



Center on Budget and Policy Priorities

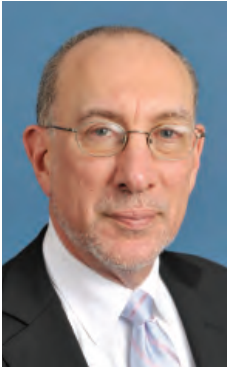
Annual Report 2009



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Message from the Chair and the Executive Director



Robert Greenstein,
Executive Director

The economy and health care reform dominated the domestic policy landscape in 2009, and the Center on Budget and Policy Priorities conducted extensive work in both areas. We designed and advanced numerous proposals to meet the twin challenges of expanding health coverage and controlling costs, many of which became part of the historic health reform law. And the economic recovery legislation enacted in 2009 includes numerous measures we promoted to boost growth and reduce hardship.

We also performed extensive analytical and communications work on state budget issues — where Center analyses have served as the go-to source for information on the state fiscal crisis — and an array of other policy areas.

Reforming Health Care

The Affordable Care Act, which President Obama signed in March 2010, is the most important piece of new social legislation in decades. Efforts to help shape it constituted one of the Center's most intensive areas of activity in 2009.

As this Annual Report details (see page 14), we were the principal organization that simultaneously worked *both* to extend coverage to the tens of millions of uninsured Americans *and* to find ways to pay for it to avoid increasing the deficit.

Our analyses helped policymakers design the law's subsidies for low- and moderate-income families to make coverage affordable for them. We contributed to significant improvements in those subsidies over the course of the legislative process.

We also recommended numerous steps to offset the cost of coverage expansions. For example, for several years we have educated policymakers about the large overpayments going to the private insurance companies that serve many Medicare beneficiaries. These Medicare Advantage insurers receive about \$1,000 more per beneficiary each year than it would cost to serve the same people in traditional Medicare. The Affordable Care Act will shrink these overpayments by \$136 billion over ten years.

In all, we issued well over 100 analyses and policy memos that affected dozens of provisions in the final law.

With health reform's enactment, we are turning our attention to the many implementation issues the law raises at both federal and state levels. We will provide information and analysis to help policymakers address issues that will help determine whether health reform ultimately succeeds or fails, such as how to effectively provide the new subsidies as tax



David de Ferranti,
Chair

credits (as the law requires), how to reach and enroll millions of working-poor parents and poor childless adults who will become eligible for Medicaid, and how to design the new health insurance exchanges so they fulfill their promise.

Responding to Economic and Budgetary Challenges

In early 2009, amidst the worst downturn since the Great Depression, the Center helped focus policymakers and the public on the recession's consequences for less fortunate Americans and on the most effective ways to stimulate the economy. We helped shape debates around an effective federal response to the crisis and played a major role in designing or advancing key elements of the Recovery Act, which Congress passed in February of that year.

For example, we issued numerous reports that tracked states' growing budget gaps as the downturn cut into revenues and documented the harmful reductions in public services that states were being forced to consider. These reports became the primary source for policymakers, journalists, and other nonprofits on how the recession was affecting state budgets. They helped convince the President and Congress to include in the Recovery Act a package of state fiscal assistance that was seven times as large as the proposal policymakers considered before adjourning for the 2008 election.

In addition, our analyses explaining that the recession would produce a stunning increase in poverty helped convince policymakers to include robust help for low-income families in the Recovery Act, such as expansions of refundable tax credits for low-income workers and a significant boost in food stamp benefits, both of which we helped design.

While critics argued that stimulus measures were unwise because they would worsen the deficit, Center analyses showed that the temporary measures needed to strengthen the weak economy do not pose a threat to long-term deficit reduction (because they are temporary). At the same time, we continued to call for enactment of measures that would take effect after the economy recovers and begin to rein in the unsustainable deficits projected for coming decades.

Center analyses stressed the need for a balanced approach to deficit reduction that includes both higher revenues and program reforms, especially reforms to slow the rate of growth in health care costs throughout the U.S. health care system. Rising per-person health care costs are the single largest driver of long-term deficits. We also emphasized that history shows that policymakers can reduce deficits while *strengthening* policies that assist low- and moderate-income families and thereby *reducing* poverty, as they did in 1990 and 1993.

We also encouraged Congress in 2009 to adopt a budget process reform known as “pay-as-you-go,” which requires policymakers to fully pay for all new entitlement increases and tax cuts to avoid increasing the deficit. Both houses of Congress adopted “pay-as-you-go” in early 2010, taking an important initial step toward restoring fiscal responsibility.

At the state level, we continued to work closely with the State Fiscal Analysis Initiative (SFAI), a network of more than 30 state-based nonprofit organizations dedicated to promoting fair and sound state budget and tax policies. The Center and our SFAI partners helped state policymakers understand the advantages of closing state budget gaps in a balanced way rather than relying solely on program cuts, which would harm vulnerable families and further weaken the economy.

A number of SFAI groups successfully promoted revenue options, such as raising taxes on the highest-income households. Nationally, more than 30 states have raised taxes or fees since the start of the recession.

In Maine and Washington, we worked with our SFAI partners and other groups to educate the public about “TABOR” ballot measures, which would have imposed harsh, arbitrary revenue and spending limits that would have caused heavy damage. Voters in both states rejected the proposals.

Strengthening the Safety Net

One of the Center’s core missions is to strengthen programs that provide basic assistance to low-income families and help families lift themselves out of poverty — programs whose importance has been magnified by the recession.

A prominent example of our 2009 work in this area concerns the welfare reform program called Temporary Assistance for Needy Families (TANF). As Congress crafted the Recovery Act, we helped conceive, design, and advance a provision to create a temporary TANF Emergency Fund to help states respond to the increase in need among very poor families during the recession.

Once the Emergency Fund was created, we worked with state officials and nonprofits to help them understand their options for using it, which include subsidized employment programs, basic assistance, and one-time help for families in crisis. More than 30 states used the Fund to create subsidized jobs for over 200,000 low-income parents and youth.

In addition, we helped design improvements in the National School Lunch Program. One would enable school districts in high-poverty areas to provide free meals to all of their students rather than require each student to apply individually. Another would allow some districts to enroll eligible low-income students for free school meals automatically, using data from Medicaid. Legislation including both provisions is expected to become law in 2010.

Other Activities

Since 2007 the Center has worked with environmental, low-income, faith-based, and other organizations to educate policymakers on the need to offset the impact on low- and moderate-income consumers of the higher

energy-related prices that will accompany limits on greenhouse-gas emissions. We have also designed a proposal to accomplish that.

The landmark climate legislation that the House approved in 2009 featured our proposal, as did the climate legislation a key Senate committee approved later that year. While Congress is unlikely to enact climate legislation in the near term, Center proposals showing how to protect low-income households from the effects of an emissions cap will be part of the debate over climate policy when that debate resumes.

In the international arena, the Center's International Budget Partnership (IBP) helps non-governmental organizations in developing nations and emerging democracies to promote budget transparency and a wider debate on budget priorities, with a particular focus on the needs of the poor. IBP has worked with groups in more than 90 countries, providing a combination of technical assistance, financial support, comparative research opportunities, information exchange, and peer networking.

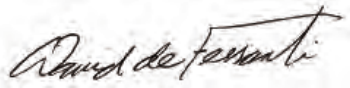
A highlight of the IBP's work during 2009 was the continued expansion of its Partnership Initiative, which works to build strong civil society organizations and coalitions in 18 countries in Africa, Asia, and Latin America by providing technical assistance and grants. For example, the Initiative added eight new partners in India that will monitor new government initiatives to create jobs and improve health in rural areas.

We would like to thank the foundations and individual donors who sustain us financially for their support. We look forward to working with you in the years ahead to make America a more equitable and prosperous nation.

Bob Greenstein



David de Ferranti



Setting National Budget Priorities

The Center analyzes major federal budget and tax proposals, examining their effects on the government's ability to address critical national needs in a fiscally responsible manner. We place particular emphasis on the effects of budget and tax proposals on low- and moderate-income households and on developing and advancing effective approaches to reducing poverty and promoting opportunity.

Shaping the Response to the Recession

As 2009 began, the United States faced high unemployment, the worst downturn since the Great Depression, and the consequences of many years of underinvestment in critical priorities.

A number of Center analyses framed the debate around an effective federal response to the economic crisis and played a major role in the inclusion of robust Recovery Act provisions to help low-income families and preserve services like education and health care.

One Center analysis projected that *state* budget shortfalls, resulting primarily from a steep drop in revenues, would total \$350 billion over two and a half years. The budget cuts and tax increases required to close these gaps, we warned, would further weaken the economy and undercut any federal stimulus initiative.

In addition, we issued a report — which we have continued to update as new data have become available — detailing

the damaging cuts in public services that states had enacted or were considering. In no small part in response to this work, congressional leaders who had been calling for \$20 billion in state fiscal relief in late 2008 ultimately approved fiscal relief *seven times* as large.

Another highly influential Center analysis showed that the recession could drive as many as 10 million more Americans into poverty and add as many as 6 million people — including 2 million children — to the ranks of those living below *half* of the poverty line. These findings helped convince the Administration and Congress to invest more to assist low- and moderate-income families than any stimulus package in any previous recession had included.

Policymakers also made extensive use of our analyses outlining specific policy options. In fact, \$215 billion of the final \$787 billion Recovery Act consisted of proposals we played a major role in designing or advancing.

Refundable Tax Credits for Working Families

The Recovery Act contains significant temporary expansions of refundable tax credits for low-income working families. (Refundable tax credits provide families with a refund if the amount of their credit exceeds their income tax liability.) The Center played a central role in designing and promoting these provisions, which include:

- a major expansion of the Child Tax Credit to working-poor families, which is providing families with \$15 billion in added income over two years;



James R. Horney, Director of Federal Fiscal Policy

“Without changes in policies, federal deficits and debt will grow in coming decades to unprecedented levels that ultimately threaten serious harm to the economy. As the economy recovers, policymakers should begin implementing a balanced approach to address this problem through a combination of reforms of the health care system, increases in revenues, and reductions in lower-priority expenditures. In so doing, lawmakers should take care to ensure the most vulnerable members of society are protected.”

- two expansions of the Earned Income Tax Credit, which are providing 7 million low-income families with an additional \$4 billion over two years; and
- an expansion of the Hope Tax Credit — which helps defray college tuition and related expenses — to include, for the first time, students from families with incomes too low to owe income tax. This measure is providing \$3.5 billion in financial aid to low-income students.

A Center analysis shows that these measures, in combination with President Obama's Making Work Pay Tax Credit (also included in the Recovery Act), are lifting 1 million children out of poverty — 2.3 million people overall — and helping almost 4 million low- and moderate-income students afford college. These expansions are in effect for tax years 2009 and 2010.

Other Anti-Poverty Provisions

We also helped conceive and design many other anti-poverty provisions in the Recovery Act, including:

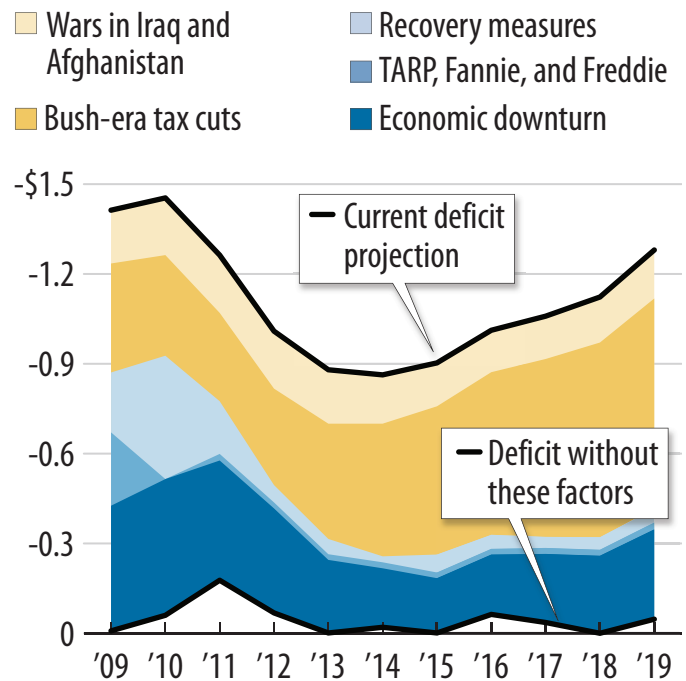
- several billion dollars for the creation of the Temporary Assistance for Needy Families Emergency Fund, which has enabled states to create subsidized jobs for over 200,000 low-income parents and youth, and to pull back from plans to cut cash assistance benefits for poor families with children in the middle of the recession;
- an immediate increase of nearly 20 percent in the average food stamp benefit — a boost of \$80 per month for a family of four;
- a one-time payment of \$250 to several million poor elderly and disabled persons who receive Supplemental Security Income benefits; and
- \$4 billion to renovate public housing developments and make them more energy efficient.

Our analysis and related work also helped advance various other poverty-prevention measures in the Recovery Act:

- an across-the-board increase of \$25 in weekly unemployment benefits;
- \$1.5 billion to help low-income renters displaced by foreclosures from becoming homeless; and

Economic Downturn, Financial Rescues, and Legacy of Bush Policies Drive Record Deficits

Deficit, in trillions



Source: CBPP analysis based on Congressional Budget Office estimates.

- increased funding for Head Start, child care, Pell Grants to help low-income students afford college, and job training for disadvantaged youth.

Injecting Evidence into the Debate

The Center was a primary source of information about the importance of the Recovery Act during the congressional debate over the legislation and throughout the rest of 2009. In the first two months of the year alone, we issued over 30 reports as part of an "Economic Recovery Watch" series, which attracted extensive media coverage. These reports analyzed specific proposals, debunked misinformation about the legislation and the need for stimulus measures, and provided data on the impact of various provisions on a state-by-state basis. Our reports also exposed the shortcomings of various proposals for special-interest tax breaks that would have been largely ineffective.



Center Executive Director Robert Greenstein, economist Mark Zandi, and President Obama at the President's Fiscal Responsibility Summit in February 2009.

Throughout the year, the Center tracked the impact of the Recovery Act and issued reports demonstrating the need to extend some of its provisions, such as aid to the unemployed and fiscal relief to states, given the persistently high levels of unemployment. Among the most widely cited reports was one revealing that six Recovery Act provisions kept more than 6 million Americans out of poverty in 2009. (A follow-up analysis with state-by-state data has been used extensively by nonprofit organizations and journalists in state capitals.)

Addressing the Long-Term Budget Challenge

With the recession dealing a serious *short-term* blow to federal finances, some policymakers and pundits opposed initiatives to boost the economy and stem rising hardship on the grounds that they would worsen the deficit. Center analyses, however, showed that valid, serious concerns about the long-term deficit picture should not be conflated with concerns about the short-term fiscal picture.

In a number of widely quoted reports, we highlighted the fact that the causes of the deficit spike in 2009 were temporary — related to the recession and the government's

response to it. In contrast, the main causes of the nation's *long-term* budget woes — including rapidly rising per-person health care costs, the aging of the population, and the 2001 and 2003 tax cuts if they are extended — are chronic. Throughout the year, we educated policymakers and the media about the fact that the temporary measures needed to strengthen the weak economy do not pose a threat to long-term deficit reduction.

The mounting debate over how to put the federal government on a fiscally sustainable path over the long term will lead to policy decisions that either help the nation meet its responsibilities or erode public services and put the most vulnerable Americans at risk.

We have advanced the view that the long-term budget problem can be solved without abandoning the great social insurance programs that originated in the New Deal and the Great Society. Through testimony, presentations — including Robert Greenstein's keynote address at the President's fiscal responsibility summit in February 2009 — analysis, media outreach, and use of new tools such as podcasts, the Center worked intensively to shape public understanding of this issue.

Our analyses stressed two points. First, a balanced approach must be taken to deficit reduction that includes *both* higher revenues and spending reforms. Second, taking steps to slow the growth of health care costs *system-wide* is essential.

Moreover, as we have pointed out for over a decade, deficit reduction can go hand-in-hand with stronger policies for low- and moderate-income families and other important investments. Deficit-reduction packages enacted in both 1990 and 1993, for example, substantially increased the Earned Income Tax Credit and other programs — and reduced deficits and poverty at the same time.

In September 2009, we co-sponsored a conference with the Center for American Progress to help lay the groundwork for deficit-reduction efforts that policymakers should undertake once the economy has recovered. We brought together an array of experts, including Alan Blinder, former Vice Chairman of the Federal Reserve System; Paul Krugman, Nobel laureate and *New York Times* columnist; Laura Tyson, Professor, Haas School of Business, University of California, Berkeley and former Director of the National Economic Council; and Senator Mark Warner (D-VA) to discuss options for reducing the long-term deficit.

Shaping Federal Budget and Tax Debates

The Center participated in debates on a range of other budget and tax issues during 2009. For example, we helped to advance a politically pragmatic “pay-as-you-go” rule. Our analyses showed that this rule — which requires policymakers to fully pay for all new entitlement increases and tax cuts, rather than deficit-finance them — was designed in a way that would make it most effective at maintaining fiscal discipline. We also showed how competing proposals to establish fixed spending and deficit targets would likely be ineffective and counterproductive. The Senate and the House both adopted statutory “pay-as-you-go” in early 2010, taking an important initial step toward restoring fiscal responsibility.

The Center also issued a number of analyses aimed at highlighting the consequences of the decisions that policymakers would make in 2010 on issues such as the 2001 and 2003 tax cuts and the estate tax.

Our analyses sought to put these upcoming debates in context. For example, we highlighted data showing that the highest-earning 1 percent of U.S. households received

fully *two-thirds* of the nation’s total income gains during the 2002-2007 expansion and held a larger share of national income in 2007 than at any time since 1928. Extending the 2001 and 2003 tax cuts for upper-income families would drive inequality still higher.

We also challenged the oft-repeated claim that the estate tax must be eliminated to protect family farms and small businesses. As we showed, only 80 small business and farm estates in the nation would owe any estate tax in 2009 — a figure representing the estates of three out of every 1,000 people who die that year. Permanently repealing the tax, as some favored, would benefit only the wealthiest estates while significantly worsening the nation’s long-term deficits.

Praise for the Center

“The Center on Budget and Policy Priorities ... has always, in my experience, been impeccably honest and careful in its work.”

— Paul Krugman, *The New York Times*

“There’s no think tank in Washington that I have more respect for than the Center on Budget and Policy Priorities.”

— Ezra Klein, *The Washington Post*

“Few Washington think tanks speak with the authority of the Center on Budget and Policy Priorities.”

— Jonathan Cohn, *The New Republic*

“The invaluable Center on Budget and Policy Priorities ... [has] been the go-to resource for consistently reliable analysis on matters of budgets and fiscal policy at every level of government.”

— Vice President Joe Biden

Funding State Services in Difficult Times

The Center's dual role as a leading national voice on state fiscal issues and a provider of state-specific technical assistance and policy advice to state nonprofit organizations and policymakers puts us in a particularly strong position to inform and shape fiscal debates on critical state issues. Our State Fiscal Project works with state-level officials and nonprofits to develop responsible budget and tax policies that enable states to provide critical public services, particularly those that help low-income families improve their lives. We work on a variety of state issues, including strengthening revenue systems, setting budget priorities, and making low-income programs more effective, as well as on the intersection of federal and state fiscal policy decisions.

Shaping State Fiscal Relief

With a severe recession triggering a record decline in state revenues, the Center served in 2009 as the leading source for policymakers, journalists, and other organizations on the deepening impact of the crisis on states' ability to meet growing public needs.

At the beginning of the year, as federal policymakers crafted economic recovery legislation, we provided the most current, accurate information on state budget shortfalls available anywhere. Our projection that shortfalls would total \$350 billion over the next two and half years received widespread media coverage. So did a report that we updated and revised every several weeks, detailing the broad and deep cuts in public services taking place in states across the country.

By informing policymakers in Washington of the seriousness of states' budget problems, these reports helped to pave the way for a dramatic increase in the fiscal relief provision of the emerging Recovery Act.

We provided key technical assistance to the Obama Administration and congressional leaders on the design and allocation of state fiscal relief. We analyzed various approaches to see which would be most effective in closing state deficits and stimulating the economy. The final legislation provided states with \$87 billion in increased federal Medicaid funding to ameliorate cuts in health care and about \$53 billion in "stabilization funds" to avert cuts in education and other areas, such as public safety and services to the elderly and people with disabilities.

Examining the Recovery Act's Impact

Along with our partners in the State Fiscal Analysis Initiative (SFAI) — a network of state policy organizations the Center coordinates — we launched a major effort in 2009 to document the impact of the Recovery Act funds.

Throughout the year, we demonstrated that the federal aid enabled states to avoid even deeper cuts in public services, which would have further weakened the economy and increased hardship. Our work rebutted criticisms of the Recovery Act and showed that without it, many Americans' economic prospects would be considerably worse.

We also worked closely with our SFAI partners to track Recovery Act spending in their states. For example, we supplied SFAI groups with state-level data, fact sheets, and

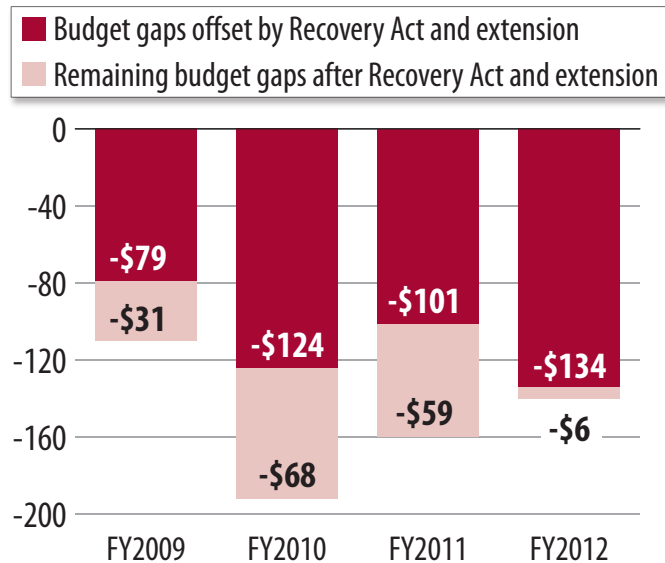


Nicholas Johnson, Director of the State Fiscal Project

"The most severe national recession since the Great Depression has caused an unprecedented decline in state revenues. States must by law balance their budgets, but the solution cannot be solely spending cuts, because very deep cuts harm people in need and endanger economic recovery. Rather, the prudent course for states is a balanced approach that includes revenues."

Recovery Act's Aid to States Running Out, But Deficits Remain

Budget shortfalls in billions, as of August 2010



Note: FY = fiscal year

Source: CBPP analysis using data from U.S. Department of Health and Human Services, U.S. Department of Education, Congressional Budget Office, and state budget documents.

Revised August 2010.

other publications to draw attention to the state impact of Recovery Act funds.

Promoting a Balanced Approach

Since Recovery Act funding closed only about one-third of states' shortfalls, states needed to take further action to meet their balanced-budget requirements.

The Center and the SFAI groups aggressively made the case that exclusive or excessive reliance on cuts in services would impose unnecessary and unacceptable hardship and create a further drag on the economy. We argued that a *balanced approach* combining tax increases and spending cuts is preferable, for two reasons.

First, tax increases can be targeted toward those best able to afford them, whereas cuts in state social service programs generally hit those already hurt the most by the recession.

Second, many economists agree that during a downturn, raising taxes — especially on upper-income residents — is generally less damaging for a state's economy than sharp budget cuts. The dollars that a state spends on aid for the needy and salaries of public employees enter the local economy quickly, so cuts in these areas have an immediate impact on overall demand. Tax increases on upper-income residents have a smaller impact, since a substantial share of the funds they generate would have been saved rather than spent.

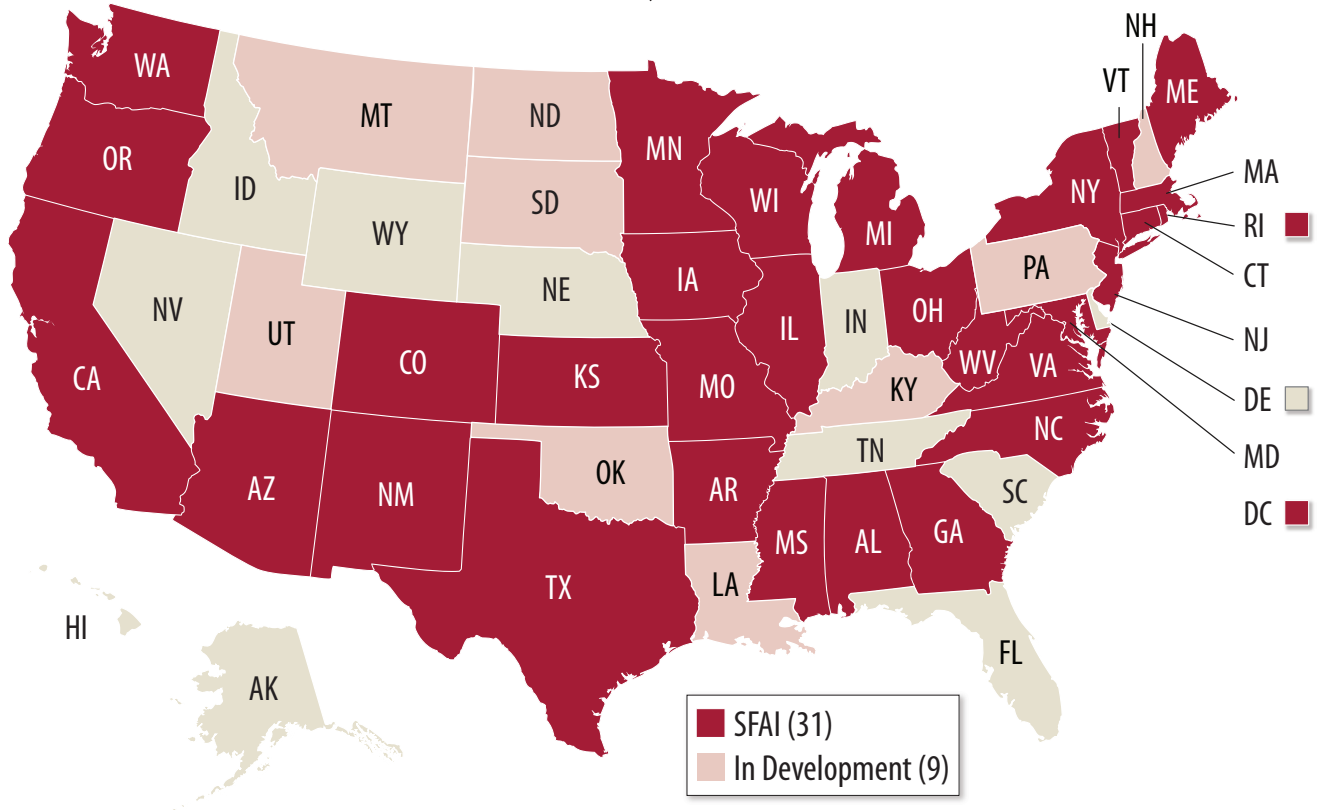
We worked with state groups to educate policymakers and the public on these issues and to build support for budget solutions that include revenue measures along with spending reductions, and would thereby ease the impact on vulnerable families. We issued numerous reports showing how states could cope with budget deficits in ways that would ease the impact on disadvantaged families that rely on state services. In 2009, SFAI groups in a number of states successfully advanced income-tax increases on high-income households; groups in many other states helped promote other revenue options. All told, amid a challenging political atmosphere, at least 30 states closed their shortfalls in part by raising taxes or fees.

Countering Harmful Tax Proposals

While virtually all states' finances were under severe pressure due to the recession, two states faced ballot proposals in 2009 that would have crippled their public services *permanently*. Proposed constitutional amendments in Maine and Washington — based on the "Taxpayer Bill of Rights" (TABOR) that Colorado enacted in 1992 but later suspended — would have restricted state and local revenues and spending based on an arbitrary formula.

The TABOR measures would have forced Maine and Washington to permanently maintain their current, shrunken level of spending, locking in the budget cuts they made to offset their sharp drop in revenues due to the recession. Even when revenues rebounded after the economy recovered, the states would have had to apply virtually all of the revenue increase to tax reductions and would have been barred from using it to lessen the severity of budget cuts.

The State Fiscal Analysis Initiative Network



The Center, SFAI groups, and other key partners in Maine and Washington worked together to educate the public about the flaws of the proposals; our reports and fact sheets were used extensively by the media.

These efforts had a decisive impact. While polls showed the TABOR measures leading in both states by double-digit margins in late September, on Election Day voters rejected them by significant margins. This was a critical victory, and not only for those states; TABOR wins would have served as a springboard for similar campaigns in many other states in 2010.

Strengthening State Partners

The Center works on state fiscal issues with the members of the SFAI and helps them increase their impact on state fiscal policy debates. SFAI is a network of state policy organizations that promote sound and sustainable budget and tax policies, as well as effective policies to assist low-income families.

In 2009, the West Virginia Center on Budget and Policy became the latest addition to the SFAI network, which now spans over 30 states and the District of Columbia.

State Policy Fellowship Program

In 2009, the Center launched the State Policy Fellowship program to train new leaders and expand the diversity of voices that speak with authority in state policy debates. The program identifies highly qualified candidates from underrepresented backgrounds who have graduate degrees in public policy, law, social work, economics, or similar fields and places them with SFAI groups or the Center's state fiscal policy team.

We received over 350 applications for our inaugural class of five fellows. The five fellows selected will begin a two-year stint at their host organizations in August 2010. Fellows will conduct research and write analyses on policy issues; brief policymakers, journalists, and others on these issues; and serve as a resource for other nonprofits and community groups.



We also worked with SFAI groups under development in nine additional states. About 85 percent of the country's population lives in states with SFAI groups.

The Center provides technical assistance to strengthen groups' analytical capability and to build their communications and outreach capacities.

In 2009, we focused on helping SFAI groups reach out to new partners in order to strengthen broad-based coalitions that promote the inclusion of revenue measures in state strategies to close budget shortfalls. This proved instrumental in encouraging a number of states to take a more balanced approach to closing their budget gaps.

We also worked intensively with SFAI groups to help them take advantage of the changing media landscape. In quarterly conference calls with the SFAI communications directors and in state visits and trainings, we helped many of the groups refine their websites and reach out to opinion leaders and journalists through Facebook and Twitter.

In December, we held our 17th annual State Fiscal Policy Conference, which provides SFAI groups and other state nonprofits with tools that enable them to help shape budget and tax debates. The workshops and panel discussions focused on addressing state budget shortfalls, building coalitions to promote new revenues to help close state fiscal gaps, and countering misinformation about the Recovery Act.

Center Staff Picked for "All-Decade State Tax Team"



Michael Mazerov
State Fiscal Project
Senior Fellow

When David Brunori, one of the nation's leading writers on state tax issues, selected the most influential people in the state and local tax world during the last ten years, Center Senior Fellow Michael Mazerov was his top pick. "He — and the CBPP — have been at the forefront of every state tax and budget debate over the past decade," Brunori wrote.

Mazerov has "influenced the debate on virtually every major issue," Brunori added. "[P]eople have listened to him over the past

decade . . . because he has been intellectually honest in his approach to state taxes."

Also on the All-Decade Team was State Fiscal Project Director Nick Johnson: "As director of the highly acclaimed project, he has moved the CBPP into the forefront of the debate on all state tax and budget issues. Johnson and his staff's work is cited nationwide by academics, legislatures, and policymakers. He is regarded as one of the most effective advocates in the business."

SFAI Funders Receive Grantmaking Award

The Council on Foundations presented its 2009 Award for Distinguished Grantmaking through Collaboration to State Fiscal Analysis Initiative (SFAI) funders in recognition of what the network has accomplished "to help broaden the debate around budget and tax policy through public education and the encouragement of civic engagement." The program funders include local and regional foundations, individual donors, and national foundations including the Ford Foundation, W.K. Kellogg Foundation, Charles Stewart Mott Foundation, Open Society Institute, Stoneman Family foundation, Public Welfare Foundation, John L. and James S. Knight Foundation, and Annie E. Casey Foundation. Accepting the COF award for the

SFAI partnerships were Katherine McFate of the Ford Foundation and Benita Melton of the Charles Stewart Mott Foundation.

"[The recipients of the 2009 award] have demonstrated the commitment and vision needed to address the important issues affecting society and helping to advance the common good.... Their insight, innovation, and leadership are a source of inspiration to others in the field and are well deserving of these honors."

— Steve Gunderson, President and CEO,
Council on Foundations

Reforming Health Care

The Center made a major contribution to the historic health reform legislation that was signed into law in March 2010. The Affordable Care Act will produce the largest gains in coverage since the enactment of Medicare and Medicaid and take initial steps to contain health costs.

As the principal organization focused both on extending coverage to the uninsured and finding ways to pay for health reform, the Center helped shape many of the law's provisions. These two issues were intimately linked: because of the requirement that health reform not increase the deficit, proposals to make coverage truly affordable had to come with adequate "offsets" to pay for them. We issued well over 100 analyses and policy memos that affected dozens of provisions in the final law. We also countered widespread misinformation about the law's impact.

In the years ahead, we will work to ensure that the Affordable Care Act succeeds by helping states and the federal government implement it effectively.

Expanding Coverage

The Center played a large role in helping to design many of the law's provisions that will expand coverage to 32 million Americans who otherwise would be uninsured. Our work was especially influential in the following areas:

- *Helping low- and moderate-income families afford decent coverage*
The Affordable Care Act provides these families with subsidies to help cover the cost of premiums, deductibles, and co-payments. Our analyses provided critical information about the level of subsidies needed to make coverage affordable and included specific proposals to accomplish this within the operative cost constraints. In large part as a result of this work, Congress significantly improved the subsidies in the final bill, especially for near-poor families.
- *Making these subsidies accessible to eligible families*
The Center exposed the problems with a proposal to require families applying for subsidies to produce birth certificates, passports, or naturalization documents for each family member. Our reports demonstrated that a similar requirement for Medicaid had resulted in delayed or

Edwin Park, Co-Director of Health Policy

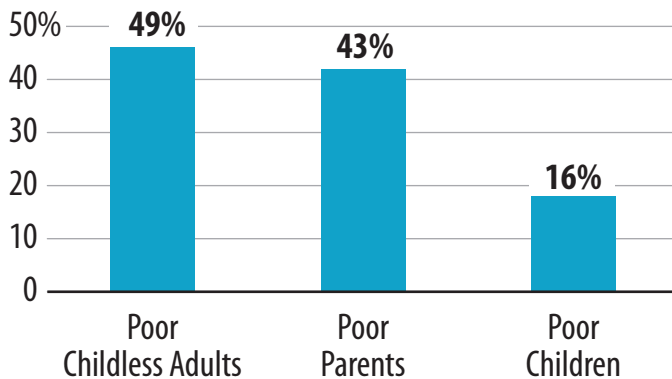
"The health reform legislation . . . represents a historic opportunity to make significant progress in three critical areas: expanding the availability and affordability of health coverage, instituting much-needed improvements to the flawed health insurance marketplace, and taking steps to slow the relentless growth in health care costs."

denied coverage for large numbers of eligible applicants. We designed an alternative approach to verify applicants' legal status quickly and efficiently by using the Social Security Administration database — without requiring applicants to produce documents they may not have in hand. Our proposal, which is in the final legislation, will ease administrative burdens for states and reduce access barriers for eligible families applying for coverage.

- *Providing Medicaid coverage for low-income childless adults*
For the first time, low-income adults without children will be eligible for federally supported health insurance. Our reports explained that it would be much sounder policy to bring these people into Medicaid than force them to shop for private insurance in the new health insurance "exchanges," as had been proposed. Many very poor childless adults have significant mental or physical disabilities, and Medicaid covers services for people with disabilities that private insurance does not. Congress adopted this approach in the final health reform law.
- *Providing sufficient federal funding for the Medicaid expansion*
The Affordable Care Act will provide Medicaid coverage to 16 million additional people by 2019, most of whom are now uninsured. We issued analyses demonstrating that without sufficient federal funding, this expansion would impose unacceptable burdens on states. Congress agreed — in fact, the federal government will cover 96 percent of the cost of the Medicaid expansion over the next decade.

Large Numbers of Poor Americans Are Uninsured

Uninsured rates of the poor in 2009



Source: CBPP's analysis of the 2010 Current Population Survey.

Paying for Health Reform

The Center produced a stream of influential proposals on how to offset the cost of health reform legislation so it does not increase the deficit. Elements of the Affordable Care Act that bear our mark include:

- **Reforms to flexible spending accounts, health savings accounts, and the tax deduction for medical costs**
We originated reforms in these areas that will generate \$35 billion in savings over ten years to help finance coverage expansions.
- **Excise tax on high-cost insurance plans**
To help slow health cost growth and finance coverage expansions, the Affordable Care Act includes an excise tax on high-cost health insurance plans. Our analyses outlined the benefits of such a tax while noting that it needed to avoid penalizing insurance plans whose high cost does *not* reflect overly generous benefits. We also developed specific proposals — many of which are in the final legislation — to make the tax more equitable.

Judy Solomon, Co-Director of Health Policy

“The 2009 enactment of the Children’s Health Insurance Program Reform Act provides states with new ways to make it easier to enroll millions of uninsured children in Medicaid and CHIP and to strengthen the coverage they receive. Many states have already taken important steps to make their health programs for children stronger and more accessible.”

- **Reducing excess Medicare subsidies to private insurance companies**
Medicare pays the private insurers that cover some Medicare beneficiaries much more than it would cost to cover these people through traditional Medicare. For several years we have helped educate policymakers about these overpayments. The Affordable Care Act will shrink these subsidies by \$136 billion over ten years.
- **Increasing the rebates that drug manufacturers pay to Medicaid**
The Affordable Care Act includes reforms we helped to develop and build support for that will save \$38 billion by increasing the rebates that pharmaceutical companies pay Medicaid for brand-name and generic drugs.

Making Health Reform Law

In the pivotal final months and weeks of the health care debate, the Center played a key role. We compared the House and Senate health reform bills in critical areas like making insurance affordable to low- and moderate-income families and making the new health insurance exchanges and insurance market reforms as effective as possible. We recommended ways to harmonize the bills that would produce the strongest and most effective outcomes; many Center recommendations are reflected in the final legislation. We also issued reports at key moments in the debate showing that the legislation is fiscally responsible and holds significant promise for beginning to slow the growth of health care costs.



Reducing Poverty

The Center works to strengthen programs that provide basic assistance to low-income families and help families lift themselves out of poverty. We analyze the impacts of these programs and the underlying conditions they seek to address. We also develop policy options to make these programs more responsive, effective, and accessible.

Expanding Tax Credits for Low-Income Workers And Students

For more than a quarter century, the Center has led efforts to use refundable tax credits to promote work, help low-income working families stay out of poverty, and help offset the payroll, sales, and other taxes that can consume a large portion of a low-wage income.

In his presidential campaign, Barack Obama embraced most of the Center's agenda for expanding refundable tax credits and making them more effective for low-income working families. After his inauguration, action to move this agenda proceeded quickly. The 2009 Recovery Act included various improvements in refundable tax credits that the Center had designed and promoted over several years. The most important was a temporary increase in the amount of income that a worker can count toward the refundable Child Tax Credit. Under prior law, the first \$13,000 of a worker's income did not count, which meant that full-time workers earning the minimum wage (about \$14,500 per year) benefited little from the credit. The Recovery Act addressed this problem, counting wages after the first \$3,000.

Center research showed that this change helped lift the families of 600,000 children out of poverty in 2009 and prevented an additional 4 million poor children from falling deeper into poverty. Overall, the families of over 18 million children benefited from the measure.

The Recovery Act also included two improvements the Center has long recommended in the Earned Income Tax Credit (EITC). One allows larger families to qualify for a larger credit to reflect their higher living expenses. The other reduces the marriage penalties in the EITC. (Some couples receive a smaller EITC if they marry than if they remain unmarried.) These provisions lifted more than half a million people out of poverty in 2009, including 300,000 children.

Another Recovery Act provision championed by the Center strengthened a tax credit designed to help students afford college. Previously this credit excluded those who most needed assistance — those from lower-income families — because it wasn't refundable. The Recovery Act addressed this problem, temporarily, by making the American Opportunity Credit partially refundable. This measure extended the credit to students from lower-income families and enlarged it for students from middle-class families. As many as 4 million students were eligible to benefit from the measure in 2009.

All of these improvements will expire in 2011 unless Congress extends them. The Center issued a number of reports highlighting the success of the expanded refundable credits in averting poverty and boosting the economy. Our analyses also show that a permanent extension of the Recovery Act policies would enable the country to make significant advances in reducing poverty in the future.

Reducing Hunger

The Center is widely respected for its expertise in programs that provide low-income families with food assistance, including the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the National School Lunch Program.

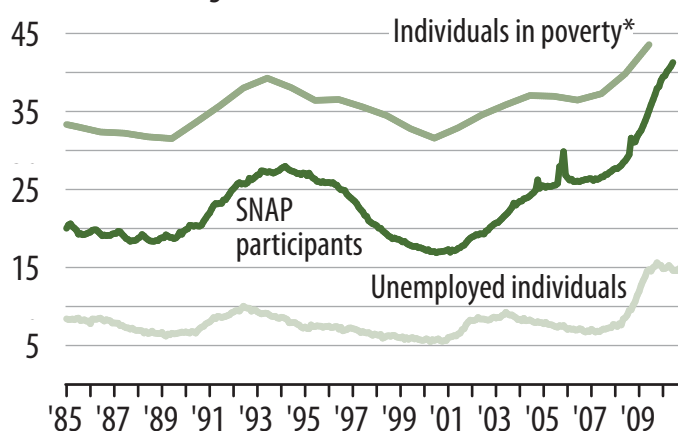
Strengthening Food Stamps

In developing the Recovery Act, Congress acted on the Center's recommendation to temporarily increase food stamp benefits by nearly 20 percent, or about \$80 per month for a family of four. The increase was important because SNAP can respond more quickly to economic need than any other safety net program. Food stamps are one of the most effective forms of economic stimulus during a recession; Mark Zandi of Moody's Economy.com estimates that \$1 in food stamp expenditures generates \$1.73 in economic activity, the highest of the potential stimulus measures he evaluated.

Since the beginning of the recession, the number of families receiving SNAP benefits has increased by 37 percent. More than 40 million Americans now participate in the program,

Food Stamp Caseloads Closely Track Changes in Poverty and Unemployment

In millions, through June 2010



*Poverty numbers are annual estimates and not yet available after 2009. Spikes in food stamp participants are from disaster food stamps after hurricanes.

Sources: Food and Nutrition Service (Food Stamp Program participants); Census Bureau (individuals in poverty); Bureau of Labor Statistics (unemployed individuals).

including one in four children. For a growing number of families, SNAP provides the only steady source of assistance to meet their basic needs.

The Center's work over several years has helped make SNAP more effective in helping low-income families weather difficult economic times. When Congress reauthorized the program in 2008, for example, more than a dozen of the key

changes it made in the program reflected Center-designed proposals. These changes have strengthened food stamp benefits in various ways. They also encourage low-income families to save for retirement and higher education (by exempting retirement and higher education accounts from being counted against the food stamp asset limits).

We also work with state agencies to help them streamline and simplify the program's once-cumbersome enrollment process. Thanks in part to improvements we have championed, parents in many states can apply for benefits online or over the phone, avoid redundant requests for information, and renew their eligibility status less frequently and often without an office visit. These improved enrollment policies and procedures contributed significantly to the growth in food stamp participation among eligible families in recent years.

Improving Access to School Lunches

The Center provides technical assistance and analysis to help states improve participation in the National School Lunch program, which provides nutritionally balanced, low-cost or free lunches to low-income children enrolled in public or nonprofit private schools.

For example, we help states implement "direct certification" procedures, which sign up eligible children for free school meals automatically based on data that other means-tested programs gather, eliminating the need for the family to submit a paper application. By sharing best practices with state anti-hunger groups and agencies, we help them maximize program participation using direct certification.



Stacy Dean, Director of Food Assistance Policy

"The Food Stamp Program provides nutrition assistance to tens of millions of low-income Americans every month, easing hardship and boosting economic activity in communities across the country. During the economic downturn, the program's caseloads have expanded to meet rising need. At the same time, however, payment error rates stand at all-time low levels, so taxpayers can have high confidence that the program is using public resources wisely."

In addition, we have helped to craft several proposals now before Congress to strengthen the National School Lunch Program. One would enable schools or school districts in high-poverty areas to provide school meals free to all of their students rather than require each student to apply for free meals individually. Another Center proposal would allow school districts to use data from Medicaid automatically to enroll more of the eligible low-income students for free school meals.

Improving Welfare Reform Policies

The Temporary Assistance for Needy Families (TANF) block grant provides federal funds to states for income assistance for poor families with children, welfare-to-work programs, work supports such as child care, and other services for low-income families. Since 1996, when Congress created TANF, the Center has worked with state officials and nonprofits to help states make their TANF programs as effective as possible.

As policymakers developed economic recovery legislation in early 2009, we designed a temporary TANF Emergency Fund to help states respond to the increased need among very poor children and their parents as a result of the deepening recession. The new Administration embraced this proposal, and Congress included it in the Recovery Act. States could use the Fund for subsidized employment programs, basic assistance, and one-time help for families in crisis.

We then provided technical assistance to help state officials and advocates understand their options for using the Fund, and we worked intensively with officials in California, New York, Illinois, Georgia, and other states as they developed and implemented their plans. We also surveyed every state TANF program to help federal policymakers understand how states were using the Fund.

More than 30 states used the Fund to achieve a range of positive outcomes, including the creation of subsidized jobs for more than 200,000 people. Some states and counties such as Illinois, Pennsylvania, Texas, and Los Angeles mounted large employment programs to help counter large increases in joblessness. Other states, like Kentucky and Maryland, used subsidized employment to create long-term career paths for low-income people, while other states created transitional jobs programs that provide jobs and more intensive support to individuals who face substantial barriers to employment. We provided technical assistance to many states launching these initiatives and closely monitored them.

We also are developing policy recommendations to improve the overall TANF program. Some of these ideas grew out of a meeting we held for experts and state policy advocates to discuss ways to make TANF more effective. In particular, we are examining ways to improve the quality of TANF employment programs for parents who have disabilities or other barriers to employment and to make TANF cash assistance more accessible to the most vulnerable families.

A major Center report demonstrates why changes in TANF policy are needed. It shows that the federal safety net weakened considerably for these families between the mid-1990s and the mid-2000s, as the share of families eligible for assistance who actually received it fell sharply. The number of children in families living below half of the poverty line rose markedly during this period, in large part because of the decrease in TANF's effectiveness in keeping families out of severe poverty.

Making Housing More Affordable

The Center designs and promotes measures to strengthen key federal low-income housing assistance programs — most notably the Housing Choice Voucher Program, which

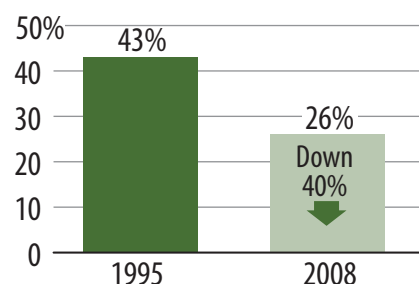


Dr. LaDonna Pavetti, Director of Welfare Reform and Income Support

"Some of the most effective measures to boost employment and reduce poverty in a weak economy include providing financial relief to people struggling to make ends meet and to states facing large budget shortfalls. The 2009 Recovery Act has not only moderated the decline in the economy and increase in unemployment, but also prevented millions of Americans from falling into poverty and helped many states forgo significant cuts that would have weakened the safety net for very poor families with children."

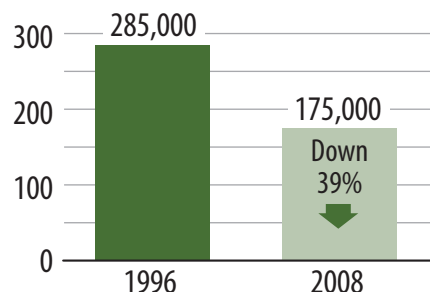
Significant Changes in Public Housing

Family Public Housing Units Located in Extreme Poverty Neighborhoods*



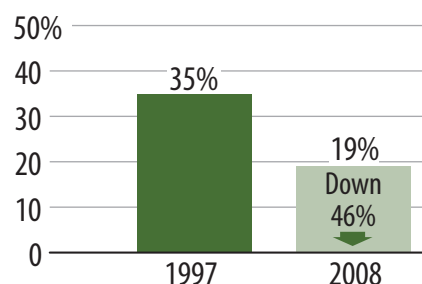
Sources: Sandra J. Newman and Ann B. Schnare, 1997; CBPP analysis of HUD and 2000 Census data.

Public Housing Units in Projects with More Than 500 Units**, in thousands



Sources: 1996 Picture of Subsidized Households; 2008: CBPP analysis of HUD data.

Percentage of Families with Children in Public Housing Relying on Welfare as Their Primary Source of Income



Source: HUD Seventh Annual Report to Congress on Public Housing and Rental Assistance Programs, 2008.

*Neighborhoods in which two out of every five families live below the poverty line

**Data exclude U.S. territories

provides 2 million low-income families with vouchers they can use to rent housing in the private market. We also provide expertise on the public housing program and work with state and local housing agencies to improve the federal low-income housing programs they administer.

Public housing has changed considerably in recent years, largely due to management reforms and the demolition of many large, troubled developments. However, Center research showed that the nation's public housing developments face a large backlog of unmet capital needs and that most need to be made more energy efficient. Consequently, the 2009 Recovery Act included a Center proposal to provide \$4 billion to help state and local housing agencies rehabilitate developments, with emphasis on energy efficiency. Improved energy efficiency will reduce developments' operating costs — as well as tenants' utility bills.

The Recovery Act also included protections against eviction for low-income renters affected by property foreclosures, an idea we first advanced the previous summer as Congress sought to address the growing foreclosure crisis.

In addition, each year the Center analyzes data from housing agencies to determine the adequacy of proposed funding levels for the housing voucher program. Our analysis of a HUD appropriations bill for fiscal year 2009 found that it fell \$460 million short of the amount needed to renew all

vouchers in use. We brought this shortfall to the attention of key members of Congress and the incoming Obama Administration, and the bill that ultimately passed increased voucher funding by \$200 million — enough to support 25,000 vouchers.

However, an estimated 400 housing agencies still lacked sufficient funds, and tens of thousands of vouchers were still at risk. We worked with policymakers to implement a series of policy changes that allowed unspent funds at some agencies to be shifted to agencies that otherwise would have to terminate vouchers, thus blunting the impact of the funding shortfall.

In addition, the Center educated policymakers and the public about important improvements in the voucher program. Our ideas, incorporated into the Section 8 Voucher Reform Act that the House Financial Services Committee approved in 2009, would allow agencies to help more needy families with the funds they receive and to develop and preserve more affordable housing, among other things.

Climate Change

The Center's newest major area of work is the intersection of climate change policy and poverty. If properly designed, climate policies can reduce greenhouse-gas emissions while protecting vulnerable consumers from the impact of higher energy-related prices. We have been designing ways to offset the impact of higher energy prices on low- and moderate-income households without undermining incentives to conserve energy.

Analyzing and Developing Groundbreaking Policies

The Center has issued a battery of analyses to help policymakers understand how climate change policies would affect low-income consumers and identify ways to cushion that impact.

We entered the climate policy arena with an influential report showing that the increased energy costs that climate policies will generate will hit low-income consumers the hardest, since energy-related products take up a larger share of their budgets and they are less able to convert to more energy-efficient appliances and vehicles.

We followed up by developing an overarching framework and specific policy proposals to provide direct financial relief to low-income consumers. Our approach used a proven

delivery mechanism that states already use to administer food stamps and other low-income benefits, coupled with an increase in a tax credit for low-income workers. This approach would help ensure that assistance reaches the intended beneficiaries effectively and is not consumed by administrative costs, bureaucracy, and paperwork.

When we launched this work, many key stakeholders believed that low-income relief was not needed as part of climate legislation or could be provided simply through utility companies or energy efficiency funding. But as the House crafted climate legislation in 2009, our case for direct financial assistance for low-income households — which we made in reports and congressional testimony — resonated with policymakers.

The bill the House passed in 2009 includes the specific mechanisms we recommended for delivering consumer relief. The Congressional Budget Office has found that these mechanisms would fully offset the effects of higher energy prices on the 60 million Americans with the lowest incomes.

Low-income consumer protections that we have largely designed are now an integral part of all major cap-and-trade bills — not only the climate legislation the House passed last year, but also the legislation that the Senate



Chad Stone, Chief Economist

"There's a broad scientific consensus that continuing to rely heavily on fossil fuels to meet our energy needs will have costly and potentially catastrophic consequences. But, effective policies to fight global warming raise the price of energy and other products and put additional strain on low-income households' budgets, which are already stretched to the limit. If policymakers don't provide relief from this additional budget hit, the result would be significantly more hardship. Fortunately, it is possible to design policies that fight global warming while protecting low-income consumers."



The Center is one of more than 40 research, advocacy, faith-based, labor, and civil rights organizations that belong to the Climate Equity Alliance, which is working to ensure that the strong policies needed to reduce greenhouse-gas emissions effectively address the needs of low- and moderate-income families, workers, and communities. Member organizations are educating policymakers and others on the need for bold action that averts the worst environmental and economic consequences of global warming while protecting and providing pathways to prosperity for the most vulnerable Americans.

Environment and Public Works Committee approved in 2009 and the legislation unveiled by Senators John Kerry and Joe Lieberman in the spring of 2010.

While climate legislation that places a cap on fossil-fuel emissions is stalled for now, it is likely to re-emerge at some point in the future. The groundwork that the Center has laid — in showing how to design climate policies to include practical, affordable ways to shield low-income households from the effects that an emissions cap would otherwise have on their budgets — is virtually certain to be part of this debate when it is rejoined.

Bringing New Voices into the Debate

Shortly after launching our climate work, we convened leaders of diverse organizations that work on behalf of low-income households, briefed them on the relationship between climate change policy and poverty, and urged them to become involved.

This undertaking, along with related work conducted by several other organizations, led to the formation of the Climate Equity Alliance (CEA). The CEA, which brings together members of the research, advocacy, faith-based, labor, and civil rights communities, promotes strong climate policies that would protect the environment and the budgets of low- and moderate-income families and also would advance employment opportunities for such families.

As the principal organization in the CEA with ties to both environmental groups and groups concerned about poverty, the Center has played an important role in helping environmental groups understand the importance of relief for low-income consumers and how to provide it effectively. We have also helped bring low-income advocacy groups into the climate change debate as supportive partners of policies to curb climate change without increasing poverty.

We provide the CEA with research, analysis, and help with communications. Today it includes more than 40 endorsing organizations, including Green For All, the NAACP, the National Hispanic Environmental Council, the Center for American Progress, the U.S. Conference of Catholic Bishops, the National Council of Churches, SEIU, and the National Low Income Housing Coalition, among others.

DC Fiscal Policy Institute

The DC Fiscal Policy Institute (DCFPI) analyzes tax and budget issues in the District of Columbia, with an emphasis on policies affecting low- and moderate-income residents. DCFPI works to make DC's tax system more progressive and to ensure that adequate public resources are directed to the needs of DC's low-income residents. It also provides technical assistance to a wide range of nonprofit groups and public officials.

DCFPI is the leading independent source of timely and credible information on budget and tax issues in the District of Columbia. Each year it provides a comprehensive review of the DC budget in the form of a widely used online Budget Toolkit. DCFPI prepares timely, jargon-free reports on a wide range of policy issues — affordable housing, economic development, health care, and tax policy, among others. DCFPI staff also give presentations in a variety of venues to help residents understand critical fiscal policy issues facing the District.

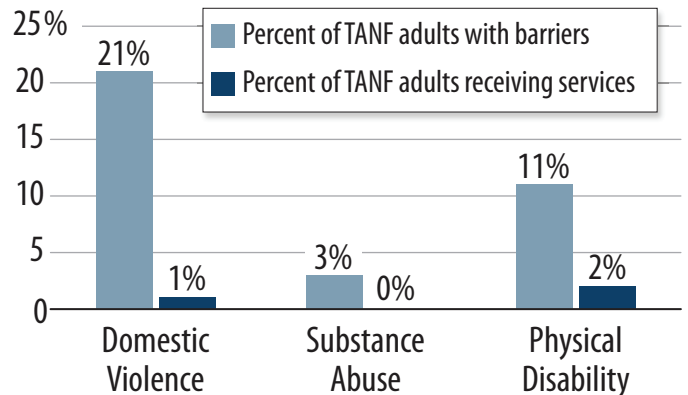
Improving DC's Welfare-to-Work Efforts

DCFPI promotes improvements in Temporary Assistance for Needy Families (TANF), DC's welfare program for families with children. In 2009, DCFPI and So Others Might Eat (SOME) held focus groups with TANF recipients and issued the report "Voices for Change" on the results. It found that TANF recipients typically feel that the employment services they receive focus too much on basic work readiness and not enough on education or skills training. The report also revealed that few recipients are referred to needed supportive services, such as domestic violence services, and that most families use up their meager cash benefits early in the month.

DCFPI has been using this information to promote improvements in the range of training options and supportive services available to TANF recipients. DCFPI staff participated in a series of roundtables on TANF led by DC's Department of Human Services, and DCFPI is working with the agency to redesign its system of assessments and referrals so that TANF families receive more targeted and meaningful help.

In addition, DCFPI played a leading role in educating policymakers about the consequences of a proposal to

Gap Between Recipients with Barriers To Work and Those Receiving Needed Services, FY 2008



Sources: Percent of TANF adults with barriers from Gregory Acs and Pamela Loprest, "A Study of the District of Columbia's TANF Caseload," Urban Institute, 2003. Percent of TANF adults receiving services from DC Income Maintenance Administration program data.

impose harsh new penalties on TANF recipients who do not meet TANF work rules, including the loss of benefits for the children in these families as well as their parents. Such sanctions typically affect the most vulnerable families who have serious barriers to work. DCFPI also worked with a coalition of nonprofit groups to raise awareness about the need for adequate funding for the TANF program. This work led the DC Council to restore \$2.5 million in TANF funding and reject TANF penalties that would leave some families without any cash assistance.

Preserving Key Services in the Recession

The District of Columbia, like many other cities and states, faced a budget crisis in 2009 caused by the recession, with falling tax collections and a growing number of unemployed residents needing help. DCFPI analyses and outreach helped persuade DC's mayor and Council to limit painful budget cuts by identifying ways to increase revenues and tap into existing funding sources. Several of DCFPI's recommendations were adopted, including establishment of "combined reporting" in the corporate income tax to minimize the ability of large corporations to shelter profits.

A strong and effective Temporary Assistance for Needy Families (TANF) program is vital to the health and well-being of families and children in the District of Columbia. To help ensure that the voices of TANF recipients are included in TANF policy discussions, DCFPI and So Others Might Eat conducted a series of focus groups with recipients and issued a report, "Voices for Change," documenting their findings. The report also outlined a series of recommendations, such as improving the process by which the program connects recipients to the specific services they need.

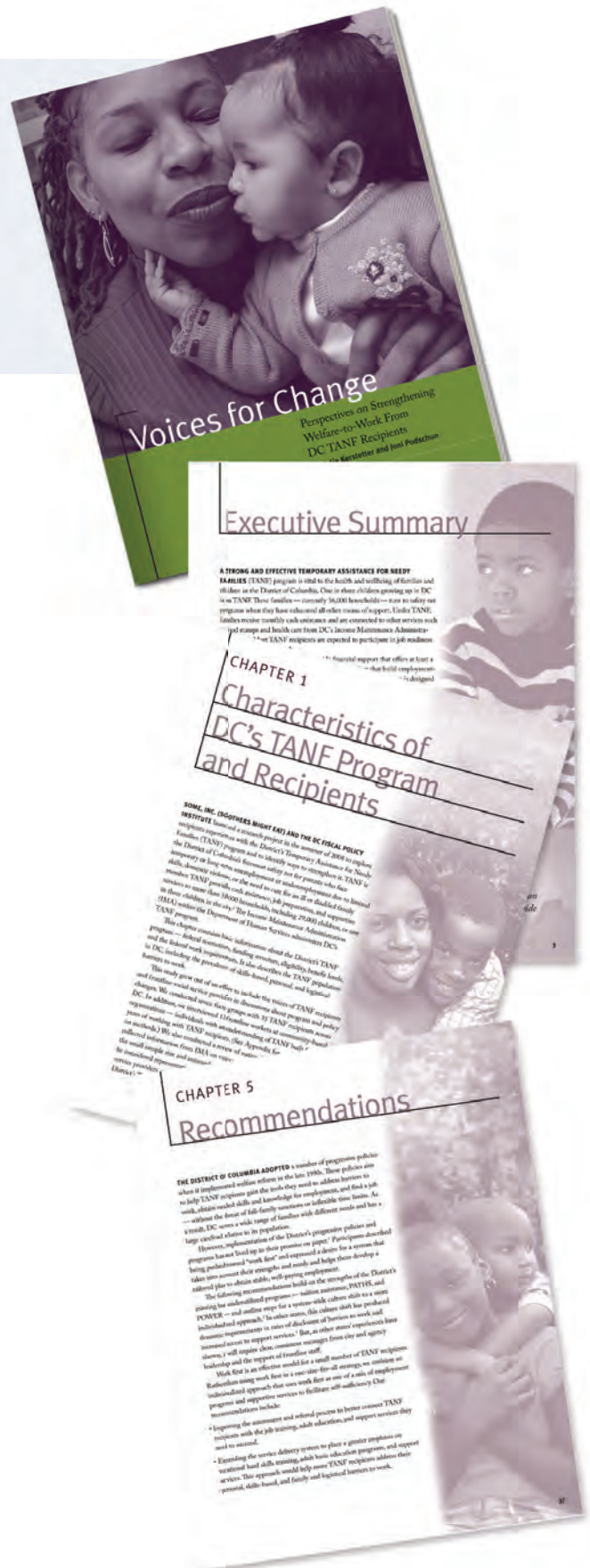
The city also eliminated its sales tax holidays, which have not been shown to stimulate retail sales. In addition, the Council adopted a DCFPI recommendation to tap excess funds from DC's Baseball Stadium Revenue Fund.

Together, these proposals helped generate nearly \$50 million in revenues that helped protect services from cuts and enhance selected services. DC's 2010 budget included increases in selected areas — such as adult job training — and contained no major cuts in housing or health care programs.

Making Economic Development Subsidies More Accountable

When the District considers offering tax abatements (special tax cuts or exemptions) to businesses as an inducement for new development in DC, there is no process to assess the potential benefits — such as the number of new jobs that the project would create for DC residents — or to determine if the tax subsidy is a prerequisite for the project to move forward. This makes it impossible for policymakers and residents to weigh the merits of one tax abatement proposal versus another tax abatement proposal or other use of public resources.

Following DCFPI recommendations, the DC Council introduced legislation in 2009 to provide more scrutiny of proposed tax abatements that are intended to promote economic development. It would require the city's independent Chief Financial Officer to conduct a financial analysis of all proposed tax abatements and require applicants for abatements to list the likely community benefits. DCFPI will continue to educate policymakers and the public about these and other important reforms.



International Budget Partnership

Since 1997 the International Budget Partnership (IBP) has collaborated with a large and diverse network of civil society organizations around the world to fight poverty and improve governance by reforming government budget systems and influencing budget policies. At the heart of this work are efforts to make government budgeting more transparent and participatory, more responsive to national priorities, better able to resist corruption, and more efficient and effective. The IBP provides technical and financial assistance, comparative research opportunities, information exchange, and peer networking to civil society partners in over 90 countries.

Assessing Budget Transparency, Building Strong Partners

The IBP operates two major programs: the Open Budget Initiative (OBI) and the Partnership Initiative. The OBI is a research, training, and advocacy program based on the findings of a biennial survey it conducts of budget transparency and accountability around the world. OBI's Open Budget Survey is the only independent, regular assessment of international budget transparency. The Partnership Initiative is a grantmaking and technical assistance program that focuses on building strong civil society organizations and coalitions in 18 countries in Africa, Asia, and Latin America.

In 2009 the IBP adopted a new five-year strategic plan that reflects the lessons learned during its first 13 years of work and outlines the following goals:

- The establishment and effective operation of highly skilled, sustainable budget organizations
- The strengthening of networks among civil society organizations that promote budget transparency and accountability
- Research documenting the relationship between civil society budget work and changes in budget processes and outcomes
- An increase in support for budget transparency and accountability among governments, international organizations, and international donors
- Significant movement toward formulating a set of international standards regarding budget transparency and citizen participation in the budget process

Building Capacity Among Budget Organizations

To be effective, civil society budget organizations must have the expertise to analyze budgets and engage in public education and advocacy. They also must have sufficient resources. Toward these ends, the IBP significantly increased its regranting to such organizations in 2009.

This increase reflects several exciting new partners and partnerships. Eight new Indian partners, for example, will enable an intensive focus on monitoring two new pioneering national programs. Also, an innovative new partnership in South Africa brings together the networks and advocacy experiences of the Treatment Action Campaign with the technical skills of the Center for Economic Governance and AIDS in Africa to track the government's roll-out of anti-retroviral drugs to poor communities with high HIV/AIDS incidence.

The IBP also provides training and capacity building to enhance the skills of staff members of civil society organizations. In addition to courses and workshops, the IBP's training teams have developed a mentoring program that provides tailored, ongoing technical assistance to individual partner organizations. In 2009 an initial cohort of 20 mentors, drawn from the IBP staff and other allied organizations, completed a week-long training program. Mentors are assigned to work closely with one or more civil society organizations that are partnered with IBP.

In addition, in 2009 the IBP conducted skills-building workshops for researchers from 94 countries selected to complete the Open Budget Survey questionnaires, which evaluate the transparency of target nations' budget processes. The questionnaires were completed in 2009; the results will be released in 2010.

Developing Standards for Budget Transparency And Participation

The IBP has embarked upon a potentially far-reaching initiative to establish a set of international standards to guide practices in government budget transparency, citizen participation in the budget process, and public finance accountability. In 2009 the IBP took its first steps toward defining such standards and building support for them among international donors and civil society organizations.

In addition, the IBP and ten other international civil society organizations launched the most extensive global test to date of public access to government budget information. Partners in 85 countries requested from their governments the same six types of budget information relating to maternal mortality prevention, environmental protection, and development assistance. The results of this groundbreaking research will be announced in 2010.

Other Highlights

In 2009 the IBP collaborated with a talented filmmaker to produce its first documentary video, "It's Our Money. Where's It Gone?" The video tells the story of how an IBP partner in Kenya is helping poor communities hold public officials accountable for the use (or misuse) of economic development funds.

The IBP also launched a new Mentoring Government program, which responds to requests from national governments for assistance in increasing the transparency, responsiveness, and public participation in their budget systems. It will work with governments in three countries over the next two years to help them improve the quantity, quality, and usefulness of the budget information they provide to the public.





Outreach

Low-wage workers often earn too little to lift themselves out of poverty through work alone, and their jobs often fail to provide key benefits such as health insurance. The Earned Income Tax Credit, Child Tax Credit, and programs such as Medicaid and the Children's Health Insurance Program supplement workers' incomes and provide health coverage. The Center has long been a leader in outreach activities to help eligible Americans obtain these benefits.

Helping Low-Income Workers Obtain Tax Credits

For two decades, thousands of organizations — including community-based groups, state and local government agencies, faith-based organizations, labor unions, and employers — have relied on the Center's annual Tax Credit Outreach Kit to help eligible workers claim the Earned Income Tax Credit and other tax benefits for which they qualify.

In 2009 we used our kit to bring attention to new tax developments supporting working families in the economic crisis. We added new materials to promote awareness of the Recovery Act expansions of low-income tax credits, including fact sheets on the new Making Work Pay Credit, the American Opportunity Tax Credit to help students afford college, and the new eligibility of very low-income workers for the Child Tax Credit.

Our kit also featured new outreach strategies to help reach workers struggling with the recession, as well as the newly employed. It included chapters on outreach to: employers offering entry-level "green jobs" (which got a boost from Recovery Act funding for renewable energy); financial counseling programs that serve workers in financial difficulty; and released prisoners who are seeking to re-enter the workforce.

To better serve our existing outreach partners and cultivate new ones, in 2009 we enhanced our Tax Credit Outreach Campaign's online presence. We created a new website, www.eitcoutreach.org, that features all the components of our kit and provides more detailed information on relevant topics. An interactive section of the site highlights the exemplary work of outreach partners and encourages visitors to share best outreach practices.

For the eighth straight year, we also conducted a "Train-the-Trainer" seminar, which prepared individuals from 19 states to conduct community-based EITC trainings to launch or expand outreach campaigns in their areas. We made special efforts to recruit participants from rural communities who were just starting outreach efforts, as well as participants working with more established campaigns that were looking to broaden their scope.

Covering More Uninsured Low-Income Children

The Center works with other nonprofits, health care providers, social service agencies, community-based organizations, state officials, and others to help identify children and parents who are eligible for Medicaid and the Children's Health Insurance Program (CHIP) and help them participate in these programs.

Together with these partners, we have been working to ensure that the Children's Health Insurance Program Reauthorization Act (CHIPRA), signed into law in February 2009, is implemented effectively, and that aggressive, meaningful steps are taken to improve access to health coverage and boost enrollment for millions of low-income children who are eligible for Medicaid or CHIP but remain uninsured.

In the months after CHIPRA was signed into law, the Center convened a national conference on implementation with the Georgetown University Center for Children and Families, hosted conference calls on specific implementation topics, produced implementation memos, provided regrants to state nonprofits to support work in this area, and provided technical assistance to state officials and advocates to help them identify, promote, and implement CHIPRA options. Since most of the new opportunities in CHIPRA are *options* for states, our work focused on helping state nonprofits and officials encourage their states to adopt the options and enrollment tools.

These options allow states to simplify enrollment and renewal procedures, ensure that eligible children are not denied coverage because of onerous documentation requirements, and extend coverage to low-income children and pregnant women who are legal immigrants and have lived in the United States for less than five years.

States have made impressive progress on CHIPRA implementation. For example, about 20 states adopted the new Center-designed option to document citizenship through a data match with the Social Security Administration, instead of requiring applicants to produce passports, birth certificates, or similar items. Nearly 20 states also planned to adopt the option to allow lawfully residing immigrant children and pregnant women to receive Medicaid during their first five years here. We worked closely with state officials and advocates in many of these states.

Our longstanding work to promote the adoption of simplified enrollment and renewal procedures was especially important, since states can qualify for CHIPRA performance bonuses if they implement at least five of eight such procedures. We provided intensive technical assistance in seven of the nine states that received the first batch of performance bonuses for implementing new simplification procedures.

On December 5, the Kaiser Commission on Medicaid and the Uninsured published the Center's ninth annual 50-state survey of eligibility rules, enrollment and renewal procedures, and cost-sharing practices in Medicaid and CHIP for children and parents. This survey features an analysis of current program trends and includes more than a dozen state-by-state tables that present policies and practices related to access to health coverage.

The information in the report is used by federal and state policymakers, as well as by program administrators, advocates, and the media. For example, the federal Centers for Medicare and Medicaid Services used the tables to help it determine which states qualified for a CHIPRA performance bonus, and President Obama cited the report in a speech announcing new funding for community health centers.



Communications

The world of communications is changing dramatically, and the Center is changing with it, applying the most up-to-date technology and strategies to disseminate our research and analyses. In 2009, we launched an all-new website and a regular series of podcasts, strengthened outreach to bloggers, increased our presence on Facebook and Twitter, and enhanced our graphics.

The Center responded carefully but aggressively to a world in which the mainstream media are shrinking in size and influence, Americans are increasingly getting their news from less-traditional outlets, and people increasingly are customizing their news — getting what they want when they want it.

In response to this shifting media landscape, the Center rebuilt its website, www.cbpp.org, with a focus on creating a robust and interactive experience for visitors. Launched in early 2009, the new site includes interactive technologies that enable users to track specific issues and Center experts, share documents with friends and colleagues, and explore a range of slide shows and multimedia features, including broadcast media interviews with Center staff.

In addition, the Center's new series of audio podcasts — usually brief interviews with Center experts on topics in the news and tailored for busy legislative staff, journalists, and advocates — have attracted a considerable audience, with tens of thousands of downloads in just the first few months.

The story behind the numbers, however, is perhaps more telling. Apple's iTunes store has showcased our podcasts on the "new and notable" section of its home page, which

features releases that "are breaking new ground, have new or unusual content, or capture our interest." In late August 2009, in iTunes' "Government and Organizations" section, a Center podcast ranked #2 (out of thousands) in terms of downloads and subscribers — second only to the weekly video podcast of the President of the United States. More generally, our podcasts consistently rank in the top 50, and often in the top 20, of more than 1,600 nonprofit audio podcasts on iTunes. Center video podcasts are now in the works.

We also have built upon our efforts to reach leading bloggers in real time, often several times a day, with multiple purposes in mind. Not only do we work to ensure that bloggers have our latest analyses, but we monitor the blogosphere, seek opportunities to insert our work in relevant conversations, and address errors and misconceptions that are starting to gain traction online.

To shape the public debate faster and more effectively, we recently launched our own blog — "Off the Charts" (www.offthecharts.org) — where Center analysts post data, analysis, graphics, and commentary on a daily basis.

To capitalize on the explosive growth of social networking, in which more members of our key audiences (including media) are participating, we have become active on Facebook and Twitter, regularly posting analyses and multimedia products. Also, our new website employs social networking tools that allow users to recommend content from the website to a wide array of various social networking sites.



Michelle Bazie, Deputy Director of Communications

"Over the past year, we have invested in state-of-the-art technologies, continued to improve the design and usability of the Center's website and materials, strengthened our ties to mainstream and new media, and enhanced our robust role in the planning, creation, messaging, and distribution of the Center's work. This has allowed us to use communications in the best possible way to advance the policy outcomes that the Center seeks."

Enhancing all these activities is our new graphics capability. The Center's graphics designer works with analysts to develop visually compelling graphics that convey data clearly and crisply. Prominent bloggers, news outlets, and TV stations increasingly use them in their reporting.

At the same time, we continue to build on our more traditional methods of disseminating Center research and analysis. For example, the Center conducts media conference calls throughout the year for journalists across the country, during which Center experts analyze emerging issues and inject our research into policy debates. (We issue the presentation portions of these calls as podcasts.)

Participants have included journalists from key national newspapers, wire services, and television and radio networks.

In addition, Center analysts work closely with prominent editorial writers and columnists, providing data, analysis, and perspective. In 2009, hundreds of editorials and columns drew on the Center's work.

In early 2009, the Center launched an all-new site with a new feature — the myCenter account, which allows users to personalize the content they receive through the site and receive e-mail alerts according to their interests.

The screenshot displays the myCenter website interface. At the top, the browser address bar shows the URL <http://www.cbpp.org/myCenter/index.cfm?fa=myCenter>. The page header features the Center on Budget and Policy Priorities logo and a navigation menu with links: About, Areas of Research, Policy Basics, Experts, Donate, Press Room, and Blog. Below the header, the user's profile is visible, showing the name **ELIZABETH MCNICHOL** and a profile picture. Under her name, there are sections for "Recent Reports" and "Recent Appearances". The "Recent Reports" section lists three items: "Recession Continues to Batter State Budgets; State Responses Could Slow Recovery", "Stalled Estate Tax Proposal Could Threaten State Revenues that Support Education, Public Safety, and Other Key Services", and "State Taxes On Inherited Wealth Remain Common". The "Recent Appearances" section lists one item: "Podcast: State Budget Crisis Continues Despite Surpluses". Below this, there is a section for **DOTTIE ROSENBAUM** with similar "Recent Reports" and "Recent Appearances" sections. The "Recent Reports" for Dottie Rosenbaum include "The Food Stamp Program Is Effective and Efficient", "How Low-Income Consumers Would Fare in the Kerry-Lieberman Climate-Change Bill", and "Creating a Safety Net That Works When the Economy Doesn't: The Role of the Food Stamp and TANF Programs". Below this, there is a section for **PAUL N. VAN DE WATER** with "Recent Reports" and "Recent Appearances" sections. The "Recent Reports" for Paul N. Van De Water include "2010 Medicare Trustees' Report Shows Benefits of Health Reform and Need for Its Successful Implementation", "What the 2010 Trustees' Report Shows about Social Security", and "Social Security Keeps 20 Million Americans Out of Poverty". On the right side of the page, there is a search bar, a "Welcome Back, Edward" message with links to "CBPP Admin Area", "Go to myCenter", "Edit Profile", and "Log Out", a "Visit the Center's New Blog!" section for "off the charts" with the tagline "Policy insight beyond the numbers.", a "SIGN UP FOR E-MAIL ALERTS" section with a text input field containing "bremner@cbpp.org" and a "GO" button, an "RSS Feeds" section, a "MULTIMEDIA" section with links to "Video", "Podcasts", and "Slideshows", and a "BROWSE REPORTS" section with dropdown menus for "Areas of Research", "All Subtopics", "Experts", and "Year", and a "GO" button.

Financial Statements, 2009

Assets (in thousands)

Year Ended December 31

Cash	\$497
Investments	38,921
Grants Receivable	22,983
Contracts Receivable	85
Accounts Receivable	72
Prepaid Expenses	202
Property and Equipment Net of Accumulated Depreciation	119
Total Assets	\$62,879

Liabilities and Net Assets (in thousands)

Year Ended December 31

Liabilities

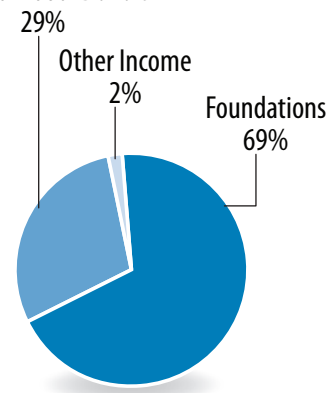
Accounts Payable	\$500
Employee Benefits Withheld and Accrued	68
Accrued Payroll and Payroll Taxes	384
Accrued Annual Leave	359
Deferred Revenue - Restricted	5
Total Liabilities	\$1,316

Net Assets

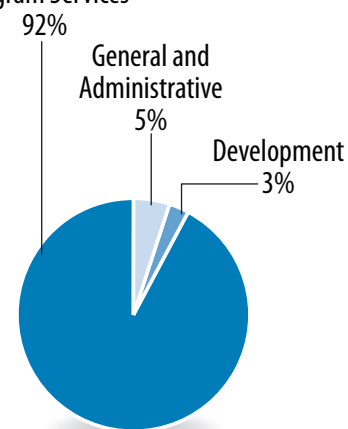
Unrestricted	\$119
Board Designated Endowment and Strategic Funds	21,571
Temporarily Restricted	38,873
Permanently Restricted	1,000
Total Net Assets	\$61,563
Total Liabilities and Net Assets	\$62,879

Statement of Activities (in thousands)*Year Ended December 31*

Revenue	
Contributions	\$89
Major Donors	1,110
Contract Income	417
Conference Income	35
Subscriptions and Publications	4
Honoraria	7
Investment Income	69
Grant Income (Net Assets Released from Restrictions)	23,196
Total Revenue	\$24,927
Expenses	
Program Services	
Federal Policy, Research and Analysis	\$2,912
State Low-Income Program and Related Projects	3,560
State Fiscal and Related Projects	5,660
Federal and State Health Projects	2,463
International Budget Partnership	7,321
DC Fiscal Policy Institute	463
Total Program Services	22,379
General and Administrative	1,141
Grant Development	847
Total Expenses	\$24,367
Change in Unrestricted Net Assets	\$560

RevenueFamily Foundations,
Donor Advised Funds,
and Individual Donors**Expenses**

Program Services



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The Center on Budget and Policy Priorities would like to acknowledge the following foundations and institutions for their generous support in 2009.

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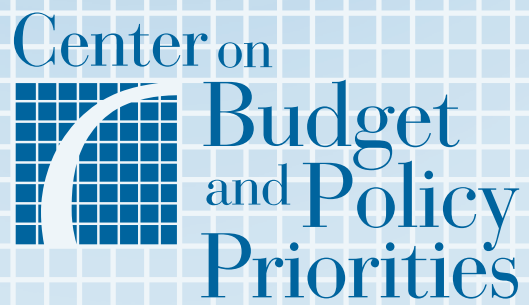
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