

# THE BUDGET MESSAGE OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

Thanks to the hard work and determination of the American people, we have made significant progress over the last 4 years. After a decade of war, our brave men and women in uniform are coming home. After years of recession, our businesses have created over six million new jobs. We buy more American cars than we have in 5 years, and less foreign oil than we have in 20 years. Our housing market is healing, our stock market is rebounding, and consumers, patients, and homeowners enjoy stronger protections than ever before.

But we know that there are millions of Americans whose hard work and dedication have not yet been rewarded. Our economy is adding jobs—but too many people still cannot find full-time employment. Corporate profits have skyrocketed to all-time highs—but for more than a decade, wages and incomes have barely budged.

It is our generation's task to reignite the true engine of America's economic growth—a rising, thriving middle class. It is our unfinished task to restore the basic bargain that built this country—the idea that if you work hard and meet your responsibilities, you can get ahead, no matter where you come from, no matter what you look like, or whom you love.

It is our unfinished task to make sure that this Government works on behalf of the many, and not just the few; that it encourages free enterprise, rewards individual initiative, and opens the doors of opportunity to every child across this great Nation.

A growing economy that creates good, middle class jobs—this must be the North Star that guides our efforts. Every day, we should ask ourselves three questions as a Nation: How do we attract more jobs to our shores? How do we equip our people with the skills they need to get those jobs? And how do we make sure that hard work leads to a decent living?

This Budget seeks to answer each of these questions.

Our first priority is making America a magnet for new jobs and manufacturing. After shedding jobs for more than 10 years, our manufacturers have added more than 500,000 jobs over the past 3 years. Companies large and small are increasingly deciding to bring jobs back to America.

To accelerate this trend, the Budget builds on the success of the manufacturing innovation institute we created in Youngstown, Ohio last year, and calls for the creation of a network of 15 of these hubs across the Nation. In these innovation hubs, businesses will partner with universities and Federal agencies to turn regions around our country into global centers of high-tech jobs.

The Budget also includes new initiatives to support manufacturing communities, including a new tax credit to strengthen their ability to attract investments and jobs. And it expands my

Administration's SelectUSA initiative to help draw businesses and investment from around the world to our shores.

If we want to make the best products, we also have to invest in the best ideas. That is why the Budget maintains a world-class commitment to science and research, targeting resources to those areas most likely to contribute directly to the creation of transformational technologies that can create the businesses and jobs of the future.

No area holds more promise than our investments in American energy. The Budget continues to advance my "all-of-the-above" strategy on energy, investing in clean energy research and development; promoting energy efficiency in our cars, homes, and businesses; encouraging responsible domestic energy production; and launching new efforts to combat the threat of climate change.

Modeled after my successful Race to the Top education reform effort, the Budget includes a new Race to the Top energy efficiency challenge for States, rewarding those that implement the most effective policies to cut energy waste. And it establishes a new Energy Security Trust funded by royalty revenue from oil and gas leases to support initiatives to shift our cars and trucks off oil, cutting our Nation's reliance on foreign oil.

Over the last 4 years, we have begun the hard work of rebuilding our Nation's infrastructure. We have built or improved over 350,000 miles of road and more than 6,000 miles of rail. And we have repaired or replaced over 20,000 bridges. But to compete in the 21<sup>st</sup> Century economy and become a magnet for jobs, we must do more. We need to repair our existing infrastructure, and invest in the infrastructure of tomorrow, including high-speed rail, high-tech schools, and self-healing power grids. These investments will both lay the foundation for long-term economic growth and put workers back on the job now.

My Budget includes \$50 billion for up-front infrastructure investments, including a "Fix-it-First" program that makes an immediate investment to put people to work as soon as possible on our most urgent repairs, like the nearly 70,000 structurally-deficient bridges across the country. And to make sure taxpayers do not shoulder the whole burden, the Budget creates a Rebuild America Partnership to attract private capital to upgrade what our businesses need most: modern ports to move our goods; modern pipelines to withstand a storm; and modern schools worthy of our children.

The Budget also supports efforts I announced earlier this year to modernize and improve the efficiency of the Federal permitting process, cutting through the red tape that has been holding back even some of the most carefully planned infrastructure projects. These efforts will help us to achieve the new goal I set to cut timelines in half for infrastructure projects, while creating new incentives for better outcomes for communities and the environment.

All of these initiatives in manufacturing, energy, and infrastructure will help entrepreneurs and small business owners expand and create new jobs. But none of it will matter unless we also equip our citizens with the skills and training to fill those jobs.

And that has to start at the earliest possible age. But today, fewer than 3 in 10 4-year-olds are enrolled in a high-quality preschool program, and the high cost of private preschool puts too much of a financial burden on middle class families.

The Budget therefore includes a proposal that ensures 4-year-olds across the country have access to high-quality preschool education through a landmark new initiative in partnership with the States. And it increases the availability of early learning for our youngest children to help their growth and development during the formative early years of life.

Providing a year of free, public preschool education for 4-year-old children is an important investment in our future. It will give all our kids the best start in life, helping them perform better in elementary school and ultimately helping them, and the country, be better prepared for the demands of the global economy. Not only that, it could save hard-working families thousands of dollars each year in child care costs. This is an investment we need to make, and it is fully paid for in this Budget by imposing a new tax on every pack of cigarettes sold.

The Budget also builds on the historic reforms made during my first term to improve our elementary and secondary school system by rewarding excellence and promoting innovation. To help ensure that our high schools are putting our kids on a path to college and a good job, the Budget includes a new competitive fund that will help redesign America's high schools to prepare students with the real world skills they need to find a job right away or go to college. The fund rewards schools that develop new partnerships with colleges and employers, and create classes focusing on science, technology, engineering and mathematics (STEM)—the skills today's employers seek to fill the jobs available right now and in the future.

Even with better high schools, most young people will still need some higher education. Through tax credits, grants, and better loans, we have made college more affordable for millions of students and families over the last 4 years. But skyrocketing costs are still pricing too many young people out of a higher education, or saddling them with unsustainable debt. And taxpayers cannot continue to subsidize higher and higher costs for higher education.

To encourage colleges to do their part to keep costs down, the Budget includes reforms that will ensure affordability and value are considered in determining which colleges receive certain types of Federal aid. My Administration has also released a new "College Scorecard" that parents and students can use to compare schools.

To further ensure our educational system is preparing students for careers in the 21<sup>st</sup> Century economy, the Budget includes additional measures to promote STEM education, such as launching a new STEM Master Teacher Corps, to leverage the expertise of some of America's best and brightest teachers in science and mathematics, and to elevate the teaching of these subjects nationwide. It also includes a reorganization and consolidation of STEM education programs to improve the effectiveness of Federal investments in this area.

The Budget takes other critical steps to grow our economy, create jobs, and strengthen the middle class. It implements the Affordable Care Act, giving every American access to the high-quality, affordable health care coverage they deserve, and reducing the deficit by more than \$1 trillion over the next two decades. It implements Wall Street reform, ending too-big-to-fail and protecting consumers against the abuses and reckless behavior that contributed to the financial collapse in 2008. And it includes measures to strengthen our housing market and ensure that every responsible homeowner has the opportunity to refinance at today's rates, saving \$3,000 a year on average.

Our economy is stronger when we harness the talents and ingenuity of striving, hopeful immigrants. That is why I have proposed a plan to fix our broken immigration system that secures our borders,

cracks down on employers who hire undocumented workers, attracts highly-skilled entrepreneurs and engineers to help create jobs and drive economic growth, and establishes a responsible pathway to earned citizenship—a path that includes passing a background check, paying taxes and a meaningful penalty, learning English, and going to the back of the line behind the folks trying to come here legally. The Budget makes investments that will make our immigration system more efficient and fair and lay a foundation for this permanent, common-sense reform.

The Budget also builds on the progress made over the last 4 years to expand opportunity for every American and every community willing to do the work to lift themselves up. It creates new ladders of opportunity to ensure that hard work leads to a decent living. It rewards hard work by increasing the minimum wage to \$9 an hour so an honest day's work pays more. It partners with communities by identifying Promise Zones to help rebuild from the recession. It creates pathways to jobs for the long-term unemployed and youth who have been hardest hit by the downturn. And it strengthens families by removing financial deterrents to marriage and supporting the role of fathers.

We also know that economic growth can only be achieved and sustained if America is safe and secure, both at home and abroad. At home, the Budget supports my initiative to help protect our kids, reduce gun violence, and expand access to mental health services. We can protect our Second Amendment rights while coming together around reforms like eliminating background check loopholes to make it harder for criminals to get their hands on a gun—common-sense reforms that will help protect our kids from the scourge of gun violence that has plagued too many communities across the country.

To confront threats outside our borders, the Budget ensures our military remains the finest and best-equipped military force the world has ever known, even as we wind down more than a decade of war.

Already, we have brought home more than 30,000 of our brave servicemembers from Afghanistan. Our remaining forces are moving into a support role, with Afghan security forces taking the lead. And over the next year, another 34,000 American troops will come home. This drawdown will continue and, by the end of next year, our war in Afghanistan will be over. Beyond 2014, the Budget supports our continued commitment to a unified and sovereign Afghanistan.

To maintain our national security, the Budget supports our ongoing fight against terrorists, like al Qaeda. The organization that attacked us on 9/11 is a shadow of its former self. But different al Qaeda affiliates and extremist groups have emerged—from the Arabian Peninsula to Africa. We will confront these emerging security challenges through the full range of U.S. capabilities and tools, including diplomatic, security, intelligence, and economic development.

The Budget also provides the resources we need to act on our commitment to and interests in global development, by promoting food security that reduces dependence and increases prosperity; by investing in the increasingly successful drive toward an AIDS-free generation; and by maintaining our leadership as a global provider of humanitarian assistance that saves lives and reflects American values.

We must also confront new dangers, like cyber attacks, that threaten our Nation's infrastructure, businesses, and people. The Budget supports the expansion of Government-wide efforts to counter the full scope of cyber threats, and strengthens our ability to collaborate with State and local governments, our partners overseas, and the private sector to improve our overall cybersecurity.

The Budget also focuses resources on the Asia-Pacific region, reasserting American leadership and promoting security, stability, democracy, and economic growth.

Importantly, the Budget upholds our solemn obligation to take care of our servicemembers and veterans, and to protect our diplomats and civilians in the field. It keeps faith with our veterans, investing in world-class care, including mental health care for our wounded warriors, supporting our military families, and giving our veterans the benefits, education, and job opportunities that they have earned.

The Budget does all of these things as part of a comprehensive plan that reduces the deficit. All of these initiatives and ideas are fully paid for, to ensure they do not increase the deficit by a single dime.

By making investments in our people that we pay for responsibly, we will strengthen the middle class, make America a magnet for jobs and innovation, and grow our economy, which will in turn help us to reduce deficits. But economic growth alone will not solve our Nation's long-term fiscal challenges.

As we continue to grow our economy, we must take further action to cut our deficits. We do not have to choose between these two important priorities—we have to do both.

Over the last 4 years, both parties have worked together to reduce the deficit in a balanced way by more than \$2.5 trillion. That is more than halfway toward the goal of \$4 trillion in deficit reduction that economists say we need to stabilize our finances. As we wind down two wars, we have protected our military families and veterans while cutting defense spending on outdated military weapons systems. Domestic discretionary spending is approaching its lowest levels as a share of the economy since President Eisenhower was in office; and we have moved aggressively to cut waste, fraud, and abuse. And together, we have begun to ask the wealthy to do their fair share while keeping income taxes low for middle class families. Overall, we have cut the deficit in a balanced way that protects the investments in education, manufacturing, clean energy, and small businesses we need to grow the economy and strengthen the middle class. There is more work to do, and this Budget is designed to finish the job.

But we should not do it by making harsh and arbitrary cuts that jeopardize our military readiness, devastate priorities like education and energy, and cost jobs. That is not how to grow the economy. We should not ask middle class senior citizens and working families to pay down the rest of our deficit while the wealthiest are asked for nothing more. That does not grow our middle class.

The American people understand that we cannot just cut our way to prosperity. That is why I have repeatedly called for a balanced approach to deficit reduction. And that is why I have offered proposals on multiple occasions that cut wasteful spending, strengthen entitlements, and eliminate special tax breaks and loopholes so the wealthiest pay their fair share.

In my negotiations with House Speaker Boehner in December over the so-called "fiscal cliff," I again offered a compromise proposal that was balanced and comprehensive, and would achieve our \$4 trillion deficit reduction goal. That proposal is still on the table. I am including it in this Budget to demonstrate my commitment to making the kind of tough and balanced choices that are needed to put our Nation's finances in order.



To be clear, the package I am offering includes some difficult cuts that I do not particularly like. But these measures will only become law if congressional Republicans agree to meet me in the middle by eliminating special tax breaks and loopholes so millionaires and billionaires do their fair share to cut the deficit. I will not agree to any deal that seeks to cut the deficit on the backs of middle class families. I am willing to make tough choices that may not be popular within my own party, because there can be no sacred cows for either party. And I look forward to working with any member of Congress who takes a similar, balanced approach. This plan is built on the kind of common ground that Democrats and Republicans should be able to reach.

In total, the Budget will cut the deficit by another \$1.8 trillion over the next 10 years, bringing the deficit below 2 percent of GDP by 2023 and putting our debt on a declining path. This is not an end in and of itself—the best way to grow the economy and cut the deficit is by creating good middle class jobs. But this plan to reduce the deficit in a balanced way is a critical step toward ensuring that we have a solid foundation on which to build a strong economy and a thriving middle class for years to come.

Finally, this Budget continues my commitment to reforming and streamlining our Government for the 21<sup>st</sup> Century. It builds on my Campaign to Cut Waste by further targeting and eliminating wasteful spending wherever we find it. It reorganizes and consolidates agencies and programs to make them leaner and more efficient. It increases the use of evidence and evaluation to ensure we are making smart investments with our scarce taxpayer dollars. And it harnesses new technologies to allow us to do more with less.

No single Budget can solve every challenge and every problem facing the country. But this Budget shows how we can live within our means while growing our economy, strengthening the middle class, and securing our Nation's future. It is not a Democratic plan or a Republican plan. It is an American plan. And it is a plan that I hope can serve as an outline for us to write the next great chapter of the American story...together.

BARACK OBAMA

THE WHITE HOUSE,  
APRIL 10, 2013.