grow and hire, to upgrade and build infrastructure, and create jobs through energy efficiency and clean energy investments. In addition, to help those most affected by the recession, the Budget will extend emergency assistance to seniors and families with children, Unemployment Insurance benefits, COBRA tax credits, and relief to states and localities to prevent layoffs.

Extend the Making Work Pay Tax Cut. As part of the Recovery Act, the Administration puts into place the Making Work Pay Tax Credit. The broadest middle-class tax cut in American history, it helped 110 million families. The Budget proposes to extend this tax cut for one year

Help Families Struggling with Child Care Costs. The Budget will nearly double the Child and Dependent Care Tax Credit for middle-class families making under \$85,000 a year by increasing their credit rate from 20 percent to 35 percent of child care expenses. Nearly all eligible families making under \$115,000 a year would see a larger credit. The Budget also provides critical support for young children and their families by building on historic increases provided in ARRA. The Budget provides an additional \$989 million for Head Start and Early Head Start to continue to serve 64,000 additional children and families funded in ARRA. The Budget also provides an additional \$1.6 billion for the Child Care and Development Fund in preparation for reauthorization to expand child care opportunities, and improve health, safety, and outcomes for children. This request will allow States to provide child care subsidies to 1.6 million children, 235,000 more than could be served without the increase.

Support Family Caregivers. The Budget includes \$103 million for the Administration on Aging's Caregiver Initiative, an effort to expand help to families and seniors so that caregivers can better manage their multiple responsibilities and seniors can live in the community for as long as possible. Without creating new programs, this initiative provides new resources to support the network of agencies in local communities across the country that already provide critical help to seniors and caregivers.

Expand Financial Aid for Students and Make Historic Investments in Improving Education, from Cradle Through College. The Budget supports legislation that has passed the House and is pending in the Senate that would reform student lending to eliminate tens of billions of dollars in wasteful subsidies to banks, and instead, provide loans directly to students on an efficient basis that uses private and nonprofit companies to deliver services. This measure would then use savings to make historic investments to increase college access and success, and would lay a foundation for success for America's youngest children. In addition to expanded Pell Grants and a simplified student aid system, these investments include a new American Graduation Initiative that will strengthen and support America's community colleges, focus on college completion, and graduate 5 million more students by 2020. Finally, to help graduates overburdened with student loan debt, the Administration will strengthen income-based repayment plans for student loans by reducing monthly payments and shortening the repayment period so that overburdened borrowers will pay only 10 percent of their discretionary income in loan repayments and can have their remaining debt forgiven after 20 years.

Improve Retirement Security. After a lifetime of employment, American workers deserve to know that their efforts have resulted in a secure retirement. The Administration is committed to giving Americans more and better choices to save for retirement while also strengthening the existing private pension system. The Budget

proposes to expand and improve employment-based retirement security by establishing automatic workplace pensions, doubling the Small Employer Pension Plan Startup Credit from \$500 a year to \$1,000 per year, and reforming and expanding the Saver's Credit by modifying the existing Saver's Credit to provide a 50-percent match on the retirement savings of families that earn less than \$85,000 (up to \$1000 of savings would be matched). The Budget also proposes a number of initiatives to improve the transparency and adequacy of 401(k) retirement savings plans, through a majority of American workers save for retirement. In addition, the Budget will support efforts streamline efforts to bring automatic enrollment to these plans in order to boost participation.

Enhance Enforcement of Equal Pay Laws. For the first time, women make up half of all workers on our payrolls and seven out of 10 families with children are made up of either two working parents or a single working parent. But too often women don't earn the same amount for doing the same job and the same work as a man. Building on his commitment to enforce equal pay for equal work, the President's budget includes an \$18 million increase to improve compliance, public education, and enforcement of equal pay laws. The Budget also provides almost \$2 million to the Department of Labor for research and dissemination of information on income and job disparities—an increase of nearly 300 percent over 2010.

Help States Provide Paid Family Leave to Workers. Too many families must make the painful choice between the care of their families and a paycheck they desperately need. The Family and Medical Leave Act allows workers to take job-protected time off unpaid, but millions of families can't afford to lose that paycheck. A handful of States have enacted policies to offer paid family leave, but more States should have the chance. The Budget establishes a \$50 million State Paid Leave Fund within the Department of Labor that will provide competitive grants to help States that choose to launch paid-leave programs to cover their start-up costs. The Budget also provides resources to allow the Department of Labor to explore ways to improve the collection of data related to intersection of work and family responsibilities.

Boost Funding for Workplace Safety. The Budget includes a \$68 million (4 percent) increase for the Department of Labor's worker protection agencies to make sure they have the resources to meet their responsibilities to America's working men and women.

Protect Benefits for Employees by Ensuring Proper Classification. When employees are misclassified as independent contractors, they are deprived of benefits and protections to which they are legally entitled – such as overtime and unemployment benefits. Misclassification also has a budgetary impact, reducing receipts in Treasury and the Social Security, Medicare and Unemployment Insurance Trust Funds. As part of the 2011 Budget, the Departments of Labor and Treasury are pursuing a joint proposal that eliminates incentives in law for employers to misclassify their employees; enhances the ability of both agencies to penalize employers who misclassify; and restores protections to employees who have been denied them because of their improper classification. This proposal would increase Treasury receipts by more than \$7 billion over 10 years. The 2011 Budget also includes an additional \$25 million for the Department of Labor to hire

100 additional enforcement personnel and for competitive grants to boost States' incentives and capacity to address this problem.