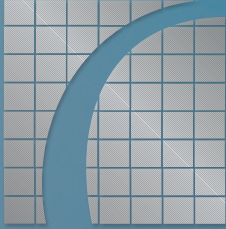


Center on
 Budget
and Policy
Priorities
| 25th
Anniversary

ANNUAL REPORT 2007

OVERVIEW

The Center on Budget and Policy Priorities is a research organization and policy institute that works at both the federal and state levels on budget priorities, tax policy, and public programs and policies that affect low- and moderate-income families and individuals.

A non-partisan, nonprofit group, the Center conducts research and analysis to inform public debates over proposed budget and tax policies and to help ensure that the needs of low-income families and individuals are considered in these debates. The Center also develops policy ideas and options to alleviate poverty, particularly among working families, and to address federal and state budget problems and promote fiscal responsibility.

The Center devotes particular attention to analyzing the short- and long-term impacts that proposed policies would have on federal and state budgets and the economy. Among the issues we explore are whether federal and state governments are fiscally sound over the long term and will have sufficient revenue to address critical priorities, both for low-income populations and for the nation as a whole.

Over the past quarter-century, the Center has gained a reputation for producing materials that are balanced, authoritative, accessible to non-specialists, and responsive to issues currently before the country. Our materials are used by policymakers and nonprofit organizations across the political spectrum, as well as by journalists from a wide variety of media outlets.

This report reviews major areas of Center work in 2007.

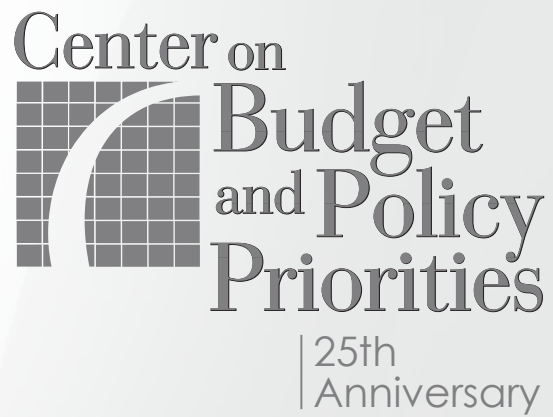


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MESSAGE FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR



DAVID DE FERRANTI, CHAIR

In April 2007, the Center marked its 25th anniversary, honoring several prominent individuals who have worked with us over the past quarter-century to reduce poverty and promote fiscal responsibility (see page 14). But the Center's most important work lies ahead, and 2007 proved to be a busy year.

Some of our biggest achievements during the year concerned food assistance programs for low-income

households, which have become even more important due to sharp food price increases. For example, as Congress prepared to reauthorize the Food Stamp Program, we crafted reforms to improve families' access to food stamps and to increase food stamp benefits. Ultimately, Congress enacted a bill that adopts more than a dozen of our recommendations. Containing the biggest food stamp improvements in 15 years, it will boost food assistance by nearly \$8 billion over the next decade.

These improvements build on a number of earlier reforms we designed, helped secure federal approval of, and encouraged states to adopt in order to make food stamps more accessible, especially to the working poor. These improvements, most of which take the form of state options, have contributed to a marked increase in food stamp participation. Since we launched this work in 1999, the number of low-income people receiving food stamps has risen by almost 10 million, and the percentage of people eligible for food stamps who actually receive them has approached an all-time high.

Also in 2007, the Center helped ensure adequate funding for the WIC program (the Special Supplemental Nutrition Program for Women, Infants, and Children). When rising food prices rendered Administration and earlier Congressional estimates of the program's funding needs obsolete — placing nutrition assistance for hundreds of thousands of low-income women and children at risk — the Center produced a new estimate, based on an in-depth analysis of factors affecting WIC costs. Congressional leaders of both parties and the Administration agreed to discard their estimates and to boost

WIC funding by over \$400 million to meet the exact funding level we recommended.

In the area of health care, two of the Center's priorities for 2007 were promoting Medicare reform and reducing the ranks of uninsured children. Congress's expert advisory commission on Medicare has found that the federal government significantly overpays the private health care plans that serve some Medicare beneficiaries, weakening Medicare's finances and raising premiums. We educated policymakers and the media about the overpayments and the commission's recommendations to address them. This contributed to a modest initial success in 2008, when Congress started reining in the overpayments and slowing the growth of the type of private plan that receives some of the biggest overpayments.

To strengthen children's health coverage, we helped design and promote measures to enable states to reach millions of low-income children who are eligible for Medicaid or the State Children's Health Insurance Program (SCHIP) but are unenrolled and uninsured. Twice Congress passed legislation on a bipartisan basis to accomplish this goal (we helped craft parts of these bills), but the President vetoed both bills. Congress will revisit this issue in 2009.

The Center also entered an important new area of work in 2007: the intersection of climate change policy and poverty. Limits on greenhouse-gas emissions are essential, but they will raise the price of everything from gasoline and electricity to food, mass transit, and other products and services with significant energy inputs. To ensure these extra costs do not exacerbate poverty, we have designed efficient ways to provide low-income consumers with rebates that would offset their extra costs without reducing energy conservation incentives.

We are working with a wide range of environmental, low-income, religious, and other organizations to promote these ideas, which are reflected in several bills before Congress. Climate change is likely to be one of the biggest policy issues of the coming decade. We intend to play a major role in this debate.

On another front, for two decades, the Center has designed and promoted improvements in the Earned Income Tax Credit for low-income workers. In 2007 House Ways and Means Committee Chairman Rangel introduced major

tax reform legislation that includes a significant, Center-designed expansion of the EITC for very poor workers without children. In the next year or two, Congress is likely to give this proposal serious consideration.

On the issue of promoting fiscal discipline — another long-time Center priority — 2007 marked a major advance. Congress voted to reinstate the “pay-as-you-go” rule, which is designed to induce Congress to fully offset the cost of any new tax cuts or increases in entitlement programs so they do not expand the deficit. The Center and other budget watchdog groups had urged Congress to adopt this reform so policymakers would stop “digging the deficit hole deeper.”

At the state level in 2007, we continued to strengthen and expand our network of state-based nonprofit groups dedicated to conducting high-quality budget analysis and protecting the needs of less-fortunate Americans. This network, the State Fiscal Analysis Initiative, will soon have members in 38 states that together contain 90 percent of the nation’s population. We placed particular emphasis in 2007 on expanding the network in the South.

We also worked with these and other state groups to help states make their revenue systems stronger and fairer, such as through corporate tax reform. In 2007, New York, Michigan, and West Virginia enacted a key reform the Center has promoted for several years. Called “combined reporting,” it nullifies many of the strategies some multi-state corporations have used to evade state taxation by artificially shifting profits out of the state. Twenty-one states had adopted combined reporting as of the end of 2007.

In addition, we encouraged states to provide tax relief for low-income working families by creating or strengthening state EITCs, and nine states did so in 2007. Nearly half the states now have EITCs. And, in 2007, Louisiana and North Carolina became the first states in the South to adopt EITCs that are “refundable,” meaning that families with incomes too low to owe income tax can receive the credit as an income supplement.

At the same time, we exposed flaws in proposals being considered in a number of states that would weaken state finances. With our help, state partner organizations helped defeat efforts to enact crippling tax-and-spending limits in all ten states where these proposals surfaced in 2007.

In the international arena, the Center’s International Budget Project (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. During 2007, IBP helped 26 organizations around the world, including groups in Cambodia, Chad, Guatemala, and Pakistan, initiate work on budget issues. IBP also provided training workshops to civil society groups in over 60 countries.

Late in 2007, the Center was named one of the nation’s 12 most effective nonprofits in *Forces for Good: The Six Practices of High-Impact Nonprofits*, published with support from the Aspen Institute’s Nonprofit Sector and Philanthropy Program. Despite having the smallest annual budget of the 12 groups studied, the Center “has influenced federal and state policies and budget decisions that have affected the lives of millions of low-income Americans” and is “a great example of getting more bang for your buck,” the authors wrote.

Forces for Good also explained how the Center has “dramatically expanded its impact” on state and federal policy debates. “Instead of growing its own organization, [the Center] works with established nonprofits to build their capacity to do budget analysis and advocacy work. In the business world, this unheard-of-strategy would be akin to Starbucks’ partnering with the neighborhood coffee shop to enter a local market — without taking any profit for itself.”

The Center’s activities and accomplishments would not be possible without the support of foundations and individual contributors, as well as the collaborative efforts of other nonprofits and policy institutions. Their help will be essential in the years ahead as we intensify our efforts to reduce poverty and address the nation’s long-term budget challenges. The Center will continue to offer its unique blend of research and analysis, policy development, technical assistance, and public education in pursuit of these goals.



ROBERT GREENSTEIN,
EXECUTIVE DIRECTOR

Center on Budget and Policy Priorities

25th Anniversary

The Center on Budget and Policy Priorities celebrated the 25th anniversary of its founding with a gala in Washington, DC on April 24, 2007.

“Over the years, the Center . . . has been a bible to me in trying to sort out public issues.”

— Former Senator George McGovern

“The widespread affection and respect the Center has earned for its hard work, its honest analyses, and its effectiveness [is] not surpassed, I believe, by any other organization in the country.”

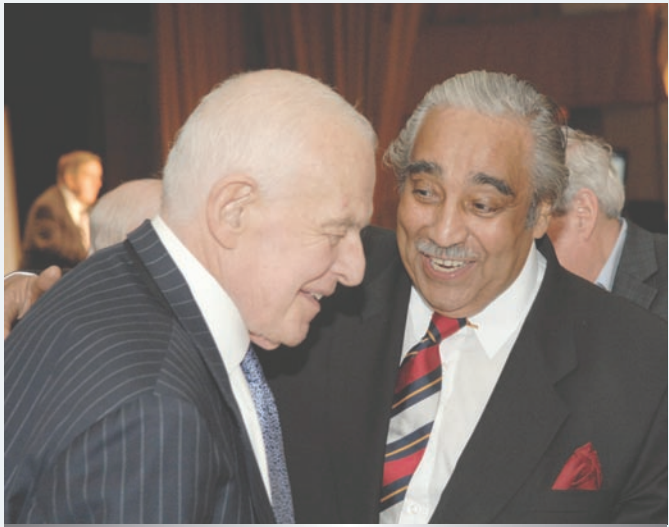
— Henry Aaron, 25th Anniversary Event Chair



HONOREE RICHARD BOONE ACCEPTS AWARD FROM CENTER BOARD MEMBER MARIAN WRIGHT EDELMAN, PRESIDENT OF THE CHILDREN’S DEFENSE FUND



CENTER BOARD MEMBER AND EVENT CHAIR HENRY AARON OPENS THE EVENING WITH A WELCOME TO THE GUESTS



FORMER HOUSE SPEAKER THOMAS FOLEY AND CONGRESSMAN CHARLES RANGEL

“Today, as our nation grapples with difficult questions about how to fund basic services and restore fiscal responsibility again, we need the Center’s responsible and optimistic vision more than ever”

– President Bill Clinton



COLUMNIST MARK SHIELDS,
EMCEE FOR THE EVENING

“As we look ahead, we see challenges that dwarf those that we’ve confronted for the last quarter-century. The Center’s hardest and most important work is not behind us, it’s ahead of us.”

– Robert Greenstein, Executive Director,
Center on Budget and Policy Priorities



FORMER SENATOR GEORGE MCGOVERN, CENTER EXECUTIVE
DIRECTOR ROBERT GREENSTEIN, AND FORMER SENATOR ROBERT DOLE

“The Center speaks truth to power and I am truly proud to be identified with it.”

– Richard Boone, 25th Anniversary Honoree



CENTER DEPUTY DIRECTOR IRIS LAV, MICHAEL LAV, AND
CENTER BOARD MEMBER FRANK MANKIEWICZ

“Your priorities are making a difference and making things happen.”

– Former Senator Robert Dole,
25th Anniversary Honoree

FISCAL ISSUES AT THE FEDERAL LEVEL

The Center analyzes major federal budget and tax proposals, examining their effects on the government’s ability to address critical national needs, especially over the long term, as well as on the economy. We place particular emphasis on the effects of budget and tax proposals on households at different income levels.

In addition, the Center explores the tradeoffs between competing budget and tax proposals that reflect different priorities, such as tax cuts benefiting upper-income households versus investments in programs for low- and moderate-income households or improvements in education or the environment.

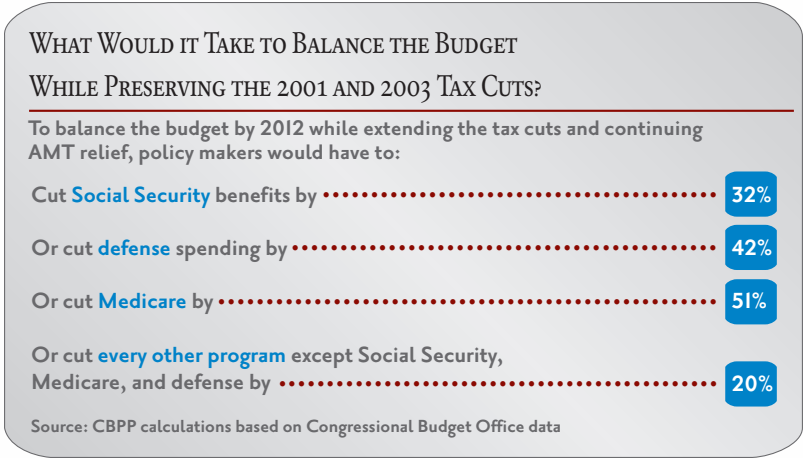
FEDERAL BUDGET ISSUES

Starting with the release of the President’s proposed 2008 budget in February 2007 and throughout the congressional budget process, the Center informed the public debate over funding for key low-income programs and other domestic priorities. The Center produced dozens of timely analyses showing how major budget proposals from the President and members of Congress would affect public services and federal and state budgets. We also provided information and analysis to national and state nonprofit organizations and coalitions to help them engage more effectively in these important debates.

One example is our work concerning the WIC program – the Special Supplemental Nutrition Program for Women, Infants, and Children. We produced a detailed analysis showing that largely because of sharply increasing food prices, WIC would need substantially more funding in 2008 than either the White House or Congress planned to provide. Hundreds of thousands of low-income mothers and young children could be denied vital nutrition assistance as a result. This analysis persuaded Congress to vote on a bipartisan basis to set aside its own WIC funding estimates (and the White House’s) and provide the Center’s recommended funding level instead. (See page 14 for more details.)

Also in 2007, a multi-year effort by the Center and other budget watchdog groups paid off when Congress adopted several important budget reforms to help restore fiscal discipline. The most significant of these is the “pay-as-you-go” rule, which is designed to induce Congress to fully offset the cost of new tax cuts and increases in entitlement programs so they do not expand the deficit.

The Center, together with other budget watchdog groups, had urged policymakers for several years to reinstate the “pay-as-you-go” rule. With one significant exception, Congress largely lived up to the new rule in 2007, finding ways to pay for legislation ranging from a major energy bill to improvements in student financial aid. The exception was a bill temporarily



protecting middle-class households from the Alternative Minimum Tax (see below), where Congress bowed to the President's demand that the bill not be paid for.

FEDERAL TAX ISSUES

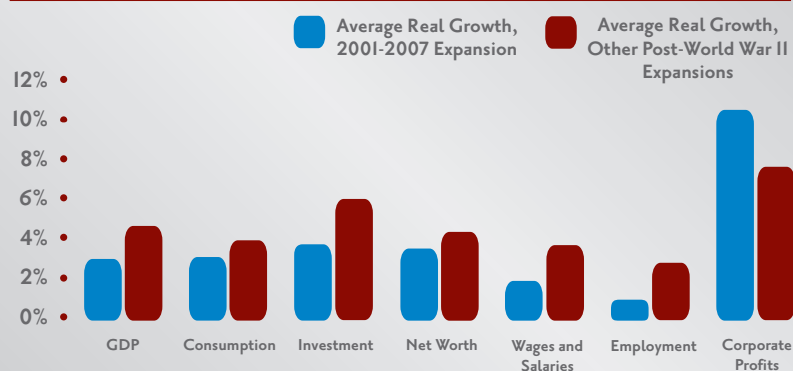
In recent years, the Center has conducted extensive work on the 2001 and 2003 tax cuts and whether they should be made permanent. This will be one of the biggest domestic policy decisions to be made in the first years of the next administration.

The current administration and some supporters of the tax cuts maintain that they have produced impressive economic growth and have benefited Americans at all income levels by creating powerful incentives for investment and new jobs. Our analyses, which received wide media coverage, countered these claims. For example, one Center report showed that the 2001-2007 economic expansion was among the weakest since World War II according to a broad range of key economic indicators, such as economic growth, investment, and employment.

We also produced materials designed to make tax debates more accessible to reporters, nonprofit groups, advocates, and the general public. One report, for example, dispelled a number of the myths being spread about the tax cuts, such as that they have made the tax system more progressive or paid for themselves. We will intensify our analytical work on the tax cuts as the debate over their future unfolds.

Another important decision facing Congress is how to reform the Alternative Minimum Tax (AMT) so it does not affect increasing numbers of middle-income families. Some policymakers have proposed eliminating most or

THE 2001-2007 ECONOMIC EXPANSION WAS WEAKER THAN AVERAGE; ONLY CORPORATE PROFITS GREW RAPIDLY



Source: CBPP calculations based on Commerce Department, Labor Department, and Federal Reserve data

all of the AMT permanently. This would add as much as \$1 trillion to deficits over just the first decade, create pressures for deep cuts in social programs, and exacerbate income inequality.

The Center has been heavily involved in the AMT debate – analyzing all major reform proposals, debunking myths, and laying out criteria for AMT reform. In November 2007, the House passed a bill to extend temporarily the current form of AMT relief and pay for it in substantial part by eliminating an unwarranted tax break for highly paid private equity fund managers, a step the Center (and many other analysts and policy organizations) had recommended. In the end, the Senate and the White House refused to accept revenue-raising offsets, resulting in a deficit-financed AMT relief bill. As Congress revisits this issue, we will continue to promote a permanent, progressive, and fiscally responsible solution to the AMT problem.

For a discussion of the Center's work on tax credits for low-income families, see page 8.

THE STATE FISCAL PROJECT AND THE STATE FISCAL ANALYSIS INITIATIVE

The Center’s State Fiscal Project works with state officials and state-based nonprofits to develop responsible budget and tax policies that take the needs of low-income families into account. We provide information and technical assistance on a variety of issues, including strengthening state tax systems, state budget priorities, and making low-income programs more effective. We also help state nonprofits understand how federal budget and tax decisions affect states and their residents.

STRENGTHENING STATE REVENUE SYSTEMS

Throughout 2007, the Center produced analyses about the importance of reforming state revenue systems, many elements of which haven’t been revised in decades. Without these reforms, many states will have insufficient revenues in coming years to maintain current expenditures in areas such as education and health care, let alone to address promising new initiatives to alleviate poverty and expand opportunity.

PROMOTING CORPORATE TAX REFORM

One important way states can strengthen their revenue systems is by reforming their corporate tax laws. For example, states lose billions of dollars in revenue each year when large, multi-state corporations artificially shift profits out of the states in which they are earned and into states in which they will be taxed at lower rates – or not at all.

The Center is a leading proponent of a reform called “combined reporting,” which nullifies many of these kinds of lucrative tax-avoidance strategies. In 2007, we made significant headway in encouraging more states to adopt the reform.

We advanced combined reporting in about a dozen states during the year, issuing analyses, testifying before state legislatures, briefing policymakers and advocates, and helping state-based policy organizations that are working on behalf of the reform. Three of these states – New York, Michigan, and West Virginia – adopted combined reporting in 2007, raising the number of states with combined reporting to 21. Working with our state-based partner organizations in the SFAI network (see page 9), we will urge and assist more states to follow suit in coming years.

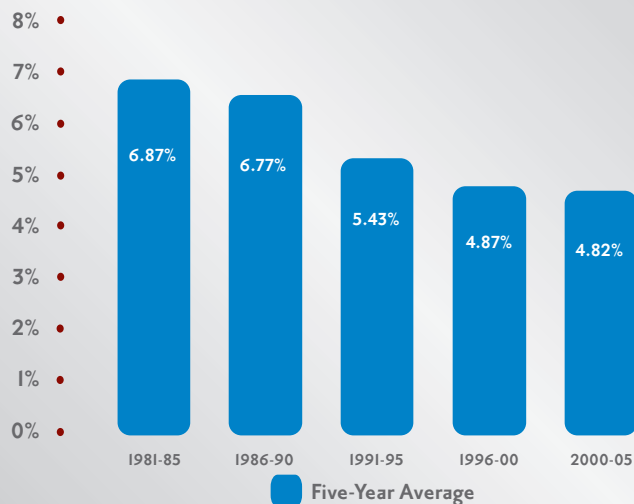
ADDRESSING HARMFUL TAX PROPOSALS

The Center also worked to prevent the enactment of policies that would weaken state finances and thereby place quality public services at risk. Most notably, we continued our successful collaboration with our state partners to educate policymakers, stakeholders, and the general public about the dangers posed by proposed constitutional amendments in a number of states that would impose draconian tax and expenditure limits.

Modeled on Colorado’s “Taxpayer Bill of Rights” (or TABOR), these proposals would cause deep cuts in state government over time by severely restricting the amount of revenue that states can collect or spend. In Colorado, TABOR caused a sharp deterioration in state and local services such as health care and education.

TABOR proposals surfaced in ten state legislatures in 2007, including Florida, Georgia, Pennsylvania, and South Carolina. We analyzed these proposals and worked intensively with state nonprofits to draw attention to the threats such proposals pose, producing analyses, planning

STATE CORPORATE INCOME TAX RATES HAVE DECLINED SINCE 1981



public forums, and helping to build broad coalitions to protect public services. These efforts helped derail pro-TABOR efforts in all ten states.

Like TABORs, rigid limits on property tax revenues can undermine education and other public services, and the Center works with state partners on such proposals. For example, in Connecticut, where the governor proposed a tight property tax cap in 2007, Center staff testified before the legislature on the problems the cap would cause. The testimony received favorable media coverage and was used by numerous nonprofit groups in their own work regarding the cap. Ultimately, legislators became concerned about a number of problems we raised and decided not to adopt the cap.

PROVIDING TAX RELIEF TO LOW-INCOME WORKING FAMILIES

In addition to promoting reforms to make state tax systems stronger and more stable, the Center designs and promotes measures to ease state taxes on low-income households.

ANALYZING STATES' TAX POLICIES TOWARD THE WORKING POOR

Each year, the Center issues a report with state-by-state information on the income level in each state at which families begin to owe state income tax. These reports receive widespread coverage around the nation, generating numerous newspaper editorials in states with especially low tax thresholds that call upon policymakers to ease tax burdens on low-income workers.

To maximize the report's impact, we work with a number of partner organizations in individual states to issue materials on the findings regarding their state and to hold conference calls for journalists to highlight that state's particular problems.

The 2007 edition of the report found that 19 of the 42 states that have an income tax still tax some people living at or below the poverty line, effectively driving them deeper into poverty. In Arkansas, Alabama, Hawaii, and West Virginia, families of four with poverty-level income (roughly \$21,000)

pay more than \$400 in state income taxes.

Like its predecessors, the report — and the media coverage it generated — prodded lawmakers in several states to make concrete improvements in their tax policies. In New Jersey, for example, the report played a key role in the successful effort to strengthen the state's Earned Income Tax Credit (EITC). The report also contributed to successful efforts to create state EITCs in Louisiana and North Carolina and to strengthen Hawaii's tax credit for low-income working families.

PROMOTING STATE EARNED INCOME TAX CREDITS

The Center works closely with state partners on efforts to create or expand state Earned Income Tax Credits for low-wage workers and their families. A concept the Center pioneered in the 1980s, state EITCs can play an important role in relieving state tax burdens on the working poor and reducing poverty.

In 2007, our collaborations scored exciting victories in this area. Louisiana and North Carolina became the first states in the South to adopt state EITCs that are "refundable," meaning that families with incomes too low to owe income tax can receive the credit in the form of a refund check to supplement their income. New Mexico also adopted a state EITC, and six other states — Illinois, Iowa, Kansas, Maryland, Nebraska, and New Jersey — expanded their state EITCs.

As a result of these gains, 23 states and the District of Columbia now have state EITCs, which deliver nearly \$2 billion per year in tax relief and income support to 6 million low-wage working families.

SHAPING PUBLIC UNDERSTANDING OF STATE BUDGET CONDITIONS

In the final months of 2007, the slowing of the economy began creating significant budget problems for a number of states by weakening state revenues. The Center was one of the first organizations to draw attention to this development, issuing a major analysis demonstrating that more than a dozen states were facing large budget shortfalls.

We also began to make the case for federal fiscal relief for states if the economic slowdown worsened. We led a comparable effort in the 2001 recession, when Center analyses of the seriousness of states' fiscal problems helped convince Congress to provide \$20 billion in relief. Because of this aid, state cuts in services for low-income and other vulnerable residents were much less extensive and damaging than they otherwise would have been.

As fiscal problems spread to more than half of the states in 2008, we continued to monitor state budget conditions closely and to educate policymakers and the media about them. We regularly update our analysis of state budget shortfalls — which has received extensive coverage — to provide reporters and policymakers with the most up-to-date information available. We have also designed a proposal to provide fiscal relief to states and to target these funds efficiently by focusing the bulk of them on the states that are in the most serious fiscal trouble, as measured by an index of state economic indicators. Congress is giving this approach serious consideration.

MAKING STATE NONPROFITS MORE EFFECTIVE

A key part of the Center's work is to build the capacity of state groups across the nation to analyze state budget issues and the impact of state budget policies on low-income residents.

EXPANDING THE SFAI NETWORK

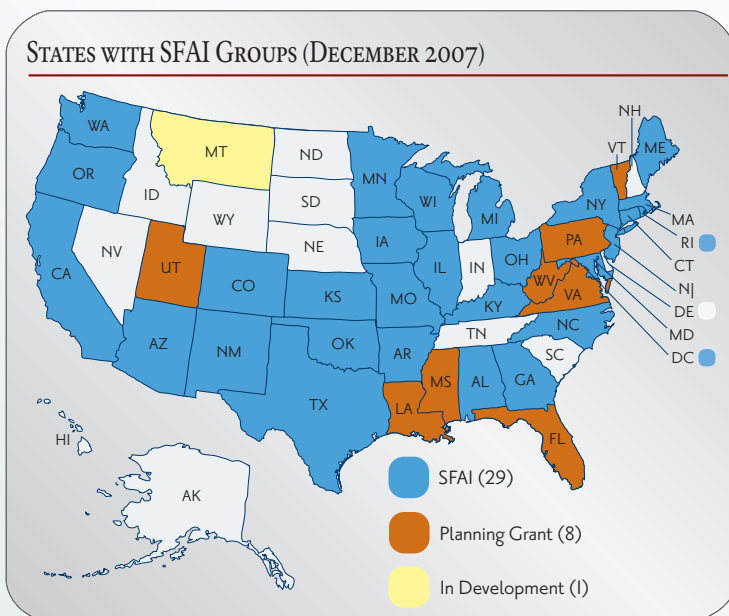
Much of our assistance is directed to the members of the State Fiscal Analysis Initiative (SFAI), a network of state-level nonprofits formed with our assistance in 1993. Since then, its membership has nearly tripled, from 11 states to 29. By 2009, SFAI is on track to cover 38 states that together contain 90 percent of the nation's population.

One of our top priorities has been to expand SFAI's presence in the South, and in 2007 we worked with groups in four southern states (Florida, Louisiana, Mississippi, and Virginia) that are building organizations for eventual SFAI membership. We also made significant progress toward establishing an SFAI organization in West Virginia and began developing an SFAI group in Montana.

BUILDING CAPACITY AMONG STATE PARTNERS

The Center provides SFAI members with extensive support as they seek to influence state policymaking through a combination of analysis and public education. To help these groups build their analytical capability, we provide technical assistance, including in-depth training, dissemination of model reports with state-by-state data, and development of analytical tools. We also provide groups with strategic guidance and facilitate cooperation among the members of the SFAI network.

These various Center roles come together in our annual State Fiscal Policy conference. This intensive three-day conference, held in Washington, D.C. each fall, brings together SFAI groups and other state nonprofits from across the country to receive intensive training on emerging state fiscal policy issues. Participants also exchange successful strategies for advancing policy proposals and improving their media and communications skills. Our fifteenth such conference, held in November 2007, drew more than 300 participants from 47 states, nearly one-third of them first-time attendees.



CLIMATE CHANGE AND POVERTY

In 2007, the Center launched a new area of policy work: the intersection of climate change policy and poverty. We have taken a leading role both in showing that the rising energy costs that will accompany effective measures to reduce greenhouse gas emissions could have a significant, negative impact on low-income Americans and in designing effective, fiscally responsible ways to offset that impact without undermining incentives to conserve energy.

PROTECTING THOSE MOST VULNERABLE TO RISING ENERGY PRICES

Instituting strong and effective policies to reduce greenhouse gas emissions is one of the greatest imperatives the nation faces. But there is far more to such policies than simply placing a cap or a tax on emissions. Critical decisions will have to be made regarding how such proposals will work and who will bear the cost or profit from them.

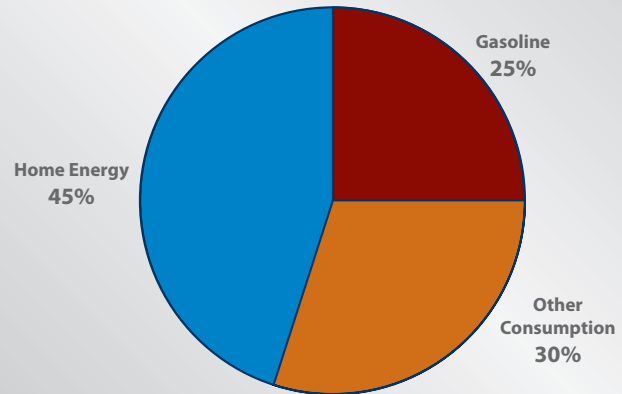
Limits on greenhouse gas emissions will significantly raise the price of a variety of products made with or transported by fossil fuels. Low-income households will struggle in the face of these higher prices. Even a 15 percent reduction in emissions — far less than will ultimately be needed to address global warming effectively — would cost the poorest fifth of Americans an average of as much as \$750 per household each year. That's a large sum for families whose average yearly income is only modestly over \$13,000.

Without relief to offset this extra cost, millions of near-poor households would be driven into poverty, and those who already are poor would sink deeper into poverty. Moreover, as emissions caps tightened over time, the adverse effect on low-income households would become still greater.

An increase in energy prices could also hurt vulnerable households indirectly, by squeezing federal, state, and local budgets. Governments at all levels are major energy consumers. Higher energy prices will raise the cost of heating schools, hospitals, and other government buildings, as well as the cost of many items that governments purchase. Yet these adverse effects need not occur.

IMPACT OF CLIMATE POLICY ON THE BUDGETS OF LOW-INCOME HOUSEHOLDS GOES WELL BEYOND HOME ENERGY

Shares of Cost Increase for Poorest 20 Percent of Population by Product Category



Source: CBPP calculations based on Consumer Expenditure Survey data and CBO methodology

THE EMERGING DEBATE

Well-designed climate change policies can produce sufficient revenue to fully offset the impact of higher energy prices on low-income households and protect government budgets, as well as meet other needs. Unfortunately, a number of the leading proposals to date would have the unintended side-effects of increasing poverty and widening already near-record gaps between rich and poor. And some opponents of climate change legislation have begun to argue that policies to cap or tax emissions would necessarily harm the poor and therefore should not be enacted.

Members of Congress and environmental organizations have begun to ask what they can do to address these concerns.

SHAPING THE FEDERAL RESPONSE

We formally launched our work on the intersection of climate change and poverty at a National Press Club event in October 2007, where we were joined by the Natural Resources Defense Council and released the Center's first report on these issues.

Shortly thereafter, we began issuing a battery of analyses on these issues, including a major analysis of the impact of climate change policies on the economy and the

federal budget and analysis of their impact on low-income households. These analyses have set forth principles for designing effective and efficient low-income assistance that would be consistent with energy conservation goals as well as specific, detailed proposals to meet those principles. This is now considered the leading body of analysis on these matters.

In particular, we have designed a “climate rebate” to offset the impact of higher energy-related prices on low- and moderate-income consumers. It would operate through two delivery mechanisms. Very low-income households would receive the rebate through the electronic benefit transfer systems (essentially debit cards) that states already use to provide various forms of low-income assistance, such as food stamp benefits. Low- and moderate-income working families would receive the rebate in the form of a higher Earned Income Tax Credit.

By operating through proven delivery mechanisms, this plan could provide assistance both effectively and efficiently. Aimed at the roughly 60 million Americans who make up the lowest-income 20 percent of the population, the rebate would reach about three-fourths of these households automatically (and without their having to file new applications), because it would be linked to other benefits they already receive. And it would cost only a modest fraction of the resources that a well-designed “cap-and-trade” system could generate (see box).

Environmental, low-income, religious, and other organizations have welcomed our involvement in the climate change debate, and a number of these groups have endorsed our climate rebate proposal. In addition, members of Congress from both parties have cited our work, and several bills have been introduced in Congress that incorporate the Center’s rebate proposal.

These are just the first steps of what we envision as a multi-year program of research and policy analysis and development, communications work, advocacy, and coalition building. With a quarter-century track record of

CAP AND TRADE 101

- A cap-and-trade system places an overall limit (or “cap”) on the economy’s total emissions of carbon dioxide and requires companies that emit carbon dioxide to have a permit or allowance for each ton they emit. Companies would be free to buy or sell (to “trade”) these permits. Companies that could reduce their emissions easily could sell their extra permits to companies that have more trouble reducing their emissions.
- A critical question under a cap-and-trade system is whether the government would give the emissions permits to companies free of charge or auction them off. The Congressional Budget Office has found that giving away a significant share of the permits would generate windfall profits for the companies receiving the permits for free. Auctioning the permits, in contrast, would raise many tens of billions of dollars that could be used for such purposes as protecting low- and moderate-income consumers from the resulting increase in energy prices, conducting basic research into alternative energy sources, compensating workers in affected industries (such as coal mining) and addressing other priorities.

designing and securing policies that help lift low-income families out of poverty, we are uniquely suited to play a major role in ensuring that climate change policies do not exacerbate poverty. By addressing concerns about the impact of these policies on consumers and the economy, and by bringing more organizations concerned with the needs of low-income families into the debate to work for strong climate change policies that protect these families, we also aim to help remove key barriers to the enactment of strong climate change policies.

HEALTH INSURANCE

More than 40 million low-income Americans receive health coverage or long-term care through Medicaid, most of them children, parents, people with disabilities, or seniors. Another 4 million low-income children receive health coverage through the State Children's Health Insurance Program (SCHIP). The Center works at both the federal and state levels to strengthen these programs so they can reduce the ranks of the uninsured.

ENROLLING MORE ELIGIBLE LOW-INCOME CHILDREN

In 2007, Congress considered changes to SCHIP as part of legislation to renew the program. The Center played a major role in this debate, focusing on designing ways to help states reach the millions of uninsured low-income children who are eligible for SCHIP or Medicaid but unenrolled.

We produced a battery of widely cited analyses and worked with other national and state groups to develop a series of specific program improvements. We also evaluated other major proposals put forth by the Administration and members of Congress.

In addition, we conducted extensive media work. For example, when former House Speaker Newt Gingrich co-authored an op-ed in the *Atlanta Journal-Constitution* that made a number of misleading claims about a House-passed SCHIP bill, Robert Greenstein and Representative John Lewis (D-GA) replied with an op-ed in the same newspaper responding to these claims.

Our work on this issue has helped to build support, both within Congress and among the public at large, for significant SCHIP improvements to reach low-income children who are eligible but unenrolled. Congress eventually passed two different versions of bipartisan legislation that would have extended coverage to an additional 4 million uninsured low-income children and that included a number

of provisions Center staff helped design. The President vetoed the legislation, however, and Congress was forced to extend SCHIP in its current form into 2009. Nevertheless, the Center's work should help lay the groundwork for advances in this area in the years ahead.

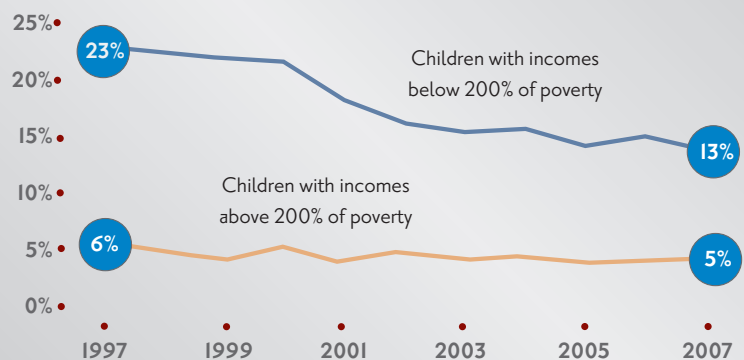
COMBATING THREATS TO HEALTH COVERAGE

MITIGATING A HARMFUL MEDICAID RULE

A 2006 federal law requires every U.S. citizen child and parent who receives or applies for Medicaid to provide an original birth certificate, passport, or similar document to prove his or her citizenship. Proponents claimed the new rule was needed to stop undocumented immigrants from securing Medicaid coverage by falsely declaring themselves to be U.S. citizens, even though a federal investigation in 2005 had found no significant evidence that this was happening.

Working with partner organizations in several states, the Center began gathering data on the new rule's impact. We found that the rule has delayed or denied coverage for tens of thousands of poor children and parents who are U.S. citizens and are eligible for Medicaid but have had trouble producing the required documents. Virtually no undocumented immigrants have been uncovered.

SINCE 1997, MEDICAID AND SCHIP HAVE HELPED TO REDUCE THE PERCENT OF CHILDREN WITHOUT HEALTH INSURANCE



Source: National Health Interview Survey data as analyzed by CBPP

This work garnered national media attention, including a front-page *New York Times* story. As a result of these efforts, Congress included provisions in the SCHIP renewal legislation (designed with our assistance) to ease these problems. Since the legislation was vetoed, we and the state policy organizations with which we engaged on this issue are continuing to work with state Medicaid programs both to gather new data on the rule's effects and to modify how the rule is implemented to reduce the number of eligible children and parents who lose or are denied coverage.

PROMOTING MEDICARE REFORM

Many Medicare beneficiaries receive coverage through private health care plans that contract with the Medicare program. Though brought into Medicare ostensibly to lower costs, the private plans are paid 13 percent more, on average, than it would cost traditional Medicare to cover the same beneficiaries, according to Congress's expert Medicare Payment Advisory Commission (MedPAC). MedPAC has called for the elimination of these overpayments, which strain Medicare's already strained financing and raise premiums for people enrolled in traditional Medicare.

The Center undertook substantial work in 2007 to educate policymakers, the media, and federal and state nonprofit organizations about the overpayments and MedPAC's recommended steps to eliminate them. The House subsequently passed legislation to phase out the overpayments and use the savings both to improve Medicare coverage for low-income people who are elderly or have disabilities and to help expand SCHIP coverage for children. Ultimately, the Administration's opposition and the lobbying efforts of the private insurers derailed the House measure.

However, the Center's 2007 work set the stage for an important, if more modest, success in 2008. Congress — over the President's veto — approved legislation to start reining in the overpayments and to strengthen protections from high out-of-pocket health costs for low-income people who are elderly or have disabilities.

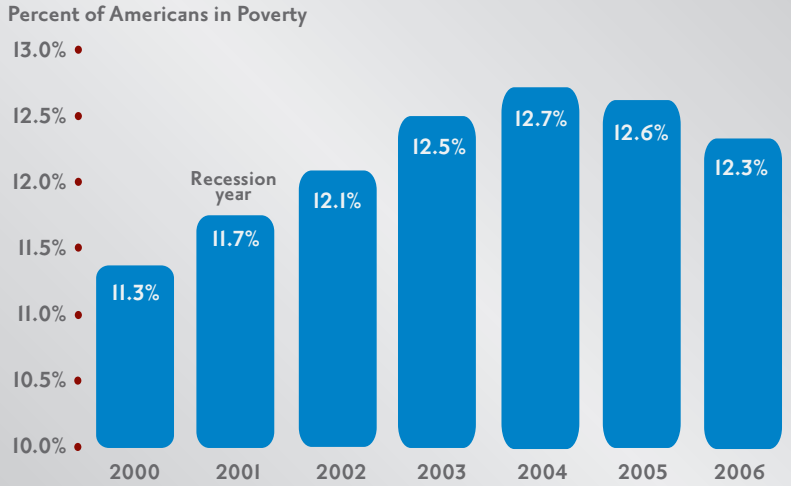
MAKING HEALTH COVERAGE MORE ACCESSIBLE

The Center's Start Healthy, Stay Healthy campaign works with state agencies and trains service providers, community groups, and others on strategies to help them identify uninsured low-income children and parents who qualify for Medicaid and SCHIP and help enroll them in the appropriate program. It also provides training on strategies to keep low-income children and parents enrolled for as long as they qualify.

In 2007, much of the Center's work in this area focused on helping state officials and nonprofits simplify and streamline the often cumbersome process by which families apply for and renew health coverage. That process frequently hinders eligible families from enrolling. We helped a number of states — including Arizona, Colorado, Florida, Kentucky, Louisiana, Maryland, Mississippi, New Jersey, and Washington — move toward improving access to health coverage programs. For example, we helped states explore ways to minimize verification requirements (such as by verifying people's incomes through database checks rather than requiring them to submit pay stubs) and to simplify renewal procedures (such as by shortening renewal forms).

ANTI-POVERTY POLICIES

ECONOMIC EXPANSION HAS NOT REDUCED POVERTY



The Center works to maintain and strengthen programs that provide basic assistance to low-income families and help these families lift themselves out of poverty. We design and promote policy options to make these programs more responsive, effective, and accessible.

REDUCING HUNGER

Ensuring that the nation's most vulnerable families are able to put food on the table has been a priority for the Center since its inception more than 25 years ago. The Center is widely respected for its expertise in food assistance programs, with particularly deep knowledge on food stamps and the Special Supplemental Nutrition Program for Women, Infants, and Children, better known as the WIC program.

IMPROVING THE FOOD STAMP PROGRAM

The Food Stamp Program helps 28 million low-income people afford an adequate diet. In 2007, with the program up for renewal, the Center produced an array of analyses showing the need for various program improvements, designed a specific set of changes that would strengthen families' access to food stamps and increase food stamp benefits, and worked with other national

and state organizations and the media to develop support for these improvements. We also produced and distributed thousands of copies of a compelling video recounting the history of the program, its critical role in greatly reducing hunger in this country, and the need for further improvements.

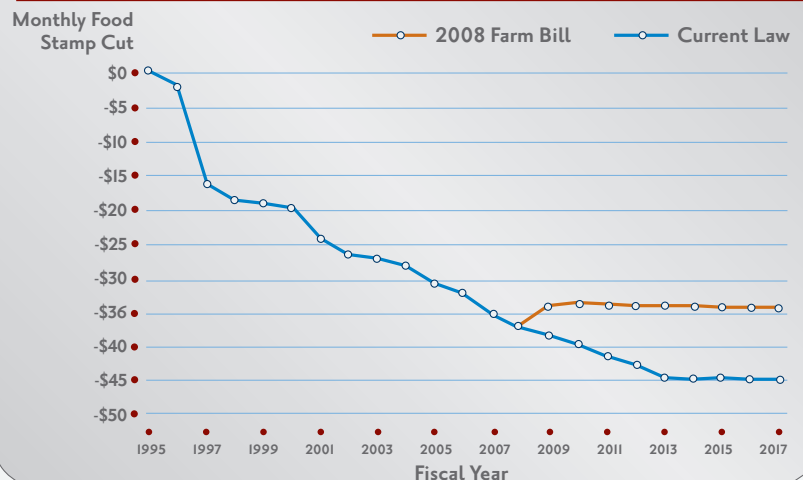
In 2008, Congress enacted legislation that adopts most of the Center's recommendations for improving the Food Stamp Program, including an important change that will end years of erosion in the purchasing power of food stamps. In fact, the Center designed and drafted 16 of the 27 new food stamp provisions. The bill contains the largest improvements in the Food Stamp Program in 15 years and will boost food assistance for low-

income families and individuals by nearly \$8 billion over the next decade.

SAFEGUARDING THE WIC PROGRAM

The WIC program provides nutritious foods to low-income pregnant and postpartum women, infants, and young children who are at nutritional risk. In 2007, after the President's budget proposal was released and the House and Senate had settled on a WIC funding level they thought would be adequate to serve all eligible women and children, the cost of WIC foods increased considerably. When the Administration failed to alter its estimate of WIC funding needs, the Center swung into action.

FARM BILL HALTS EROSION OF FOOD STAMP BENEFITS FOR A TYPICAL WORKING FAMILY OF THREE (IN FY 2008 DOLLARS)



We conducted an in-depth analysis of all factors affecting WIC costs and issued a new, thoroughly researched and documented analysis showing that WIC would need substantially more funding in 2008 than the White House, the House, or the Senate planned to provide. We showed that if the WIC program were funded at the level called for by the President, more than half a million eligible mothers and young children would lose or be denied benefits. Even at the somewhat higher House and Senate funding levels, several hundred thousand women and children would lose benefits. We secured significant media coverage of this problem by providing our findings as an exclusive to *USA Today*, which ran a major story that other media outlets across the country picked up. We also provided our findings, which included state-by-state estimates of the cuts that would occur, to anti-hunger organizations that used them to raise this issue with policymakers.

This produced results. At the same time that Congress was lowering the 2008 funding levels for scores of other domestic programs in order to overcome presidential veto threats and get the appropriations bills signed into law, congressional leaders of both parties – and finally even the Administration – agreed to discard their WIC funding plans and to boost WIC funding by over \$400 million to meet the funding level the Center had recommended.

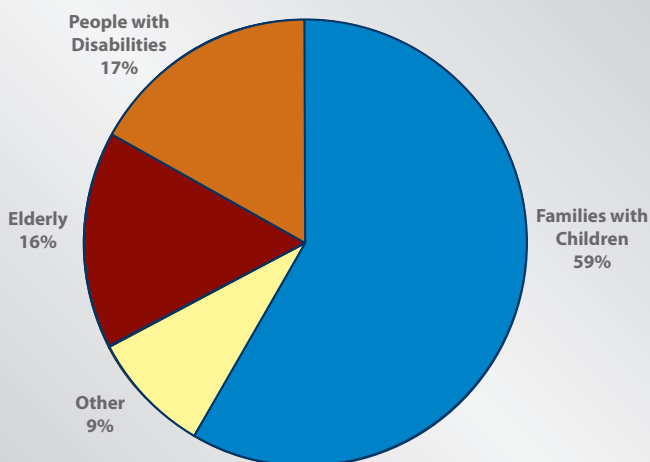
PROTECTING AFFORDABLE HOUSING

Housing costs take up the biggest share of family budgets, and affordable housing is beyond the reach of many low-income families. The Center’s work on housing focuses mainly on the Section 8 Housing Choice Voucher program, which is the largest federal housing assistance program – serving nearly 2 million households – and the program most targeted on low-income people. The program provides low-income families with vouchers they can use to help pay for rental housing they find in the private market. In recent years, the Section 8 housing voucher has been weakened by funding cuts and erratic policy changes, and the Center conducted extensive work in 2007 aimed at improving and stabilizing the program.

Many of the policies we helped design and promote were included in important Section 8 overhaul legislation that the House passed in the summer of 2007 and that is building bipartisan support in the Senate. This bill represents the most significant low-income housing reform proposal in a decade, with potential impacts on millions of families who live in public housing or use housing vouchers to rent in the private market. The bill would improve the allocation of voucher funding to maximize efficiency and increase the number of families served. It also would simplify and reform the rules on setting tenants’ rent contributions to avoid unnecessary paperwork and ensure that working families with children, the elderly, and people with disabilities are treated fairly.

The Center also was instrumental in securing a positive outcome for funding for the Section 8 program in fiscal year 2008. As Congress and the President battled over funding levels for a variety of domestic programs at the end of 2007, the Center called attention to the adverse effects that would result from funding housing vouchers at the level requested in the President’s budget. We issued an analysis, with state-by-state data, showing that the President’s budget figures would effectively cut off housing

CHARACTERISTICS OF HOUSEHOLDS USING HOUSING VOUCHERS



vouchers used by 25,000 low-income families in 2007 and that more than 15,000 new vouchers that Congress would provide for homeless veterans and other vulnerable families would not be funded.

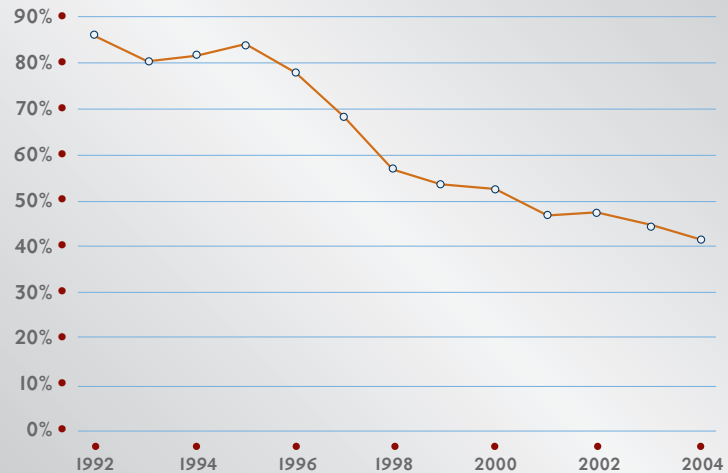
These findings were widely cited, and Congress ultimately rejected the Administration's proposed cuts in low-income housing assistance and provided Section 8 funding for the 40,000 low-income families that the Center found would have been without assistance under the President's budget request.

IMPROVING WELFARE REFORM POLICIES

Since the creation of the Temporary Assistance for Needy Families (TANF) program in 1996, the Center has worked with state officials and nonprofits to help states design their TANF programs in ways that assist low-income families more effectively. When Congress renewed the TANF law in 2006, it made problematic changes that make it more difficult for states to adequately serve the poorest families, including families that include a child or parent with a disability. For example, the new law substantially reduces states' flexibility to establish appropriate work requirements for parents with disabilities or other serious problems that make it difficult for these parents to meet the standard federal work rules. These changes threaten to exacerbate the already serious problem that TANF only provides assistance to 42 percent of poor families eligible for aid.

To address these challenges, the Center has been working to help state officials and non-profit groups understand available options they can use to craft TANF policies that better meet these families' needs. We partnered with the American Public Human Services Association (which represents state human service agency directors) to host a conference call series on these issues, which attracted several hundred state and local officials and advocates. The first series of three calls focused on how states could

SHARE OF ELIGIBLE FAMILIES ACTUALLY RECEIVING TANF ASSISTANCE HAS FALLEN SHARPLY



improve outcomes for TANF recipients with disabilities and other barriers to employment while the second series of calls focused on particular strategies states were using to improve employment outcomes for recipients or increase support for families transitioning from welfare to work.

Providing assistance to state officials and nonprofit organizations across the country, we have helped some states create TANF-like state-funded programs that meet the needs of families whom states cannot assist adequately under the more restrictive federal rules. These programs allow states to serve families facing serious barriers to employment, ranging from mental and physical health problems and low cognitive functioning to domestic violence, substance abuse, and unstable housing.

For example, advocates in Minnesota, with advice and technical assistance from the Center, successfully promoted a state-funded program tailored for recipients with disabilities. They also secured a new policy under which the state provides monthly cash assistance to families that leave the basic TANF cash assistance program and are working. More than 15 states have established this type of program, which assists families that are transitioning into employment and off of basic TANF assistance but still have low earnings and face difficulties in making ends meet.

STRENGTHENING TAX CREDITS FOR LOW-INCOME FAMILIES

ASSISTING WORKING FAMILIES

Refundable tax credits, such as the Earned Income Tax Credit (EITC) and the low-income component of the Child Tax Credit (CTC), serve as important supports for low-income working families. Households with incomes too low to owe income tax can receive the credits in the form of a refund check.

Since a significant number of eligible families fail to claim these credits, the Center conducts an extensive outreach campaign to ensure that families eligible for these credits receive them. The campaign provides thousands of partners across the country – including state and local government agencies, churches and charities, businesses and labor unions, and community-based groups – with outreach materials, strategy guides, and training designed to help eligible families apply for the EITC and the CTC.

The Center also conducts extensive work aimed at improving refundable tax credit policies. The Center has played a central role in designing and helping to enact every EITC expansion over the past quarter-century, including expansions of the EITC and CTC enacted in 2001 that are providing \$88 billion in benefits over ten years for low-income families. The EITC now lifts more children out of poverty than any other federal benefit program.

In 2007, the Center helped to design and promote major improvements in the EITC and the CTC. One such improvement would greatly expand the EITC for low-income workers who are not raising children. The expansion would reduce poverty and encourage work among low-wage workers without children and be especially important for African-American men, a group whose low employment rates are cause for concern.

Another proposal the Center has promoted would reduce the earnings threshold (now about \$12,000) for the

refundable CTC, which disqualifies more than 6 million children in low-income working families that earn less than \$12,000 a year from receiving the credit. Since 2001, the threshold has risen each year with inflation. Since the earnings of many low-wage workers have not kept pace with inflation, some low-income working parents have seen their credit reduced each year, and others have lost access to the credit altogether.

A major tax reform bill that Charles Rangel (D-NY), chairman of the House Ways and Means Committee, introduced in the fall of 2007 included significant, Center-designed expansions in the CTC and EITC. While Congress did not consider the bill in 2007, prospects for such expansions are improving.

MAKING HIGHER EDUCATION MORE AFFORDABLE

In 2007, the Center embarked on a new area of work to ensure that federal tax-based financial assistance to help students attend college is extended to students from low-income families. Currently, federal tax credits to help students defray college and continuing education costs are not refundable, which means they do not go to the students who need them most.

In addition, students can only claim these tax credits to offset tuition and fees, not for other higher education costs (e.g. books, transportation, or room and board). This policy disadvantages students at community colleges who have relatively low tuition costs but still face large, unmet financial needs.

The Center has issued several analyses, used by policymakers from both parties, that make a compelling case both for making these tax credits refundable and for expanding the expenses that the tax credits may cover. Bipartisan legislation to accomplish these goals has been introduced in Congress.

COMMUNICATIONS

The Center disseminates its research and analyses in a number of ways. We post all of our analyses on our website (www.cbpp.org), which receives more than 4 million hits in an average month. We also conduct frequent briefings for policymakers and other nonprofits.

In addition, we hold numerous media conference calls for journalists from across the country, during which experts from the Center and other policy institutes analyze emerging issues and inject the results of recent research into ongoing policy debates. Among the outside experts featured in our conference calls in 2007 were:

- Edward G. Rendell, Governor of Pennsylvania;
- Jason Furman, then Director of the Brookings Institution's Hamilton Project;
- Robert Berenson, Senior Fellow at the Urban Institute and former head of Medicare payment policy and managed care contracting at the Centers for Medicare and Medicaid Services;
- Jared Bernstein, Director of the Living Standards Program at the Economic Policy Institute;
- David Doniger, Policy Director of the Climate Center of the Natural Resources Defense Council; and
- Emmanuel Saez, Professor of Economics at the University of California at Berkeley, who has done groundbreaking work on the evolution of income inequality in the United States.

These conference calls, which can be held on as little as a few hours notice, also give us a forum to respond quickly to breaking events and alert journalists to efforts to “spin” them on new developments. (Syndicated columnist Mark Shields has commented that “In our beloved ‘Spin City,’ [the Center is] the beacon of trust and thoughtfulness.”) The information presented in these calls is regularly featured in news stories, syndicated columns, and editorials, some of which would not have been written without the impetus given by the Center’s media conference calls.

We held roughly 40 media conference calls in 2007, which drew reporters, editorial writers, syndicated columnists,

and radio and television news producers, reporters, and anchors. Attendees represent key national newspapers, regional newspapers from across the country, television and radio networks, and other media outlets.

For example, a conference call providing same-day analysis of new Census Bureau data on poverty and income and featuring experts from both the Center and the Economic Policy Institute drew more than 50 reporters from nearly 20 states, as well as the Associated Press, *New York Times*, *Newsweek*, *USA Today*, and *Wall Street Journal*.

We also hold media conference calls on state-specific issues, often in collaboration with a state policy organization, such as the SFAI group in the affected state. Examples from 2007 include a conference call for Florida journalists to analyze a proposal there to cap property tax revenues and a call for Illinois journalists to examine how the state’s tax system treats working-poor families.

Through our conference calls and other forms of media outreach, a wide range of journalists have come to rely on us for analysis and commentary. The Center’s work is cited in news stories, columns, and editorials ranging from major wire services, national newspapers, major news websites, and network TV public affairs shows to local weekly newspapers and small-town radio stations.

To capitalize on the explosive growth in new media, in 2007 the Center launched an extensive outreach initiative to blogs and other online media. We now track more than 100 top-ranking blogs on a daily basis and seek opportunities to engage in the online “conversation” by providing bloggers with relevant Center analyses and other information.

As a result, the Center’s profile in the blogosphere has grown steadily. Our research is now cited by prominent blogs published by *The Atlantic*, Daily Kos, Huffington Post, *The New Republic*, Talking Points Memo, and the *Wall Street Journal*, among others. Also, leading environmental blogs are giving frequent and growing coverage to our newest area of policy work – the effect of climate change policies on low-income consumers.

THE INTERNATIONAL BUDGET PROJECT

Starting in the early and mid-1990s, civil society organizations in many developing countries and emerging democracies began working to analyze and influence government budgets, with the goal of making governments in their countries more effective, efficient, and accountable to the public. Historically, the public and the legislatures in these countries had played little or no role in determining how government funds are used. Often the budget was not even publicly available. Such weaknesses fostered corruption and mismanagement and contributed to high levels of poverty.

The Center established the International Budget Project (IBP) in 1997 to help these civil society organizations become more effective and to encourage groups in other countries to begin similar work. IBP's mission is to collaborate with civil society organizations around the world to use budget analysis and advocacy as tools to improve effective governance and reduce poverty.

IBP has since become the primary organization supporting civil society budget work in more than 85 countries, providing a combination of technical assistance and financial support, comparative research opportunities, information exchange, and peer networking. While focusing its efforts on building a core group of partners in about 25 countries, IBP works on an ad hoc basis with groups and individuals in another 60 countries.

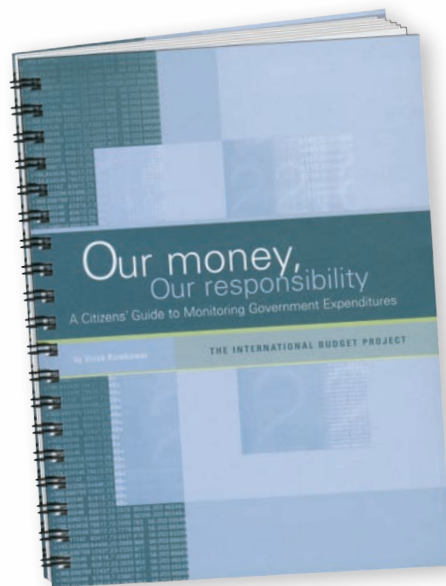
The international climate has never been more conducive to promoting accountability and “budget transparency,” the degree to which a government promotes public participation in the budget process by making budget information publicly available. Civil society both benefits from and contributes to the development of this improved environment. A wide range of donor organizations are investing in significant efforts to build civil society budget analysis and advocacy capacity.

They are responding to the growing understanding that lack of budget transparency and accountability can undermine efforts to improve governance and reduce poverty, and the demand from civil society around the world to have a more meaningful voice in the allocation and use of public resources.

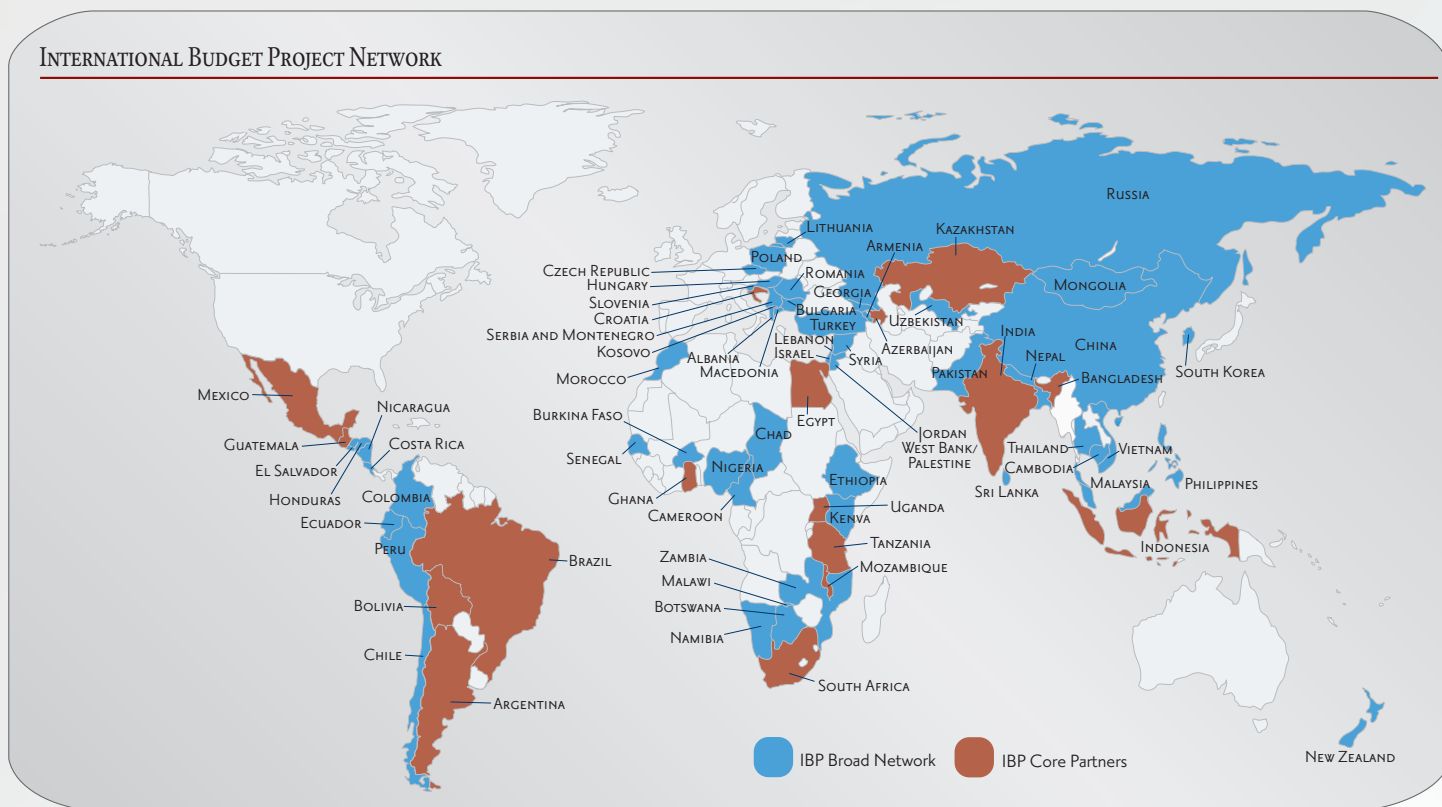
The case for such work is gaining empirical support as well. Over the past two years, IBP has conducted a set of case studies to examine the impact of budget transparency and accountability work conducted by six civil society organizations. The results provided the first hard evidence that civil society budget work can catalyze significant improvements in budget transparency and participation, as well as improvements in both the quantity and quality of budget allocations for the poor. These improvements include, for example, substantial increases in budgetary allocations to prevent rural maternal mortality in Mexico and for child support grants in South Africa, and an increase in funds expended on programs for indigenous communities in the Indian state of Gujarat.

With IBP's help, budget work by civil society organizations has grown dramatically in recent years in Africa, Asia, and Latin America. Over the last year, IBP financial and technical assistance supported the formation of new budget

initiatives by 26 organizations around the world. As part of this effort, IBP's Civil Society Budget Initiative (which aims to build capacity for budget analysis in civil society organizations in selected low-income countries) led to new initiatives in Cambodia, Chad, Ethiopia, Guatemala, Pakistan, and Tanzania, while IBP's Central America Incentive Fund (which aims to help civil society organizations in Central America initiate applied budget work) provided further support to initiatives in Guatemala, Honduras, and Nicaragua.



INTERNATIONAL BUDGET PROJECT NETWORK



The growth in civil society budget work has also been sustained by IBP's expanded training program, which now includes intermediate and advanced courses. Launched in 2006, IBP's 10-day intermediate course provides applied budget analysis and advocacy skills and has been conducted in English, French, and Spanish. IBP also provides advanced trainings for experienced civil society budget activists, most recently focusing on taxation and working with legislatures. IBP's formal workshop program is complemented by an ongoing technical assistance program matching peers from existing budget groups as mentors to emerging and established organizations. In 2007, IBP provided formal training to 224 activists from 189 groups from 67 countries; as well as one-on-one technical assistance and mentoring to activists from 28 organizations in 20 countries.

Since 2006, IBP has also published two guides, *A Guide to Tax Work for NGOs* and *Our Money, Our Responsibility: A Citizen's Guide to Monitoring Government Expenditures*. These new resources supplement IBP's *Guide to Budget*

Work for NGOs, the standard text on civil society budget work.

A relatively new area of budget work, community-level budget monitoring, is now expanding significantly. IBP has convened a growing network of groups that are conducting pioneering work at the local level to determine whether public funds are being spent for their intended purposes. IBP has documented these groups' methods and impact in its guide *Our Money, Our Responsibility*, the first practical resource available on this topic. As part of this effort, IBP, in collaboration with several partners, is mentoring ten emerging groups in Africa committed to establishing public hearings on government expenditures. Community budget monitoring has contributed to an upsurge in citizen participation in local governance in areas where it has been used and greater effectiveness in the use of government expenditures for the delivery of services at the local level.

To improve access to information on budget execution and impact, IBP is promoting partnerships between budget

monitoring groups and national audit institutions. IBP has convened meetings of auditors and civil society groups and has launched a major initiative with the United Nations Department of Economic and Social Affairs (UNDESA) to encourage the auditing community to recognize work with civil society as an auditing best practice. The secretary-general of the International Organization of Supreme Audit Institutions has agreed to establish a formal working committee with IBP and UNDESA to pilot auditing approaches involving civil society groups.

The IBP website and newsletter are the primary sources of information on budget transparency and accountability for civil society groups and donors around the world. The website, which receives more than 220,000 hits per month, provides information on 89 groups in 49 countries and has an extensive annotated library, as well as access to IBP and partner materials. The IBP newsletter reaches more than 5,000 recipients in 159 countries and is now available in Russian as well as English, French, and Spanish.

In addition, IBP continues to conduct groundbreaking research on budget transparency. In 2006, IBP, working with partners in 59 countries, published the *Open Budget Index* (OBI), an innovative survey of government budget transparency around the world. Drawing on the work of civil society budget experts rather than government personnel, it is the first independent study of its kind.

IBP and several partner organizations launched the Index at the National Press Club in Washington, D.C., followed by media and public awareness events in each of the 59 participating countries, which generated extensive international and local media coverage. For example, in Mexico, the OBI results were featured in eleven articles, six radio discussions, and a segment on a nationally televised nightly newscast. In addition, groups in 50 countries used the results in workshops, seminars, and advocacy meetings with government officials and members of the legislature to raise awareness of opportunities to strengthen public access to budget information and to adopt accountable budgeting practices.

International financial institutions and policy research and academic organizations have also made wide use of the OBI research. The IMF, for example, drew heavily from IBP's survey tool when it substantially revised its *Code of Good Practices on Fiscal Transparency* in early 2007.

In the last year, IBP worked to expand the number of countries participating in the budget transparency study to approximately 85, emphasizing the addition of countries in Asia and the Middle East/North Africa. The results from this expanded survey are scheduled to be published and disseminated in the fall of 2008.

THE 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 Washington’s tax system more progressive, to ensure that public resources are directed to the needs of D.C. low-income residents, and to provide technical assistance to a wide range of advocacy groups and public officials.

DCFPI is a leading source of quantitative analysis on the D.C. budget and other critical policy issues for the city’s policymakers, media, and advocates. In 2007, DCFPI made more than 40 presentations and offered technical assistance to dozens of organizations. DCFPI also writes a column for three monthly publications that reach more than 60,000 local readers.

PROMOTING PROGRESSIVE TAX POLICY

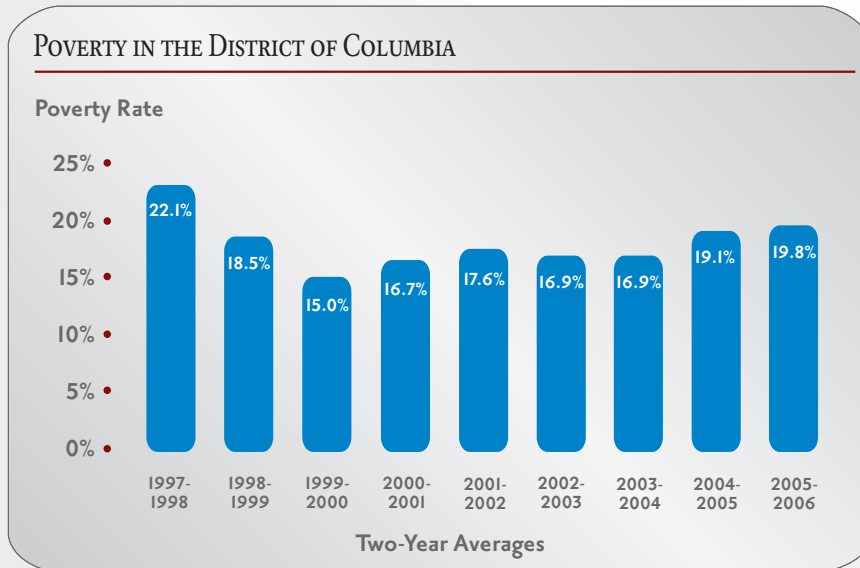
Early in 2007, the D.C. Council’s Finance Committee considered two tax cuts that would have been both costly and regressive – a reduction in the D.C. estate tax and a 5 percent cap on annual property tax increases for homeowners. DCFPI issued analyses critical of both proposals that received extensive media coverage and a

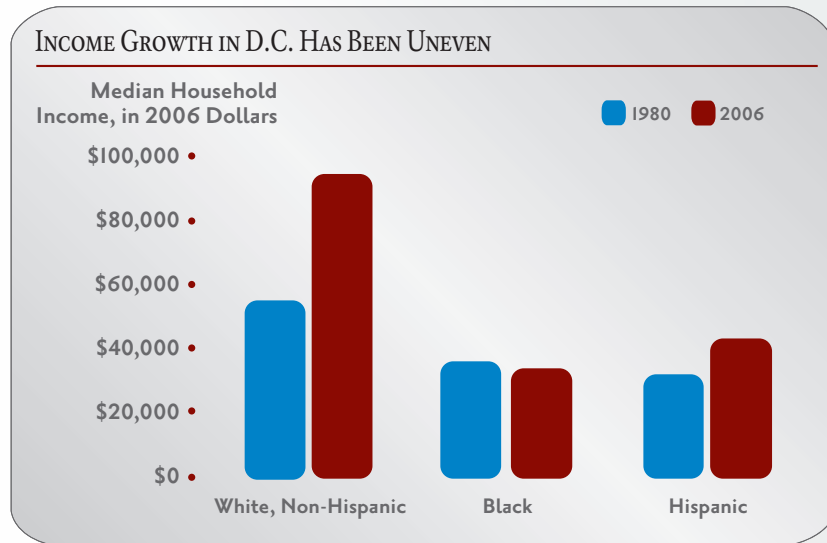
favorable editorial in the *Washington Post*. DCFPI also informed and organized advocates throughout the city to oppose the tax cuts and to promote more progressive tax relief alternatives.

As a result of these efforts, the D.C. Council rejected the proposed tax cuts and instead adopted \$20 million in progressive tax relief – based largely on recommendations from DCFPI – including an increase in the standard deduction and personal exemption in the D.C. income tax.

HIGHLIGHTING GROWING ECONOMIC GAPS

In October 2007, DCFPI issued an extensive analysis of the D.C. economy showing that despite visible improvements overall, the status of low-income residents has worsened. The report found that the number of poor D.C. residents increased by one-third between 2000 and 2006, reaching the highest level in nearly a decade, and that the employment rate among African-American residents and those with a high school diploma or less fell to the lowest levels in nearly 30 years. The report received widespread media coverage and was featured in a *Washington Post* editorial and two *Washington Post* editorial cartoons.





The findings of the report also encouraged a member of the D.C. Council to hold a two-day hearing on poverty in the District and to introduce a resolution in the D.C. Council that would set a goal of reducing poverty in the city by one-third.

STRENGTHENING CASH ASSISTANCE

For 15 years – between 1991 and 2006 – D.C.’s Temporary Assistance for Needy Families (TANF) cash grants for needy families with children remained frozen, and the purchasing power of the grants fell to just 29 percent of the poverty line. The DC Fiscal Policy Institute issued several analyses on the District’s low TANF benefits and worked with a coalition to promote an increase. As a result of these efforts, the Mayor included TANF grant increases over two budget cycles that have raised benefits by 15 percent.

PUSHING FOR GREATER BUDGET TRANSPARENCY

As in many cities and states, the lack of transparency and clarity in the D.C. budget make it difficult to understand the dollars spent and services delivered for many basic D.C. services. In 2007, DCFPI helped put together a call for greater budget transparency that 52 organizations endorsed. This resulted in a handful of immediate outcomes, including a change in the D.C. Council’s budget hearings schedule to give residents more time to analyze the budget. In addition, the Mayor’s office initiated a multi-year process to revise the format of key budget documents to make them easier to understand.

2007 FOUNDATION AND INSTITUTIONAL SUPPORTERS

The Center on Budget and Policy Priorities would like to acknowledge the following foundations and institutions for their generous support during 2007.

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| The George Gund Foundation | Sandler Foundation |
| The William and Flora Hewlett Foundation | Stoneman Family Foundation |
| The Joyce Foundation | The Swedish International Development Corporation |
| W.K. Kellogg Foundation | Trellis Foundation |
| John S. and James L. Knight Foundation | The UK Department for International Development |

2007 FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES (IN THOUSANDS)

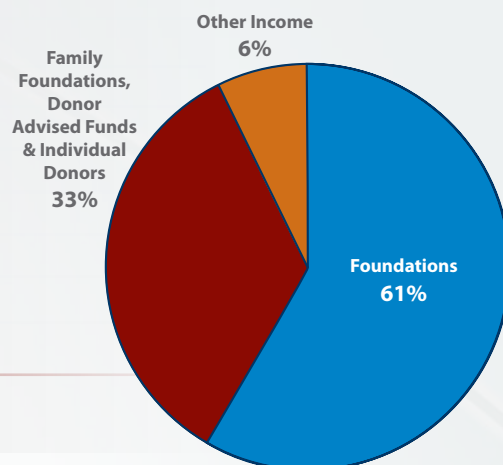
Year Ended December 31

Revenue

Individual Contributions	\$2,290
Contract Income	\$203
Conference Income	\$25
Subscriptions and Publications	\$13
Honoraria	\$11
Investment Income	\$416
Grant Income (Net Assets Released from Restrictions)	\$15,364

Total Revenue and Other Support **\$18,322**

2007 CENTER REVENUE



Expenses

Program Services

Federal Policy, Research and Analysis	\$3,107
State Low-Income Program and Related Projects	\$2,752
State Fiscal and Related Projects	\$4,919
Federal and State Health Projects	\$2,362
International Budget Project	\$2,772
DC Fiscal Policy Institute	\$317

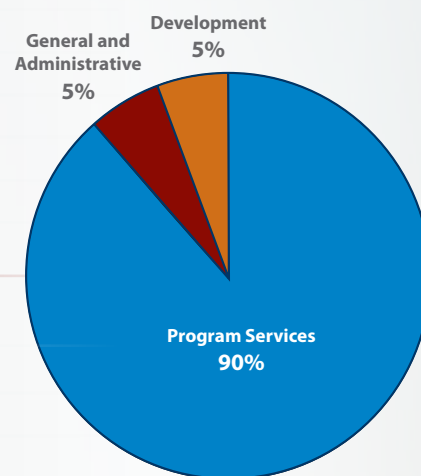
Total Program Services **\$16,229**

General and Administrative	\$963
Development	\$855

Total Expenses **\$18,047**

Change in Unrestricted Net Assets **\$275**

2007 CENTER EXPENSES



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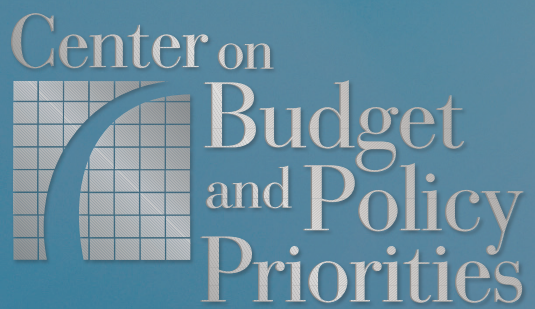
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