

PRESIDENT'S MESSAGE

Throughout America's history, there have been some years that appeared to roll into the next without much notice or fanfare. Budgets are proposed that offer some new programs or eliminate an initiative, but by and large continuity reigns.

Then there are the years that come along once in a generation, when we look at where the country has been and recognize that we need a break from a troubled past, that the problems we face demand that we begin charting a new path. This is one of those years.

We start 2009 in the midst of a crisis unlike any we have seen in our lifetimes. Our economy is in a deep recession that threatens to be deeper and longer than any since the Great Depression. More than three and a half million jobs were lost over the past 13 months, more jobs than at any time since World War II. In addition, another 8.8 million Americans who want and need full-time work have had to settle for part-time jobs. Manufacturing employment has hit a 60-year low. Our capital markets are virtually frozen, making it difficult for businesses to grow and for families to borrow money to afford a home, car, or college education for their kids. Many families cannot pay their bills or their mortgage payments. Trillions of dollars of wealth have been wiped out, leaving many workers with little or nothing as they approach retirement. And millions of Americans are unsure about the future—if their job will be there tomorrow, if their children will be able to go to college, and if their grandchildren will be able to realize the full promise of America.

This crisis is neither the result of a normal turn of the business cycle nor an accident of history. We arrived at this point as a result of an era of profound irresponsibility that engulfed both

private and public institutions from some of our largest companies' executive suites to the seats of power in Washington, D.C. For decades, too many on Wall Street threw caution to the wind, chased profits with blind optimism and little regard for serious risks—and with even less regard for the public good. Lenders made loans without concern for whether borrowers could repay them. Inadequately informed of the risks and overwhelmed by fine print, many borrowers took on debt they could not really afford. And those in authority turned a blind eye to this risk-taking; they forgot that markets work best when there is transparency and accountability and when the rules of the road are both fair and vigorously enforced. For years, a lack of transparency created a situation in which serious economic dangers were visible to all too few.

This irresponsibility precipitated the interlocking housing and financial crises that triggered this recession. But the roots of the problems we face run deeper. Government has failed to fully confront the deep, systemic problems that year after year have only become a larger and larger drag on our economy. From the rising costs of health care to the state of our schools, from the need to revolutionize how we power our economy to our crumbling infrastructure, policymakers in Washington have chosen temporary fixes over lasting solutions.

The time has come to usher in a new era—a new era of responsibility in which we act not only to save and create new jobs, but also to lay a new foundation of growth upon which we can renew the promise of America.

This Budget is a first step in that journey. It lays out for the American people the extent of

the crisis we inherited, the steps we will take to jumpstart our economy to create new jobs, and our plans to transform our economy for the 21st Century to give our children and grandchildren the fruits of many years of economic growth.

It is true that we cannot depend on government alone to create jobs or to generate long-term growth. Ours is a market economy, and the Nation depends on the energy and initiative of private institutions and individuals. But at this particular moment, government must lead the way in providing the short-term boost necessary to lift us from a recession this severe and lay the foundation for future prosperity. That's why immediately upon taking office, my Administration worked with the Congress to pass the American Recovery and Reinvestment Act. This plan's provisions will put money in the pockets of the American people, save or create at least three and a half million jobs, and help to revive our economy.

This moment is one of great paradox and promise: while there are millions of Americans trying to find work, there is also so much work to be done. That's why the Recovery Act and our Budget will make long overdue investments in priorities—like clean energy, education, health care, and a new infrastructure—that are necessary to keep us strong and competitive in the 21st Century.

To finally spark the creation of a clean energy economy, we will make the investments in the next three years to double our Nation's renewable energy capacity. We will modernize Federal buildings and improve the energy efficiency of millions of American homes, saving consumers and taxpayers billions on our energy bills. In the process, we will put Americans to work in new jobs that pay well—jobs installing solar panels and wind turbines; constructing energy efficient buildings; manufacturing fuel efficient vehicles; and developing the new energy technologies that will lead to even more jobs and more savings, putting us on the path toward energy independence for our Nation and a cleaner, safer planet in the process.

To improve the quality of our health care while lowering its cost, we will make the immediate investments needed to computerize all of America's medical records within five years while protecting the privacy of patients. This is a necessary step to reducing waste, eliminating red tape, and avoiding the need to repeat expensive medical tests. We also will fundamentally reform our health care system, delivering quality care to more Americans while reducing costs for us all. This will make our businesses more competitive and ease a significant and growing burden middle-class families are bearing.

To give our children a fair shot to thrive in a global, information-age economy, we will equip thousands of schools, community colleges, and universities with 21st Century classrooms, labs, and libraries. We'll provide new technology and new training for teachers so that students in Chicago and Boston can compete with kids in Beijing for the high-tech, high-wage jobs of the future. We will invest in innovation, and open the doors of college to millions of students. We will pursue new reforms—lifting standards in our schools and recruiting, training, and rewarding a new generation of teachers. And in an era of skyrocketing college tuitions, we will make sure that the doors of college remain open to children from all walks of life.

To create a platform for our entrepreneurs and workers to build an economy that can lead this future, we will begin to rebuild America for the demands of the 21st Century. We will repair crumbling roads, bridges, and schools as well as expand broadband lines across America, so that a small business in a rural town can connect and compete with its counterparts anywhere in the world. And we will invest in the science, research, and technology that will lead to new medical breakthroughs, new discoveries, and entire new industries.

Regaining our economic strength also is critical to our national security. It is a major source of our global leadership, and we must not let it waver. That's why this Budget makes critical investments in rebuilding our military, securing our

homeland, and expanding our diplomatic efforts because to provide for the security of the United States we need to use all elements of our power. Moreover, to honor the service of those who have worn our military's uniform, we will make the investments necessary to take care of our veterans.

For these initiatives to lay a foundation for long-term economic growth, it's important that we not only change what Washington invests in, but how Washington does business. We must usher in a new era of responsibility in which we empower citizens with the information they need to hold their elected representatives accountable for the decisions they make. We need to put tired ideologies aside, and ask not whether our Government is too big or too small, or whether it is the problem or the solution, but whether it is working for the American people. Where it does not, we will stop spending taxpayer dollars; where it has proven to be effective, we will invest. This is the approach, for example, we have begun in allocating funds to education, health care, and national security. And as we continue the budgetary process, we will identify more cuts and reallocations for the full Budget presented this spring, and undertake efforts to reform how the programs you fund are managed so that overruns are avoided, waste is cut, and you get the most effective and efficient Government possible.

In the little more than a month my Administration has had in office, we have not had the time to fully execute all the budget reforms that are needed, and to which I am fully committed. Those will come in the months ahead, and next year's budget process will look much different.

But this Budget does begin the hard work of bringing new levels of honesty and fairness to your Government. It looks ahead a full 10 years, making good-faith estimates about what costs we would incur; and it accounts for items that under the old rules could have been left out, making it appear that we had billions more to spend than we really do. The Budget also begins to restore a basic sense of fairness to the tax code, eliminating incentives for companies that ship jobs overseas and giving a generous

package of tax cuts to 95 percent of working families.

Finally, while we have inherited record budget deficits and needed to pass a massive recovery and reinvestment plan to try to jump-start our economy out of recession, we cannot lose sight of the long-run challenges that our country faces and that threaten our economic health—specifically, the trillions of dollars of debt that we inherited, the rising costs of health care, and the growing obligations of Social Security. Therefore, while our Budget will run deficits, we must begin the process of making the tough choices necessary to restore fiscal discipline, cut the deficit in half by the end of my first term in office, and put our Nation on sound fiscal footing.

Some may look at what faces our Nation and believe that America's greatest days are behind it. They are wrong.

Our problems are rooted in past mistakes, not our capacity for future greatness. We should never forget that our workers are more innovative and industrious than any on earth. Our universities are still the envy of the world. We are still home to the most brilliant minds, the most creative entrepreneurs, and the most advanced technology and innovation that history has ever known. And we are still the Nation that has overcome great fears and improbable odds. It will take time, but we can bring change to America. We can rebuild that lost trust and confidence. We can restore opportunity and prosperity. And we can bring about a new sense of responsibility among Americans from every walk of life and from every corner of the country.

BARACK OBAMA

THE WHITE HOUSE,
FEBRUARY 26, 2009.

THE BUDGET MESSAGE OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

We begin a new year at a moment of continuing challenge for the American people. Even as we recover from crisis, millions of families are still feeling the pain of lost jobs and savings. Businesses are still struggling to find affordable loans to expand and hire workers. Our Nation is still experiencing the consequences of a deep and lasting recession, even as we have seen encouraging signs that the turmoil of the past 2 years is waning. Moving from recession to recovery, and ultimately to prosperity, remains at the heart of my Administration's efforts. This Budget provides a blueprint for the work ahead.

But in order to understand where we are going in the coming year, it is important to remember where we started just 1 year ago. Last January, the United States faced an economic crisis unlike any we had known in generations. Irresponsible risk-taking and debt-fueled speculation—unchecked by sound oversight—led to the near-collapse of our financial system. Our Gross Domestic Product (GDP) was falling at the fastest rate in a quarter-century. Five trillion dollars of Americans' household wealth had evaporated in just 12 weeks as stocks, pensions, and home values plummeted. We were losing an average of 700,000 jobs each month, equivalent to the population of the State of Vermont. The capital and credit markets, integral to the normal functioning of our economy, were virtually frozen. The fear among economists—from across the political spectrum—was that we risked sinking into a second Great Depression.

Immediately, we undertook a series of difficult steps to prevent that outcome. We acted to get lending flowing again so that businesses could get loans to buy equipment and ordinary Americans could get financing to buy homes and cars, go to college, and start or run businesses. We enacted measures to foster greater stability in the housing market, help responsible homeowners stay in their homes, and help to stop the broader decline in home values. To achieve this, and to prevent an economic collapse that would have affected millions of additional families, we had no choice but to use authority enacted under the previous Administration to extend assistance to some of the very banks and financial institutions whose actions had helped precipitate the turmoil. We also took steps to prevent the rapid dissolution of the American auto industry—which faced a crisis partly of its own making—to prevent the loss of hundreds of thousands of additional jobs during an already fragile time. Many of these decisions were not popular, but we deemed them necessary to prevent a deeper and longer recession.

Even as we worked to stop the economic freefall and address the crises in our banking sector, our housing market, and our auto industry, we also began attacking the economic crisis on a broader front. Less than 1 month after taking office, we enacted the most sweeping economic recovery package in history: the American Recovery and Reinvestment Act. The Recovery Act not only provided tax cuts to small businesses and 95 percent of working families and provided emergency relief to those out of work or without health insurance; it also began to lay a new foundation for long-term economic growth and prosperity. With investments in health care, education, infrastructure, and clean energy, the Recovery Act both saved and created millions of jobs and began the hard work of transforming our economy to thrive in the modern, global marketplace and reverse the financial

decline working families experienced in the last decade. Because of these and other steps, we can safely say we have avoided the depression many feared, and we are no longer facing the potential collapse of our financial system. But our work is far from complete.

First and foremost, there are still too many Americans without work. The steps we have taken have helped stop the staggering job losses we were experiencing at the beginning of last year. But the damage has been done. More than seven million jobs were lost since the recession began 2 years ago. This represents not only a terrible human tragedy, but also a very deep hole from which we have to climb out. Until our businesses are hiring again and jobs are being created to replace those we have lost—until America is back at work—my Administration will not rest and this recovery will not be finished.

That is why this Budget includes plans to encourage small businesses to hire as quickly and effectively as possible, to make additional investments in infrastructure, and to jump-start clean energy investments that will help the private sector create good jobs in America.

Long before this crisis hit, middle-class families were under growing strain. For decades, Washington failed to address fundamental weaknesses in the economy: rising health-care costs, a growing dependence on foreign oil, and an education system unable to prepare our children for the jobs of the future. In recent years, spending bills and tax cuts for the wealthy were approved without paying for any of it, leaving behind a mountain of debt. And while Wall Street gambled without regard for the consequences, Washington looked the other way.

As a result, the economy may have been working very well for those at the very top, but it was not working for the middle class. Year after year, Americans were forced to work longer hours and spend more time away from their loved ones, while their incomes flat-lined and their sense of economic security evaporated. Beneath the statistics are the stories of hardship I've heard all across America. For too many, there has long been a sense that the American dream—a chance to make your own way, to support your family, save for college and retirement, own a home—was slipping away. And this sense of anxiety has been combined with a deep frustration that Washington either didn't notice, or didn't care enough to act.

Those days are over. In the aftermath of this crisis, what is clear is that we cannot simply go back to business as usual. We cannot go back to an economy that yielded cycle after cycle of speculative booms and painful busts. We cannot continue to accept an education system in which our students trail their peers in other countries, and a health-care system in which exploding costs put our businesses at a competitive disadvantage and squeeze the incomes of our workers. We cannot continue to ignore the clean energy challenge and stand still while other countries move forward in the emerging industries of the 21st Century. And we cannot continue to borrow against our children's future, or allow special interests to determine how public dollars are spent. That is why, as we strive to meet the crisis of the moment, we are continuing to lay a new foundation for the future.

Already, we have made historic strides to reform and improve our schools, to pass health insurance reform, to build a new clean energy economy, to cut wasteful spending, and to limit the influence of lobbyists and special interests so that we are better serving the national interest. However, there is much left to do, and this Budget lays out the way ahead.

Because an educated workforce is essential in a 21st Century global economy, we are undertaking a reform of elementary and secondary school funding by setting high standards, encouraging innovation, and rewarding success; making the successful Race to the Top fund permanent and opening it up to innovative school districts; investing in educating the next generation of scientists and engineers; and putting our Nation closer to meeting the goal of leading the world in new college graduates by 2020. Moreover, since in today's economy learning must last a lifetime, my Administration will reform the job-training system, streamlining it and focusing it on the high-growth sectors of the economy.

Because even the best-trained workers in the world can't compete if our businesses are saddled with rapidly increasing health-care costs, we're fighting to reform our Nation's broken health insurance system and relieve this unsustainable burden. My Budget includes funds to lay the groundwork for these reforms—by investing in health information technology, patient-centered research, and prevention and wellness—as well as to improve the health of the Nation by increasing the number of primary care physicians, protecting the safety of our food and drugs, and investing in critical biomedical research.

Because small businesses are critical creators of new jobs and economic growth, the Budget eliminates capital gains taxes for investments in small firms and includes measures to increase these firms' access to the loans they need to meet payroll, expand their operations, and hire new workers.

Because we know the nation that leads in clean energy will be the nation that leads the world, the Budget creates the incentives to build a new clean energy economy—from new loan guarantees that will encourage a range of renewable energy efforts and new nuclear power plants to spurring the development of clean energy on Federal lands. More broadly, the Budget makes critical investments that will ensure that we continue to lead the world in new fields and industries: doubling research and development funding in key physical sciences agencies; expanding broadband networks across our country; and working to promote American exports abroad.

And because we know that our future is dependent on maintaining American leadership abroad and ensuring our security at home, the Budget funds all the elements of our national power—including our military—to achieve our goals of winding down the war in Iraq, executing our new strategy in Afghanistan, and fighting al Qaeda all over the world. To honor the sacrifice of the men and women who shoulder this burden and who have throughout our history, the Budget also provides significant resources, including advanced appropriations, to care for our Nation's veterans.

Rising to these challenges is the responsibility we bear for the future of our children, our grandchildren, and our Nation. This is an obligation to change not just what we do in Washington, but how we do it.

As we look to the future, we must recognize that the era of irresponsibility in Washington must end. On the day my Administration took office, we faced an additional \$7.5 trillion in national debt by the end of this decade as a result of the failure to pay for two large tax cuts, primarily for the wealthiest Americans, and a new entitlement program. We also inherited the worst recession since the Great Depression—which, even before we took any action, added an additional \$3 trillion to the national debt. Our response to this recession, the Recovery Act, which has been critical to restoring economic growth, will add an additional \$1 trillion to the debt—only 10 percent of these costs. In total, the surpluses we enjoyed at the start of the last decade have disappeared; instead, we are \$12 trillion deeper in debt. In the long term, we cannot have sustainable and durable economic growth without getting our fiscal house in order.

That is why even as we increased our short-term deficit to rescue the economy, we have refused to go along with business as usual, taking responsibility for every dollar we spend, eliminating what we don't need, and making the programs we do need more efficient. We are taking on health care—the single biggest threat to our Nation's fiscal future—and doing so in a fiscally responsible way that will not add a dime to our deficits and will lower the rate of health-care cost growth in the long run.

We are implementing the Recovery Act with an unprecedented degree of oversight and openness so that anyone anywhere can see where their tax dollars are going. We've banned lobbyists from serving on agency advisory boards and commissions, which had become dominated by special interests. We are using new technology to make Government more accessible to the American people. And last year, we combed the budget, cutting millions of dollars of waste and eliminating excess wherever we could—including outdated weapons systems that even the Pentagon said it did not want or need.

We continued that process in this Budget as well, streamlining what does work and ending programs that do not—all while making it more possible for Americans to judge our progress for themselves. The Budget includes more than 120 programs for termination, reduction, or other savings for a total of approximately \$23 billion in 2011, as well as an aggressive effort to reduce the tens of billions of dollars in improper Government payments made each year.

To help put our country on a fiscally sustainable path, we will freeze non-security discretionary funding for 3 years. This freeze will require a level of discipline with Americans' tax dollars and a number of hard choices and painful tradeoffs not seen in Washington for many years. But it is what needs to be done to restore fiscal responsibility as we begin to rebuild our economy.

In addition to closing loopholes that allow wealthy investment managers to not pay income taxes on their earnings and ending subsidies for big oil, gas, and coal companies, the Budget eliminates the Bush tax cuts for those making more than \$250,000 a year and devotes those resources instead to reducing the deficit. Our Nation could not afford these tax cuts when they passed, and it cannot afford them now.

And the Budget calls for those in the financial sector—who benefited so greatly from the extraordinary measures taken to rescue them from a crisis that was largely of their own making—to finally recognize their obligation to taxpayers. The legislation establishing the Troubled Asset Relief Program (TARP) included a provision requiring the Administration to devise a way for these banks and firms to pay back the American taxpayer. That is why in this Budget we have included a fee on the largest and most indebted financial firms to ensure that taxpayers are fully compensated for the extraordinary support they provided, while providing a deterrent to the risky practices that contributed to this crisis.

Yet even after taking these steps, our fiscal situation remains unacceptable. A decade of irresponsible choices has created a fiscal hole that will not be solved by a typical Washington budget process that puts partisanship and parochial interests above our shared national interest. That is why, working with the Congress, we will establish a bipartisan fiscal commission charged with identifying additional policies to put our country on a fiscally sustainable path—balancing the Budget, excluding interest payments on the debt, by 2015.

This past year, we have seen the consequences of those in power failing to live up to their responsibilities to shareholders and constituents. We have seen how Main Street is as linked to Wall Street as our economy is to those of other nations. And we have seen the results of building an economy on a shaky foundation, rather than on the bedrock fundamentals of innovation, small business, good schools, smart investment, and long-term growth.

We have also witnessed the resilience of the American people—our unique ability to pick ourselves up and forge ahead even when times are tough. All across our country, there are students ready to learn, workers eager to work, scientists on the brink of discovery, entrepreneurs seeking the chance to open a small business, and once-shuttered factories just waiting to whir back to life in burgeoning industries.

This is a Nation ready to meet the challenges of this new age and to lead the world in this new century. Americans are willing to work hard, and, in return, they expect to be able to find a good job, afford a home, send their children to world-class schools, receive high-quality and affordable health care, and enjoy retirement security in their later years. These are the building blocks of the middle class that make America strong, and it is our duty to honor the drive, ingenuity, and fortitude of the American people by laying the groundwork upon which they can pursue these dreams and realize the promise of American life.

This Budget is our plan for how to start accomplishing this in the coming fiscal year. As we look back on the progress of the past 12 months and look forward to the work ahead, I have every confidence that we can—and will—rise to the challenge that our people and our history set for us.

These have been tough times, and there will be difficult months ahead. But the storms of the past are receding; the skies are brightening; and the horizon is beckoning once more.

BARACK OBAMA

THE WHITE HOUSE,
FEBRUARY 1, 2010.

THE BUDGET MESSAGE OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

America is emerging from the worst recession in generations. In 2010, an economy that had been shrinking began to grow again. After nearly 2 years of job losses, America's businesses added more than one million jobs. Our capital and credit markets are functioning and strong. Manufacturing is coming back. And after teetering on the brink of liquidation just 2 years ago, America's auto industry is posting healthy gains and returning money to the taxpayers who helped it through a period of turmoil. The determination and resilience of the American people and the tough choices we made over the past 2 years helped to pull our economy back from the brink of a second Great Depression.

Two years after those dark days, the stock market is booming. Corporations are posting record profits. Momentum is building. Yet, in America, we have always had a broader measure of economic health. We believe in a country where everyone who is willing to work for it has the opportunity to get ahead; where the small businessperson with a dream or entrepreneur with a great new idea has their best chance to make them a reality; where any child can go as far as their talent and tenacity will take them. That is the genius of America. That spirit is what has built the greatest prosperity the world has ever known.

So even as recovery begins to take hold, we have more work to do to live up to our promise by repairing the damage this brutal recession has inflicted on our people, generating millions of new jobs, and seizing the economic opportunities of this competitive, new century.

These must be the priorities as we put together our Budget for the coming year. The fiscal realities we face require hard choices. A decade of deficits, compounded by the effects of the recession and the steps we had to take to break it, as well as the chronic failure to confront difficult decisions, has put us on an unsustainable course. That's why my Budget lays out a path for how we can pay down these debts and free the American economy from their burden.

But in an increasingly competitive world in which jobs and businesses are mobile, we also have a responsibility to invest in those things that are absolutely critical to preparing our people and our Nation for the economic competition of our time.

We do this by investing in and reforming education and job training so that all Americans have the skills necessary to compete in the global economy. We do this by encouraging American innovation and investing in research and development—especially in the job-creating industries of tomorrow such as clean energy. We do this by rebuilding America's infrastructure so that U.S. companies can ship their products and ideas from every corner in America to anywhere in the world. And finally, we do this by coming together as Americans, not Democrats or Republicans, to make the tough choices that get America's fiscal house in order, investing in what works, cutting what doesn't, and changing the way business is done in Washington.

Growing the economy and spurring job creation by America's businesses, large and small, is my top priority. That's why, over the course of the last year, I pushed for additional measures to jump-start our economic recovery: tax credits for businesses that hire unemployed workers; assistance to States to prevent the layoffs of teachers; and tax cuts and expanded access to credit for small businesses. At the end of the year, I signed into law a measure that provided tax cuts for 159 million workers saving the typical worker \$1,000 per year. And the same law extended important tax credits to help families make ends meet and afford to send their kids to college. This bipartisan tax cut plan also gave businesses two powerful incentives to invest and create jobs: 100 percent expensing on the purchase of equipment and an extension of the research and experimentation tax credit.

Moreover, my Administration has moved aggressively to open markets abroad and boost exports of American made goods and services, signing a new trade agreement with South Korea, the twelfth-largest economy in the world. And last month, I laid out a balanced approach to regulation that is pragmatic, driven by data, and that will protect the health and well-being of the American people and help lay the groundwork for economic growth and job creation.

These steps will help the economy this year. But it is also essential that we take stock and look to the future—to what kind of America we want to see emerge from this crisis and take shape for the generations of Americans to come. This Budget lays out our roadmap not just for how we should invest in our economy next year, but how we should start preparing our Nation to grow, create good jobs, and compete in the world economy in the years ahead.

At its heart is a recognition that we live in a world fundamentally different than the one of previous generations. Revolutions in communication and technology have made businesses mobile and commerce global. Today, a company can set up shop, hire workers, and sell their products wherever there is an Internet connection. It is a transformation that has touched off a fierce competition among nations for the jobs and industries of the future.

The winners of this competition will be the countries that have the most skilled and educated workers; a serious commitment to research and technology; and access to quality infrastructure like roads and airports, high-speed rail, and high-speed Internet. These are the seeds of economic growth in the 21st century. Where they are planted, the most jobs and businesses will take root.

In the last century, America's economic leadership in the world went unchallenged. Now, it is up to us to make sure that we maintain that leadership in this century. At this moment, the most important contest we face as a Nation is not between Democrats and Republicans or liberals and conservatives. It's between America and our economic competitors around the world.

There is no doubt in my mind that we can win this competition. The United States is home to the world's best universities and research facilities, the most brilliant scientists, the brightest minds, and some of the hardest-working, most entrepreneurial people on Earth. But our leadership is not guaranteed unless we redouble our efforts in the race for the future.

In a generation, we've fallen from first place to ninth place in the proportion of our young people with college degrees. We lag behind other nations in the quality of our math and science education. The roads and bridges that connect the corners of our country and made our economy grow by leaps and bounds after World War II are aging and in need of repair. Our rail and air traffic systems are in need of modernization, and our mobile networks and high-speed Internet access have not kept pace with some of our rivals, putting America's businesses and our people at a competitive disadvantage.

In 1957, when the Soviet Union beat us into space by launching a satellite called Sputnik, it was a wake-up call that caused the United States to boost our investment in innovation and education—particularly in math and science. As a result, we not only surpassed the Soviets, we developed new American technologies, industries, and jobs. Fifty years later, our generation’s Sputnik moment has arrived. Our challenge is not building a new satellite, but to rebuild our economy. If the recession has taught us anything, it is that we cannot go back to an economy driven by too much spending, too much borrowing, and the paper profits of financial speculation. We must rebuild on a new, stronger foundation for economic growth. We need to do what America has always been known for: building, innovating, and educating. We don’t want to be a nation that simply buys and consumes products from other countries. We want to create and sell products all over the world that are stamped with three simple words: “Made in America.”

My Budget makes investments that can help America win this competition and transform our economy, and it does so fully aware of the very difficult fiscal situation we face. When I took the oath of office 2 years ago, my Administration was left an annual deficit of \$1.3 trillion, or 9.2 percent of GDP, and a projected 10-year deficit of more than \$8 trillion. These deficits were the result of a previous 8 years of not paying for programs—notably, two large tax cuts and a new Medicare prescription drug benefit—as well as the financial crisis and recession that exacerbated our fiscal situation as revenue decreased and automatic Government outlays increased to counter the recession and cushion its impact.

We took many steps to re-establish fiscal responsibility, from instituting a statutory pay-as-you-go rule for spending to going line by line through the budget looking for outdated, ineffective, or duplicative programs to cut or reform. And, most importantly, we enacted the Affordable Care Act. Along with giving Americans more affordable choices and freedom from insurance company abuses, reform of our health care system will, according to the latest analysis by the non-partisan Congressional Budget Office, reduce our budget deficits by more than \$200 billion in its first decade and more than \$1 trillion over the second.

Now that the threat of a depression has passed, and economic growth is beginning to take hold, taking further steps toward reducing our long-term deficit has to be a priority, and it is in this Budget. The reason is simple: in the long run, we will not be able to compete with countries like China if we keep borrowing more and more from countries like China. That’s why in this Budget, I put forward a number of steps to put us on a fiscally sustainable path.

First, I am proposing a 5-year freeze on all discretionary spending outside of security. This is not an across-the-board cut, but rather an overall freeze with investments in areas critical for long-term economic growth and job creation. A commonsense approach where we cut what doesn’t work and invest in those things that make America stronger and our people more prosperous. Over a decade, this freeze will save more than \$400 billion, cut non-security funding to the lowest share of the economy since at least 1962, and put the discretionary budget on a sustainable trajectory.

Making these spending cuts will require tough choices and sacrifices. One of them is the 2-year freeze on Federal civilian worker salaries. This is in no way a reflection on the dedicated service of Federal workers, but rather a necessary belt-tightening measure during these difficult times when so many private sector workers are facing similar cuts. This Budget also includes many terminations and reductions to programs across the entire Federal Government. These cuts include many programs whose mission I care deeply about, but meeting our fiscal targets while investing in our future demands no less. All told, we have put forward more than 200 terminations and reductions for over \$30 billion in savings.

Even in areas outside the freeze, we are looking for ways to save money and cut unnecessary costs. At the Department of Defense, for instance, we are reducing its funding by \$78 billion over the next 5 years on a course for zero real growth in funding. To do this, Secretary Gates is pursuing a package of terminations, consolidations, and efficiencies that include, for example, the elimination of the Marine Corps Expeditionary Fighting Vehicle; the consolidation of four Air Force air operations centers into two; and reducing the number of Generals and Admirals by more than 100. And throughout the entire Government, we are continuing our efforts to make Government programs and services work better and cost less: using competition and high standards to get the most from the grants we award, getting rid of excess Federal real estate, and saving billions of dollars by cutting overhead and administrative costs.

Second, I continue to oppose the permanent extension of the 2001 and 2003 tax cuts for families making more than \$250,000 a year and a more generous estate tax benefiting only the very largest estates. While I had to accept these measures for 2 more years as a part of a compromise that prevented a large tax increase on middle-class families and secured crucial job-creating support for our economy, these policies were unfair and unaffordable when enacted and remain so today. I will push for their expiration in 2012. Moreover, for too long we have tolerated a tax system that's a complex, inefficient, and loophole-riddled mess. For instance, year after year we go deeper into deficit and debt to pay to prevent the Alternative Minimum Tax (AMT) from hurting many middle-class families. As a start, my Budget proposes a 3-year fix to the AMT that is paid for by an across-the-board 30 percent reduction in itemized deductions for high-income taxpayers. My Administration will work with the Congress on a long-term offset for these costs.

Third, to address looming, long-term challenges to our fiscal health, the Budget addresses future liabilities in the unemployment insurance system; the Pension Benefit Guaranty Corporation, which protects the pensions of workers whose companies have failed; and the Federal Housing Administration, which plays a critical role in affordable housing. It also is committed to implementing the Affordable Care Act swiftly and efficiently since rising health care costs are the single biggest driver of our long-term fiscal problems. Finally, as a down payment toward a permanent fix, the Budget proposes additional reforms to our health care system that would be sufficient to pay for 2 years of fixing the Medicare's sustainable growth rate, thus preventing a large cut in Medicare reimbursements for doctors that would jeopardize care for older Americans.

In addition, I believe that we need to act now to secure and strengthen Social Security for future generations. Social Security is a solemn commitment to America's seniors that we must preserve. That is why I have laid out my principles for reform and look forward to working with the Congress on ensuring Social Security's compact for future generations.

As we move to rein in our deficits, we must do so in a way that does not cut back on those investments that have the biggest impact on our economic growth because the best antidote to a growing deficit is a growing economy. So even as we pursue cuts and savings in the months ahead, we must fund those investments that will help America win the race for the jobs and industries of the future—investments in education, innovation, and infrastructure.

In an era where most new jobs will require some kind of higher education, we have to keep investing in the skills of our workers and the education of our children. And that's why we are on our way to meeting the goal I set when I took office: by 2020, America will once again have the highest proportion of college graduates in the world.

To get there, we are making college more affordable for millions of students, through the extension of the American Opportunity Tax Cut and maintaining our historic expansion of the Pell Grant program while putting it on firm financial footing. We are taking large steps toward my goal of preparing 100,000 science, technology, engineering, and mathematics teachers over the next decade. And we are continuing our reform of elementary and secondary education—not from the top-down, but from the bottom-up. Instead of indiscriminately pouring money into a system that doesn't always work, we are challenging schools and States to compete in a "Race to the Top" to see who can come up with reforms that raise standards, recruit and retain good teachers, and raise student achievement, especially in math and science. We are expanding the "Race to the Top" to school districts, and since in today's economy learning must last a lifetime, we are extending this competitive framework to early childhood education, universities and colleges, and job training.

Once our students graduate with the skills they need for the jobs of the future, we also need to make sure those jobs end up in America. In today's high-tech, global economy, that means the United States must be the best place to do business and the best place to innovate. That will take reforming our tax code, and I am calling for immediate action to rid the corporate tax code of special interest loopholes and to lower the corporate rate to restore competitiveness and encourage job creation—while not adding a dime to the deficit.

And since many companies do not invest in basic research that does not have an immediate pay off, we—as a Nation—must devote our resources to these fundamental areas of scientific inquiry. In this Budget, we are increasing our investment in research and development that contributes to fields as varied as biomedicine, cyber-security, nano-technology, and advanced manufacturing. We are eliminating subsidies to fossil fuels and instead making a significant investment in clean energy technology—boosting our investment in this high-growth field by a third—because the country that leads in clean energy will lead in the global economy. Through a range of programs and tax incentives, this Budget supports my goals of the United States becoming the first country to have one million electric vehicles on the road by 2015 and for us to reach a point by 2035 where 80 percent of our electricity will come from clean energy sources. We also are working toward a 20 percent decrease in energy usage in commercial and institutional buildings by 2020, complementing our ongoing efforts to improving the efficiency of the residential sector. If this is truly our Sputnik moment, we need a commitment to innovation that we have not seen since President Kennedy challenged us to go to the moon.

To flourish in the global economy, we need a world-class infrastructure—the roads, rails, runways, and information superhighways that are fundamental to commerce. Over the last 2 years, our investments in infrastructure projects already have led to hundreds of thousands of good private sector jobs and begun upgrading our infrastructure across the country. But we still have a long way to go.

In this Budget, I am proposing a historic investment in repairing, rebuilding, and modernizing our transportation infrastructure. The Budget features an immediate, up-front investment of \$50 billion to both generate jobs now and lay a foundation for future economic growth. Looking toward the future, the Budget provides funds to develop and dramatically expand access to high-speed rail as well as the creation of a National Infrastructure Bank to support projects critical to our national competitiveness. While this transportation bill is a major investment of funds, it is also a major reform of how transportation funds have been invested in the past. We are committing to paying for our surface transportation plan and making it subject to the Congress' pay-as-you-go law; to

consolidating duplicative, earmarked programs; and to making tens of billions of dollars of funds subject to a competitive “Race to the Top” process.

And looking to what we will need to thrive in the 21st century, I am proposing an ambitious effort to speed the development of a cutting-edge, high-speed wireless data network that will reach across our country to 98 percent of Americans and provide for the needs of both our citizens and our first responders. We are the Nation that built the transcontinental railroad and the first airplanes to take flight. We constructed a massive interstate highway system and introduced the Internet to the world. America has always been built to compete, and if we want to attract the best jobs and businesses to our shores, we have to be that Nation again.

Finally, to make it easier for our businesses and workers to sell their products all over the globe, we are working toward our goal of doubling U.S. exports by 2014. This will take specific efforts to open up markets and promote American goods and services. It also will take maintaining American leadership abroad and ensuring our security at home. This Budget invests in all elements of our national power—including our military—to achieve our goals of winding down the war in Iraq; defeating al Qaeda in Afghanistan and around the world; reducing the threat of nuclear weapons; and preparing our Nation for emerging threats. We also invest resources to provide for our men and women in uniform and to honor the service of our veterans. And we do this all with an eye to cutting waste, finding efficiencies, and focusing resources on what is essential to our security.

Throughout our history, the investments this Budget makes—in education, innovation, and infrastructure—have commanded support from both Democrats and Republicans. It was Abraham Lincoln who launched the transcontinental railroad and opened the National Academy of Sciences; Dwight Eisenhower who helped build our highways; and Republican Members of Congress who worked with Franklin Roosevelt to pass the GI Bill. In our own time, leaders from both sides of the aisle have come together to invest in our infrastructure, create incentives for research and development, and support education reform such as those my Administration has been pursuing. Moreover, when faced with tough, fiscal challenges, our country’s leaders have come together to find a way forward to save Social Security in the 1980s and balance the budget in the 1990s.

There are no inherent ideological differences that should prevent Democrats and Republicans from making our economy more competitive with the rest of the world. We are all Americans, and we are all in this race together. So those of us who work in Washington have a choice to make in this coming year: we can focus on what is necessary for each party to win the news cycle or the next election, or we can focus on what is necessary for America to win the future.

I believe we must do what this moment demands, and do what we must to spur job creation and make the United States competitive in the world economy. For as difficult as the times may be, the good news is that we know what the future could look like for the United States. We can see it in the classrooms that are experimenting with groundbreaking reforms and giving children new math and science skills at an early age. We can see it in the wind farms and advanced battery factories that are opening across America. We can see it in the laboratories and research facilities all over this country that are churning out discoveries and turning them into new startups and new jobs.

And when you meet these children and their teachers, these scientists and technicians, and these entrepreneurs and their employees, you come away knowing that despite all we have been through these past 2 years, we will succeed. The idea of America is alive and well. As long as there are people willing to dream, willing to work hard, and willing to look past the disagreements of the moment to focus on the future we share, I have no doubt that this will be remembered as another American century.

BARACK OBAMA

THE WHITE HOUSE,
FEBRUARY 14, 2011.

THE BUDGET MESSAGE OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

America was built on the idea that anyone who is willing to work hard and play by the rules, can make it if they try—no matter where they started out. By giving every American a fair shot, asking everyone to do their fair share, and ensuring that everyone played by the same rules, we built the great American middle class and made our country a model for the world.

Today, America is still home to the world's best universities, most productive workers, and most innovative companies. But for many Americans, the basic bargain at the heart of the American Dream has eroded.

Long before this recession hit, there was a widespread feeling that hard work had stopped paying off; that fewer and fewer of those who contributed to the success of our economy actually benefited from that success. Those at the very top grew wealthier while everyone else struggled with paychecks that did not keep up with the rising cost of everything from college tuition to groceries. And as a result, too many families found themselves taking on more and more debt just to keep up—often papered over by mounting credit card bills and home equity loans.

Then, in the middle of 2008, the house of cards collapsed. Too many mortgages had been sold to people who could not afford—or even understand—them. Banks had packaged too many risky loans into securities and then sold them to investors who were misled or misinformed about the risks involved. Huge bets had been made and huge bonuses had been paid out with other people's money. And the regulators who were supposed to prevent this crisis either looked the other way or did not have the authority to act.

In the end, this growing debt and irresponsibility helped trigger the worst economic crisis since the Great Depression. Combined with new tax cuts and new mandatory programs that had never been paid for, it threw our country into a deep fiscal hole. And millions of hardworking Americans lost their jobs, their homes, and their basic economic security.

Today, we are seeing signs that our economy is on the mend. But we are not out of the woods yet. Instead, we are facing a make-or-break moment for the middle class, and for all those who are fighting to get there. What is at stake is whether or not this will be a country where working people can earn enough to raise a family, build modest savings, own a home, and secure their retirement. This is the defining issue of our time.

This Budget reflects my deep belief that we must rise to meet this moment—both for our economy and for the millions of Americans who have worked so hard to get ahead.

We built this Budget around the idea that our country has always done best when everyone gets a fair shot, everyone does their fair share, and everyone plays by the same rules. It rejects the “you're

on your own” economics that have led to a widening gap between the richest and poorest Americans that undermines both our belief in equal opportunity and the engine of our economic growth. When the middle class is shrinking, and families can no longer afford to buy the goods and services that businesses are selling, it drags down our entire economy. And countries with less inequality tend to have stronger and steadier economic growth over the long run.

The way to rebuild our economy and strengthen the middle class is to make sure that everyone in America gets a fair shot at success. Instead of lowering our standards and our sights, we need to win a race to the top for good jobs that pay well and offer security for the middle class. To succeed and thrive in the global, high-tech economy, we need America to be a place with the highest-skilled, highest-educated workers; the most advanced transportation and communication networks; and the strongest commitment to research and technology in the world. This Budget makes investments that can help America win this race, create good jobs, and lead in the world economy.

And it does so with the understanding that we need an economy that is no longer burdened by years of debt and in which everyone shoulders their fair share to put our fiscal house in order. When I took office 3 years ago, my Administration was left an annual deficit of \$1.3 trillion, or 9.2 percent of GDP, and a projected 10-year deficit of more than \$8 trillion. These deficits were the result of a previous 8 years of undertaking initiatives, but not paying for them—especially two large tax cuts and a new Medicare prescription drug benefit—as well as the financial crisis and recession that made the fiscal situation worse as revenue decreased and automatic Government outlays increased to counter the downturn.

We have taken many steps to re-establish fiscal responsibility, from instituting a statutory pay-as-you-go rule for spending to going through the budget line by line looking for outdated, ineffective, or duplicative programs to cut or reform. Importantly, we enacted the Affordable Care Act, which will not only provide Americans with more affordable choices and freedom from insurance company abuses, but will also reduce our budget deficits by more than \$1 trillion over the next two decades.

As economic growth was beginning to take hold last year, I took further steps to put our Nation on a fiscally sustainable path that would strengthen the foundation of the economy for years to come. In April of 2011, I put forward my Framework for Shared Prosperity and Shared Fiscal Responsibility that built on the 2012 Budget to identify \$4 trillion in deficit reduction. During negotiations over extending the debt ceiling in the summer, I presented to congressional Republicans another balanced plan to achieve \$4 trillion in deficit reduction. Finally, in September, I sent my Plan for Economic Growth and Deficit Reduction to the Joint Select Committee on Deficit Reduction, which detailed a way to achieve \$3 trillion in deficit reduction on top of the \$1 trillion already achieved in the Budget Control Act of 2011 that I signed into law the previous month.

I also made sure that this plan covered the cost of the American Jobs Act—a set of bipartisan, commonsense proposals designed to put more people back to work, put more money in the pockets of the middle class, and do so without adding a dime to the deficit at a time when it was clear that global events were slowing the economic recovery and our ability to create more jobs. Unfortunately, Republicans in Congress blocked both our deficit reduction measures and almost every part of the American Jobs Act for the simple reason that they were unwilling to ask the wealthiest Americans to pay their fair share.

In the year ahead, I will continue to pursue policies that will shore up our economy and our fiscal situation. Together with the deficit reduction I signed into law this past year, this Budget will cut the

deficit by \$4 trillion over the next decade. This will put the country on a course to a level of deficits below 3 percent of GDP by the end of the decade, and will also allow us to stabilize the Federal debt relative to the size of the economy. To get there, this Budget contains a number of steps to put us on a fiscally sustainable path.

First, this Budget implements the tight discretionary spending caps that I signed into law in the Budget Control Act of 2011. These caps will generate approximately \$1 trillion in deficit reduction over the next decade. Building on reductions we already have made, this will result in a cut in discretionary spending of \$42 billion since 2010 when higher levels of Federal spending were essential to provide a jumpstart to the economy. Meeting the spending targets in this Budget meant some very difficult choices: reforming, consolidating, or freezing programs where we could; cutting programs that were not effective or essential and even some that were, but are now unaffordable; and precisely targeting our investments. Every department will feel the impact of these reductions as they cut programs or tighten their belts to free up more resources for areas critical to economic growth. And throughout the entire Government, we will continue our efforts to make programs and services work better and cost less: using competition and high standards to get the most from the grants we award; getting rid of excess Federal real estate; and saving billions of dollars by cutting overhead and administrative costs.

Second, this Budget begins the process of implementing my new defense strategy that reconfigures our force to meet the challenges of the coming decade. Over the past 3 years, we have made historic investments in our troops and their capabilities, military families, and veterans. After a decade of war, we are at an inflection point: American troops have left Iraq; we are undergoing a transition in Afghanistan so Afghans can assume more responsibility; and we have debilitated al Qaeda's leadership, putting that terrorist network on the path to defeat. At the same time, we have to renew our economic strength here at home, which is the foundation of our strength in the world, and that includes putting our fiscal house in order. To ensure that our defense budget is driven by a clear strategy that reflects our national interests, I directed the Secretary of Defense and military leadership to undertake a comprehensive strategic review.

I presented the results of the review, reflecting my guidance and the full support of our Nation's military leadership, at the Pentagon on January 5. There are several key elements to this new strategy. To sustain a global reach, we will strengthen our presence in the Asia Pacific region and continue vigilance in the Middle East. We will invest in critical partnerships and alliances, including NATO, which has demonstrated time and again—most recently in Libya—that it is a force multiplier. Looking past Iraq and Afghanistan to future threats, the military no longer will be sized for large-scale, prolonged stability operations. The Department of Defense will focus modernization on emerging threats and sustaining efforts to get rid of outdated Cold War-era systems so that we can invest in the capabilities we need for the future, including intelligence, surveillance and reconnaissance capabilities. My Administration will continue to enhance capabilities related to counterterrorism and countering weapons of mass destruction, and we will also maintain the ability to operate in environments where adversaries try to deny us access. And, we will keep faith with those who serve by giving priority to our wounded warriors, servicemembers' mental health, and the well-being of military families.

Adapting our forces to this new strategy will entail investing in high-priority programs, such as unmanned surveillance aircraft and upgraded tactical vehicles. It will mean terminating unnecessary and lower-priority programs such as the C-27 airlift aircraft and a new weather satellite and maintaining programs such as the Joint Strike Fighter at a reduced level. All told, reductions in the growth of defense spending will save \$487 billion over the next 10 years. In addition, the end of our

military activities in Iraq and the wind-down of operations in Afghanistan will mean that the country will spend 24 percent less on overseas contingency operations (OCO) this year than it did last year, saving \$30 billion. I also am proposing a multi-year cap on OCO spending so that we fully realize the dividends of this change in policy.

Third, I believe that in our country, everyone must shoulder their fair share—especially those who have benefited the most from our economy. In the United States of America, a teacher, a nurse, or a construction worker who earns \$50,000 a year should not pay taxes at a higher rate than somebody making \$50 million. That is wrong. It is wrong for Warren Buffett's secretary to pay a higher tax rate than Warren Buffett. This is not about class warfare; this is about the Nation's welfare. This is about making fair choices that benefit not just the people who have done fantastically well over the last few decades, but that also benefit the middle class, those fighting to get into the middle class, and the economy as a whole.

In the Budget, I reiterate my opposition to permanently extending the Bush tax cuts for families making more than \$250,000 a year and my opposition to a more generous estate tax than we had in 2009 benefiting only the very largest estates. These policies were unfair and unaffordable when they were passed, and they remain so today. I will push for their expiration in the coming year. I also propose to eliminate special tax breaks for oil and gas companies; preferred treatment for the purchase of corporate jets; tax rules that give a larger percentage deduction to the wealthiest two percent than to middle-class families for itemized deductions; and a loophole that allows some of the wealthiest money managers in the country to pay only 15 percent tax on the millions of dollars they earn. And I support tax reform that observes the "Buffett Rule" that no household making more than \$1 million annually should pay a smaller share of its income taxes than middle-class families pay.

Fourth, to build on the work we have done to reduce health care costs through the Affordable Care Act, I am proposing more than \$360 billion in reforms to Medicare, Medicaid, and other health programs over 10 years. The goal of these reforms is to make these critical programs more effective and efficient, and help make sure our health care system rewards high-quality medicine. What it does not do—and what I will not support—are efforts to turn Medicare into a voucher or Medicaid into a block grant. Doing so would weaken both programs and break the promise that we have made to American seniors, people with disabilities, and low-income families—a promise I am committed to keeping.

Finally, to address other looming, long-term challenges to our fiscal health, I have put forward a wide range of mandatory savings. These include reductions in agricultural subsidies, changes in Federal employee retirement and health benefits, reforms to the unemployment insurance system and the Postal Service, and new efforts to provide a better return to taxpayers from mineral development. Drawn from the plan I presented to the Joint Select Committee on Deficit Reduction, these mandatory proposals would save \$217 billion over the next decade.

Reining in our deficits is not an end in and of itself. It is a necessary step to rebuilding a strong foundation so our economy can grow and create good jobs. That is our ultimate goal. And as we tighten our belts by cutting, consolidating, and reforming programs, we also must invest in the areas that will be critical to giving every American a fair shot at success and creating an economy that is built to last.

That starts with taking action now to strengthen our economy and boost job creation. We need to finish the work we started last year by extending the payroll tax cut and unemployment benefits for the rest of this year. We also need to take additional measures to put more people back to work. That

is why I introduced the American Jobs Act last year, and why I will continue to put forward many of the ideas it contained, as well as additional measures, to put people back to work by rebuilding our infrastructure, providing businesses tax incentives to invest and hire, and giving States aid to rehire teachers and first responders.

We also know that education and lifelong learning will be critical for anyone trying to compete for the jobs of the future. That is why I will continue to make education a national mission. What one learns will have a big impact on what he or she earns: the unemployment rate for Americans with a college degree or more is only about half the national average, and the incomes of college graduates are twice as high as those without a high school diploma.

When I took office, I set the goal for America to have the highest proportion of college graduates in the world by 2020. To reach that goal, we increased the maximum annual Pell Grant by more than \$900 to help nearly 10 million needy students afford a college education. The 2013 Budget continues that commitment and provides the necessary resources to sustain the maximum award of \$5,635. In this Budget, I also propose a series of new proposals to help families with the costs of college including making permanent the American Opportunity Tax Credit, a partially refundable tax credit worth up to \$10,000 per student over 4 years of college, and rewarding colleges and universities that act responsibly in setting tuition, providing the best value, and serving needy students well.

To help our students graduate with the skills they will need for the jobs of the future, we are continuing our effort to prepare 100,000 science and math teachers over the next decade. To improve our elementary and secondary schools, we are continuing our commitment to the Race to the Top initiative that rewards the most innovative and effective ways to raise standards, recruit and retain good teachers, and raise student achievement. My Budget invests \$850 million in this effort, which already has been expanded to cover early learning and individual school districts.

And to prepare our workers for the jobs of tomorrow, we need to turn our unemployment system into a re-employment system. That includes giving more community colleges the resources they need to become community career centers—places that teach skills that businesses are looking for right now, from data management to high-tech manufacturing.

Once our students and workers gain the skills they need for the jobs of the future, we also need to make sure those jobs end up in America. In today's high-tech, global economy, that means the United States must be the best place in the world to take an idea from the drawing board to the factory floor to the store shelves. In this Budget, we are sustaining our level of investment in non-defense research and development (R&D) even as overall spending declines, thereby keeping us on track to double R&D funding in the key R&D agencies. We are supporting research at the National Institutes of Health that will accelerate the translation of new discoveries in biomedical science into new therapies and cures, along with initiatives at the Food and Drug Administration that will speed the approval of new medicines. We make important investments in the science and research needed to tackle the most important environmental challenges of our time, and we are investing in fields as varied as cyber-security, nano-technology, and advanced manufacturing. This Budget also puts an emphasis on the basic research that leads to the breakthroughs of tomorrow, which increasingly is no longer being conducted by the private sector, as well as helping inventors bring their innovations from laboratory to market.

This Budget reflects the importance of safeguarding our environment while strengthening our economy. We do not have to choose between having clean air and clean water and growing the economy.

By conserving iconic American landscapes, restoring significant ecosystems from the Everglades to the Great Lakes, and achieving measurable improvements in water and air quality, we are working with communities to protect the natural resources that serve as the engines of their local economies.

Moreover, this Budget continues my Administration's commitment to developing America's diverse, clean sources of energy. The Budget eliminates unwarranted tax breaks for oil companies, while extending key tax incentives to spur investment in clean energy manufacturing and renewable energy production. The Budget also invests in R&D to catalyze the next generation of clean energy technologies. These investments will help us achieve our goal of doubling the share of electricity from clean energy sources by 2035. By promoting American leadership in advanced vehicle manufacturing, including funding to encourage greater use of natural gas in the transportation sector, the Budget will help us reach our goal of reducing oil imports by one-third by 2025 and position the United States to become the first country to have one million electric vehicles on the road by 2015. We also are working to decrease the amount of energy used by commercial and industrial buildings by 20 percent to complement our ongoing efforts to improving the efficiency of the residential sector. And we will work with the private sector, utilities, and States to increase the energy productivity of American industries while investing in the innovative processes and materials that can dramatically reduce energy use.

It is also time for government to do its part to help make it easier for entrepreneurs, inventors, and workers to grow their businesses and thrive in the global economy. I am calling on Congress to immediately begin work on corporate tax reform that will close loopholes, lower the overall rate, encourage investment here at home, simplify taxes for America's small businesses, and not add a dime to the deficit. Moreover, to further assist these companies, we need a comprehensive reorganization of the parts of the Federal Government that help businesses grow and sell their products abroad. If given consolidation authority—which Presidents had for most of the 20th century—I will propose to consolidate six agencies into one Department, saving money, and making it easier for all companies—especially small businesses—get the help they need to thrive in the world economy.

Finally, this Budget advances the national security interests of the United States, including the security of the American people, the prosperity and trade that creates American jobs, and support for universal values around the world. It increases funding for the diplomatic efforts that strengthen the alliances and partnerships that improve international cooperation in meeting shared challenges, open new markets to American exports, and promote development. It invests in the intelligence and homeland security capabilities to detect, prevent, and defend against terrorist attacks against our country.

As we implement our new defense strategy, my Administration will invest in the systems and capabilities we need so that our Armed Forces are configured to meet the challenges of the coming decade. We will continue to invest in improving global health and food security so that we address the root causes of conflict and security threats. And we will keep faith with our men and women in uniform, their families, and veterans who have served their Nation.

These proposals will take us a long way towards strengthening the middle class and giving families the sense of security they have been missing for too long. But in the end, building an economy that works for everyone will require all of us to take responsibility. Parents will need to take greater responsibility for their children's education. Homeowners will have to take more responsibility when it comes to buying a house or taking out a loan. Businesses will have to take responsibility for doing

right by their workers and our country. And those of us in public service will need to keep finding ways to make government more efficient and more effective.

Understanding and honoring the obligations we have to ourselves and each other is what has made this country great. We look out for each other, pull together, and do our part. But Americans also deserve to know that their hard work will be rewarded.

This Budget is a step in the right direction. And I hope it will help serve as a roadmap for how we can grow the economy, create jobs, and give Americans everywhere the security they deserve.

BARACK OBAMA

THE WHITE HOUSE,
FEBRUARY 13, 2012.

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 21st 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 21st 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 21st 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.