

INVESTING IN OUR FUTURE

Our economy is undergoing a transformation not seen since the move from an agrarian to an industrial economy at the turn of the 20th Century. Huge advances in technology—from computing power to communications—have allowed companies to boost productivity and realign their workforces. These technological advances, like earlier ones, raise our standard of living and create entire new industries. During the 20th Century, our economy was the envy of the rest of the world, in no small part because it was better at creating and harnessing new technologies, and more flexible in adapting to them.

Advances in technology also can require painful adjustments. Recent advances have allowed firms to search the world for the best place to make their products and deliver their services, and hire workers wherever they may find them. At first, this transition was felt most acutely by industrial workers; factories, plants, and mills have closed because fewer people were needed to run them or the operations were sent overseas. In recent years, white-collar workers have felt the effects of this transformation too. In some fields, technological advances have meant fewer workers were needed to perform a task. In others, advances in telecommunications have enabled the outsourcing of jobs to countries such as China or India.

The dislocations caused by these changes have been jarring and painful to many Americans and communities across our country. Moreover, their effects have been compounded by a belief among some policymakers that all that is needed to help our fellow Americans through this transforma-

tion is to cut regulations and reduce taxes for the wealthy. Prosperity and jobs will then trickle down to the vast majority of Americans. This approach has not worked. It contributed to years of income stagnation for middle-class families, helped produce a level of inequality that is a drag on overall economic growth, and helped create the deep rescission whose after-effects we are still grappling with. As a result, the rungs on the ladder of opportunity have grown farther apart, making it more difficult for people who work hard and play by the rules to provide a secure middle-class life for their family.

This is not a future that we can or should accept. Instead, we need to make sure that everyone gets a fair shot at success, does their fair share, and engages in fair play so that we, as a Nation, can grow and prosper. To do that, we must not race to the lowest global common denominator; instead, we must race to the top—to good jobs that pay well and offer middle-class security. In today's high-tech, interdependent economy, that means we must transform our economy from one that is too focused on speculation, spending, and borrowing to one that is educating, innovating, and building. We need to continue to construct a new foundation for long-term economic growth that has as its pillars what is needed to win in the world economy: an educated and skilled workforce; cutting-edge research leading to the innovations that will power the industries of tomorrow; and a modern, robust infrastructure that can support a growing, high-tech economy with the jobs that promote a growing middle class. With that as a base, we can out-compete any country and sustain a strong economy.

Putting the Nation on a sustainable fiscal path is critical to keeping the United States competitive in the global economy, and the Budget lays out a strategy to do that. At the same time, it also recognizes that we must go forward with investments that will fuel future economic growth, particularly since sustained and robust economic growth plays a very significant, long-term role in reducing deficits. To be sure, making these investments and re-tooling our Nation for this challenge is not an easy task. The discretionary budget caps put in place by the Budget Control Act of 2011 create tight limits, forcing us to make tough decisions about where to invest. In many areas, that means keeping funding level or cutting it; in some, it entails reforming programs to be more effective; in a small number, it means targeted increases. Overall, the Administration is pursuing a strategy in which the Budget identifies cuts and savings, asks for shared sacrifices across the board, and invests in areas critical to helping America win the race for the jobs and industries of the future.

Educating a Competitive Workforce

For decades, the strength of our schools and universities as well as our ability to provide a quality education to a large number of our people has been an engine for our economic growth. From the land-grant universities of the 19th Century to the GI Bill in the 20th, we have worked to open the doors of education to more and more of our people. Looking ahead, a highly-educated and skilled workforce will be critical to competing in the global economy and to creating jobs that pay well and offer middle-class security. The unemployment rate for Americans with a college degree or more is about half the national average, and their incomes are twice as high as those without a high-school diploma. Education needs to be a national mission in which we all—educators, government, businesses, parents, students, and communities—work together to give our children a world-class education. That is why the President has set an ambitious goal: by 2020, we will have the highest proportion of college graduates in the world. Meeting this goal will give us

a workforce that is second to none, and a steady stream of inventors and entrepreneurs to create the businesses and jobs of the future.

Our approach to investing in education is to direct significant resources to where they are needed and to ensure that those funds are being invested in programs that are effective in educating our children. Over the past three years, the Administration has funded evaluations and required greater use of evidence in grant competitions, so we can determine and fund what works. Central to this effort has been the Race to the Top (RTT) initiative for elementary and secondary education, which created a competition for funds that spurred States across the Nation to bring together teachers, school leaders, and policy makers to achieve difficult, yet fundamental improvements to our education system. By offering competitive funding, demanding significant reforms with deep support, requiring outcomes, and measuring success, the RTT competition fostered meaningful change even in States that ultimately did not win an award. This past year, a new RTT competition, called Race to the Top: Early Learning Challenge, also drove States to take major steps to focus systematically on improved quality and results in their early education programs. The 2013 Budget will extend the Race to the Top model to the realm of higher education, with a new competition that rewards States that keep public colleges affordable and adopt reforms that lead more students to complete their degrees on time.

To meet the President's goal on college access and completion, the Administration is proposing investments and reforms that touch every phase of a lifetime of learning. The Administration will:

Reform Elementary and Secondary School Funding by Setting High Standards, Encouraging Innovation, and Rewarding Success. The Administration has jump-started landmark reforms in our education system by rewarding excellence and promoting innovation. Early indications show impressive progress in helping children start school ready to succeed, raising academic standards, placing an effective

teacher in every classroom, and turning around struggling schools. The Administration will work with the Congress on reauthorization legislation to restructure K-12 funding to continue to focus on these critical educational goals. In this reauthorization, we would encourage innovation by consolidating narrow authorities into broader programs. Key components of education reform reflected in the Budget include:

- *Race to the Top (RTT)*. The Budget provides \$850 million for RTT, a program that has enabled States to implement systemic reforms in five fundamental areas: implementing rigorous standards and assessments; using data to improve instruction and decision-making; recruiting and retaining effective teachers and principals; turning around the lowest-performing schools, and improving State systems of early learning and care. In 2011, the Department of Education launched the RTT Early Learning Challenge grant competition, a joint effort with the Department of Health and Human Services, designed to spur progress in States with the most ambitious plans to ensure that high-needs children from birth to age five enter kindergarten ready to succeed. In 2012, the Administration is building on the State-level progress of RTT by launching a district-level competition to support reforms best executed at the local level. In 2013, RTT will be poised to deepen our investments in these various areas, to address the unmet demand of States and districts that have demonstrated a commitment to implementing comprehensive and ambitious reforms. Additional resources also will be provided for Race to the Top: Early Learning Challenge, to be paired with new investments by the Department of Health and Human Services in improving child care quality and preparing children for success in school.
- *Promise Neighborhoods*. The Budget provides a considerable increase to Promise Neighborhoods, funding the program at \$100 million. This initiative supports high-need communities who plan to integrate effective

services for families combined with comprehensive reforms centered on high-quality schools, in an effort to improve educational and life outcomes for children and youth.

- *Investing in Innovation (i3)*. The Budget continues robust investment in the i3 fund, to support evidence-based approaches that improve K-12 achievement and close achievement gaps, decrease dropout rates, increase high school graduation rates, and improve teacher and school leader effectiveness. A portion of i3 funds will also be used to support the development of breakthrough learning technologies through the Advanced Research Projects Agency for Education.
- *Flexibility in Exchange for Smart Reforms*. To build on the successful reforms leveraged by the first RTT competition, the Department of Education recently invited States to apply for Elementary and Secondary Education Act (ESEA) waivers in exchange for a commitment to continue to focus on closing achievement gaps and comprehensive reforms. The Budget maintains investments in key programs that States can use to advance these reforms. For example, States and districts will have new flexibility to use Title I funds that were previously required to be reserved for supplemental educational services, public school choice, and professional development to support locally-determined, rigorous interventions in schools.
- *Streamline and Consolidate Programs*. The Budget overhauls the Department of Education's ESEA programs by consolidating 38 program authorities into 11 competitive grant programs designed to allow States and districts more flexibility to use resources where they will have the greatest impact.

Open the Doors of College to More Americans. To boost the number of college graduates, we need to make it easier for students to afford a postsecondary education and increase the number of students who complete their degree. The Administration has already taken significant

strides to improve access to college. Today, nearly 10 million students receive Pell Grants, and more than 12 million borrowers receive low-cost loans, with new affordable repayment options based on their income after leaving school. Just as investments over the past three years have transformed K-12 education, this Budget invests significant resources to reform higher education. Our goal is to reduce college costs, improve access, increase levels of completion, and better post-graduation outcomes. Key initiatives include:

- *Helping Students and Their Families Pay for College.* An educated and highly-skilled American workforce is essential to winning the future in today's global economy. Since 2008, the Administration has increased the maximum Pell Grant by \$900, ensuring access to postsecondary education for nearly 10 million needy students. The Budget continues that commitment to Pell and provides the necessary resources to sustain the maximum award of \$5,635 and, by generating savings elsewhere in higher education, to fund the maximum Pell award through the 2014-2015 award year. In addition, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended for two years the new American Opportunity Tax Credit (AOTC)—a partially refundable tax credit worth up to \$10,000 per student over four years of college. AOTC, which would be made permanent in the Budget, helps more than 9 million students and their families afford the cost of college.
- *Rewarding Colleges That Stay Affordable and Provide Good Value.* The Budget proposes Race to the Top: College Affordability and Completion to help make America's public colleges and universities more affordable and a better value, and to drive reforms that will help boost quality, productivity, and degree completion. In addition, the Budget proposes to reform the formula for distributing approximately \$10 billion annually of Campus-Based Aid to reward colleges that act responsibly in setting tuition, providing the best value, and serving needy students

well. Finally, the Budget proposes a new \$55 million First in the World Fund that introduces an evidence-based framework—modeled after the i3 initiative—to test, validate, and scale up effective strategies to improve higher education.

Prepare 100,000 STEM Teachers Over the Next Decade and Improve STEM Education.

Students need to master science, technology, engineering, and mathematics (STEM) in order to thrive in the 21st Century economy. Steadily, we have seen other nations eclipse ours in preparing their children in these critical fields. That is why the President has set the ambitious goal of preparing 100,000 STEM teachers over the next decade, and recruiting 10,000 STEM teachers over the next two years. The Budget allocates \$80 million within the Effective Teachers and Leaders State Grant program toward that goal, to expand promising and effective models of teacher preparation in STEM. The Budget also funds a jointly administered mathematics education initiative, with \$30 million from the Department of Education and \$30 million from the National Science Foundation to develop, validate, and scale up evidence-based approaches to improve student learning at the K-12 and undergraduate levels. These programs will be developed in conjunction with a Government-wide effort to improve the impact of Federal investments in math and science education by ensuring that all programs supporting K-12 and undergraduate education adhere to consistent standards of effectiveness.

Invest in Building the Skills of American Workers. As our economy continues to recover, millions of Americans are looking for ways to upgrade and hone their skills to prepare for emerging job opportunities. The Budget provides resources to connect these workers with job openings and skill-building opportunities. This includes a \$12.5 billion Pathways Back to Work Fund, which will support summer and year-round jobs for low-income youth, and will help connect the long-term unemployed and low-income adults to subsidized employment and work-based training opportunities. To complement this short-run investment, the Budget continues to support a Workforce

Innovation Fund that, paired with broader waiver authority, will encourage States, regions, and localities to break down barriers among programs, test new ideas, and replicate proven strategies for delivering better employment and education results in a more cost-effective way. The Budget also funds a new initiative designed to improve access to job training across the Nation and provides \$8 billion in the Departments of Education and Labor to support State and community college partnerships with businesses to build the skills of American workers.

Give Dislocated Workers the Help They Need to Find New Jobs. Nearly 7 million of the Americans who lost jobs in 2009 were displaced from jobs that are unlikely to come back, and those who do find reemployment, on average, suffer significant earnings losses. But our current system does not treat all workers who were dislocated because of economic shifts equally. Workers in trade-impacted industries are eligible for extensive income support, training, and reemployment services under the Trade Adjustment Assistance program, while those who lose their jobs for other reasons receive less generous assistance. In this increasingly global economy, it is increasingly difficult to distinguish between trade, technology, outsourcing, consumer trends, and other economic shifts that cause displacement. As part of the Administration's effort to reform and modernize the Nation's job training system so that individuals can quickly gain the training they need for the jobs created as our economy evolves, the Budget proposes a universal core set of services where the focus is on helping all dislocated workers find new jobs.

Prepare Young People for Jobs Through a Reformed Career and Technical Education Program. The President's Budget recommends reauthorization and reform of the Career and Technical Education (CTE) program, currently set to expire in 2013. The Administration's \$1.1 billion reauthorization proposal would restructure CTE to align what students learn in school with the demands of 21st Century jobs. The Budget also invests in immediate job-creation measures to increase substantially the number of

students enrolled in Career Academies, a particularly successful educational model for young people.

Reform Job Corps. The Administration strongly supports Job Corps, but believes the program could be more effective and efficient. The 2013 Budget launches a bold reform effort for Job Corps to improve program outcomes and strengthen accountability. Specifically, the Administration intends to fund Job Corps centers in every State, but close by program year 2013 the small number of Job Corps centers that are chronically low-performing, to be identified using criteria that will be published in advance. The Administration will also shift the program's focus toward the strategies that were proven most cost-effective in evaluations of Job Corps, strengthen the performance measurement system, and provide information to the public about each Job Corps center's performance in a more transparent way.

Investing in American Innovation

The world is shifting to an innovation economy, and no other country fosters innovation better than America. From Franklin to Edison, from Ford to Gates and Jobs, American inventors and entrepreneurs have transformed the world. Being daring and harnessing the talents of a diverse population are our Nation's strengths, and they match up with the demands of the economy today and in the decades to come.

To create jobs in the 21st Century economy, we need to create an environment where invention, innovation, and industry can flourish. We need to build a future in which our factories and workers are busy manufacturing the high-tech products that will define the century. We need an economy not built on bubbles and financial speculation, but one built on creating and selling throughout the world products that are stamped, "Made in America." Doing that starts with continuing investment in the basic science and engineering research and technology development from which new products, new businesses, and even

new industries are formed. It means writing our rules, regulations, and laws in a way that promote growth and innovation and make it easier for scientists and inventors to bring their ideas to market and see those ideas become thriving businesses. And, we must focus our efforts in areas that show the most promise for job creation to compete with developing countries that are devoting more of their resources to these industries.

That is why the Budget continues to make a significant investment in clean energy technology. Whichever country leads in the global, clean energy economy will also take the lead in creating high-paying, highly-skilled jobs for its people. More than that, moving toward a clean energy economy will reduce our reliance on oil and on other energy sources that contribute to global warming. We are at the cusp of a future in which hundreds of thousands of vehicles that do not rely on a gasoline-powered engine will be on our roads, and where millions of homes will be powered by electricity from clean sources.

To continue to bring about this vision and to nurture the incalculable number of good ideas that one day will be ready to go from lab to market, we need to make the United States the world leader in innovation. The Budget proposes to:

Increase Investment in Research and Development (R&D). For many years, the United States has been a world leader in R&D. In order for the United States to thrive in today's innovation economy, we need to maintain a world-class commitment to science and research. The 2013 Budget does that by providing \$140.8 billion for R&D overall, while targeting resources to those areas most likely to directly contribute to the creation of transformational technologies that can create the businesses and jobs of the future. Among the steps taken are:

- Increasing the level of investment in non-defense R&D by 5 percent from the 2011 and 2012 levels, even as overall budgets decline.
- Maintaining the President's commitment

to double the budgets of three key basic research agencies: the National Science Foundation (NSF), the Department of Energy's (DOE's) Office of Science, and the National Institute of Standards and Technology (NIST) labs. Basic research has been America's great strength, creating whole new industries and jobs. Especially as the private sector has reduced the amounts it dedicates to this type of research, it is critical that the Federal Government dedicates funds to it. Consequently, the Budget builds upon previous investments, including \$13.1 billion in research programs and projects at these three agencies. Within these agencies, funds will be focused on basic research directed at priority areas, such as clean energy technologies, the bio-economy, advanced manufacturing technologies, "smart" infrastructure, wireless communications, and cybersecurity.

- Supporting biomedical research at the National Institutes of Health (NIH). Biomedical research contributes to improving the health of the American people as well as the economy. Tomorrow's advances in health care depend on today's investments in basic research on the fundamental causes and mechanisms of disease, new technologies to accelerate discoveries, innovations in clinical research, and a robust pipeline of creative and skillful biomedical researchers. Although there are very tight discretionary caps, the Budget provides \$30.7 billion for NIH, the same amount as 2012.
- Providing \$51 million at NSF for an interdisciplinary program to develop innovative approaches and technologies to enable more flexible and efficient access to the radio spectrum—an investment that reflects the large and growing importance of the wireless communications sector.
- Providing the National Aeronautics and Space Administration \$1.3 billion to develop innovative aeronautics and space technologies that will keep the aerospace

industry—one of the largest net export industries in the United States—at the cutting edge in the years to come.

Support the Long-Term Competitiveness of American Manufacturing. The Administration proposes \$149 million, an increase of \$39 million above the 2012 enacted level, for research at NSF targeted at developing revolutionary new manufacturing technologies in partnership with the private sector. This advanced manufacturing research is part of a larger \$225 million research initiative aimed at transforming static systems, processes, and infrastructure into adaptive, pervasive “smart” systems with embedded computational intelligence that can sense, adapt, and react. The Administration also proposes \$708 million, \$86 million above the 2012 enacted level, for NIST labs to expand research in areas such as bio-manufacturing and nano-manufacturing, and \$21 million for a new Advanced Manufacturing Technology Consortia program, a public-private partnership that will support road maps and research to address common manufacturing challenges faced by private sector businesses. In addition, the Administration proposes \$290 million—more than double the amount in 2012—for the Advanced Manufacturing Office at the DOE Office of Energy Efficiency and Renewable Energy. This Office will fund activities on innovative manufacturing processes and advanced industrial materials that will enable U.S. companies to cut the costs of manufacturing by using less energy, while improving product quality and accelerating product development. In total, the Budget provides \$2.2 billion for Federal advanced manufacturing R&D, a 19 percent increase over 2012.

Accelerate Innovations from the Laboratory to the Market. One of the most difficult challenges facing an inventor or entrepreneur is taking a new idea from the laboratory or drawing board to market. While the knowledge gained from Government-supported basic and applied research frequently advances a particular field of science or engineering, some results also show immediate potential for broader applicability and impact in the business world. The Administration

proposes \$19 million for the new public-private “Innovation Corps” program at NSF aimed at bringing together the technological, entrepreneurial, and business know-how necessary to bring discoveries ripe for innovation out of the university lab.

Bring About a Clean Energy Economy and Create the Jobs of the Future. Moving toward a clean energy economy will reduce air and water pollution and enhance our national security by reducing dependence on oil. Cleaner energy will play a crucial role in slowing global climate change, meeting the President’s goals of cutting greenhouse gas emissions in the range of 17 percent below 2005 levels by 2020, and 83 percent by 2050. Just as important, ensuring that the Nation leads the world in the clean energy economy is an economic imperative. The clean energy industry, which was in its infancy just a few years ago, is now growing by leaps and bounds. Across the globe—from Europe to Asia to South America—countries are making significant investments in clean energy technologies. The Administration supports a range of investments and initiatives to help make the United States the leader in this industry and bring about a clean energy economy with its new companies and jobs:

- *Double the Share of Electricity from Clean Energy Sources by 2035.* The President’s proposed Clean Energy Standard is the centerpiece of the Administration’s strategy to ensure strong American leadership in the clean energy economy. To support this goal, the Budget increases funding for renewable energy research and development; supports advances in fossil energy technologies that reduce carbon emissions from coal-fired power plants; supports nuclear energy; and promotes the expansion and use of clean energy across the country including rural areas. The Budget also extends key tax incentives to encourage investment in wind energy and clean energy technology.
- *Put One Million Advanced Technology Vehicles on the Road by 2015.* In 2008, the President set an ambitious goal of having

one million advanced technology vehicles on the road by 2015. To reach this goal and become the first in the world to do so, the Budget builds on Recovery Act investments and continues to support electric vehicle manufacturing and adoption in the United States through new consumer rebates, investments in R&D, and competitive programs to encourage investment in advanced vehicle infrastructure.

- *Save Manufacturers Money by Improving Energy Efficiency.* The President's Advanced Manufacturing Partnership invests in a national effort to develop and commercialize the emerging technologies that will create high quality manufacturing jobs and enhance our global competitiveness. By coordinating across Federal agencies and collaborating with the private sector, it will provide the platform for inventing new manufacturing technologies, speeding ideas from the drawing board to the manufacturing floor, scaling-up first-of-a-kind technologies, and developing the infrastructure and shared facilities to allow small and mid-sized manufacturers to innovate and compete.
- *Reduce Buildings' Energy Use by 20 Percent by 2020.* The 80 billion square feet of non-residential building space in the United States present an opportunity to realize large gains in energy efficiency. In 2010, commercial buildings consumed roughly 20 percent of all energy in the U.S. economy. The President's Better Buildings Initiative will, over the next 10 years, seek to make non-residential buildings 20 percent more energy efficient by catalyzing private sector investment through a series of incentives to upgrade offices, stores, universities, hospitals and commercial buildings. These programs build on the Administration's commitment to improving efficiency in residential and Government buildings, particularly through Recovery Act investments. The Budget proposes to encourage the use of the Small Business Administration's 504 Certified Development Company loan guarantee program to support energy efficiency retrofit investments in commercial buildings. The Administration continues to call on Congress to pass the HomeStar bill, which would create jobs by encouraging Americans to invest in energy saving home improvements. The Budget also supports increased R&D in innovative building efficiency technologies and the continued introduction of appliance efficiency standards that save consumers and companies money while improving performance.
- *Pursue Responsible Oil and Gas Production.* Even as we develop next generation energy technologies, we will continue to rely on oil and gas. As was underscored by the tragic 2010 explosion of the Deepwater Horizon and the oil spill that followed, we must take immediate steps to make production safer and more environmentally responsible. In the wake of the spill, the Administration focused on implementing more rigorous safety and environmental standards than ever before, and making structural reforms within the Department of the Interior to increase oversight of offshore drilling, including greater independence for the new environmental enforcement agency that has now been created through the restructuring. The Budget proposes \$368 million to fund the two new bureaus that oversee offshore oil and gas development, the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement. These funds will be used to: hire new oil and gas inspectors, engineers, scientists, and other key staff to oversee industry operations; establish real-time monitoring of key drilling activities; conduct detailed engineering reviews of offshore drilling and production safety systems; and implement more aggressive reviews of company oil spill response plans. The Budget also includes \$45 million for the Department of Energy, the Environmental Protection Agency, and the U.S. Geological Survey for a coordinated effort among these agencies to conduct an R&D program aimed at reducing the potential health, safety, and environmental risks of hydraulic fracturing

for natural gas and oil production from shale formations.

Reform Our Tax Code to Create Jobs Here at Home and Foster Innovation and Competitiveness. Over the nearly three decades since the last comprehensive reform effort, the tax system has been loaded up with revenue-side spending such as special deductions, credits, and other tax expenditures that help well-connected special interests, but do little for middle-class families or our Nation's economic growth. Now more than ever, when we want to compete and win in the world economy, we cannot afford a tax code burdened with special interest tax breaks. Successful comprehensive tax reform is a long process, often taking several years, but even though it is a daunting task, we cannot afford to shirk from the work. In an increasingly competitive global economy, we need to ensure that our country remains the most attractive place for entrepreneurship and business growth. That is why this Budget proposes a number of measures to keep America competitive and to make sure that our tax system encourages jobs to be created here rather than abroad. In addition to these changes to the current tax code, the President is calling on the Congress to immediately begin work on corporate tax reform that will close loopholes, lower the overall rate, encourage investment here at home, and not add a dime to the deficit.

Improve the Patent System and Protect Intellectual Property. The Budget proposes to give the U.S. Patent and Trademark Office (USPTO) full access to its fee collections and strengthen USPTO's efforts to improve the speed and quality of patent examinations through reforms authorized by the America Invents Act. This will provide USPTO with more than \$2.9 billion in resources in 2013. The Budget also supports strengthened intellectual property enforcement domestically and overseas as set out in the Intellectual Property Enforcement Coordinator's Joint Strategic Plan required by Prioritizing Resources and Organization for Intellectual Property Act of 2008 (Pro-IP).

Building a 21st Century Infrastructure

From the Erie Canal to the transcontinental railroad, from the interstate highway system to the Internet, infrastructure has been critical to the economic growth and competitiveness of the American economy. For too long, we have neglected our Nation's infrastructure, its roads, bridges, levees, ports and waterways, communications networks, and transit systems. To compete in the 21st Century, we need an infrastructure that keeps pace with the times and outpaces our rivals. Manufacturers and other companies are looking to expand in the places with the best infrastructure to ship their products, move their workers, and communicate with the rest of the world. To attract those businesses to the United States and grow them here at home, we need to invest today. That is why, in the Recovery Act, the Administration made the largest one-time investment in our Nation's infrastructure since President Eisenhower called for the creation of an interstate highway system. Now, we must build on those efforts, and we must do so responsibly by paying for what we build. We cannot strengthen our economy with a modern infrastructure if at the same time it weakens our fiscal standing. To build the infrastructure we need to compete in the 21st Century, the Budget proposes to:

Enact an Historic \$476 Billion, Six-Year Surface Transportation Reauthorization and Better Allocate Those Dollars to Get Results. Recognizing the importance of a modern transportation infrastructure to the growth and competitiveness of the economy, the President proposes a \$476 billion, six-year surface transportation reauthorization package—expanded to include inter-city passenger rail transportation. Together with an additional \$50 billion investment in 2012 to jumpstart critical transportation infrastructure projects, the proposal is an increase of more than 80 percent above the inflation-adjusted levels in the previous six-year bill plus annual appropriated funding for passenger rail during those years. The proposal is not just a historic commitment of funds, but also seeks to reform how transportation dollars are spent so that they are directed to the most effective programs

and projects. It will hold States and localities accountable for real results and make Federal funding decisions based on sounder and more inclusive transportation plans. It will complement steps the Administration is already taking to improve and expedite the process of reviewing and approving transportation projects. While we are committed to the user-financed principle that has guided surface transportation, we recognize that more funds will be needed to make these overdue investments. That is why the Administration is proposing to use savings from ending the war in Iraq and winding down operations in Afghanistan to pay for the difference. Specifically, the proposal seeks to:

- Build upon an immediate investment of \$50 billion for roads, rails, and runways to create thousands of jobs in the short term with a robust, multi-year reauthorization proposal that will renew our decaying transportation infrastructure while deepening the economic recovery and spurring job creation.
- Provide 80 percent of Americans with convenient access to a passenger rail system, featuring high-speed service, within 25 years. The Budget provides \$47 billion over six years, plus \$6 billion in 2012, to fund the development of high-speed rail and other passenger rail programs as part of an integrated national strategy. This includes merging Amtrak's stand-alone subsidies into the high-speed rail program as part of a larger, competitive System Preservation Initiative.
- Bring more accountability, goal-driven performance, competition, and innovation to transportation funds through a competitive, Race to the Top-style grant program that also will create incentives for States and localities to adopt critical reforms in a variety of areas, including safety, livability, and demand management. Proposed funding for this program is nearly \$20 billion over six years.
- Get the most out of taxpayer dollars with a new "fix-it-first" emphasis for highway and

transit formula grants and through the consolidation of 55 duplicative, often-earmarked highway programs into five streamlined programs.

Build a 21st Century Aviation System That Reduces Delays and Improves Safety. The Budget provides more than \$1 billion for the Federal Aviation Administration for implementation of the Next Generation Air Transportation System, a multi-year, interagency effort to improve the efficiency, safety, and capacity of the aviation system. This will help the country move from a national, ground-based radar surveillance system to a more accurate satellite-based one, which will result in the development of more efficient routes through airspace. This, in turn, would allow more planes to fly, reduce delays, save fuel, and improve overall safety.

Establish a National Infrastructure Bank. To direct Federal resources for infrastructure to projects that demonstrate the most merit and may be difficult to fund under the current patchwork of Federal programs, the President has called for the creation of an independent, non-partisan National Infrastructure Bank (NIB), led by infrastructure and financial experts. The NIB would offer broad eligibility and merit-based selection for large-scale (\$100 million minimum) transportation, water, and energy infrastructure projects. Projects would have a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream. Geographic, sector, and size considerations would also be taken into account. The NIB would issue loans and loan guarantees to eligible projects. Loans issued by the NIB could be extended up to 35 years, giving the NIB the ability to be a "patient" partner side-by-side with State, local, and private co-investors. To maximize leverage from Federal investments, the NIB would finance no more than 50 percent of the total costs of any project.

Bring Next-Generation, Wireless Broadband to All Parts of the Country. The advances in wireless technology and the adoption of and reliance on wireless devices in daily

commercial and personal life have been dramatic. High-speed, wireless broadband is fast becoming a critical component of business operations and economic growth. The United States needs to lead the world in providing broad access to the fastest networks possible. To do that, however, requires freeing up of transmission rights to underutilized portions of the spectrum currently dedicated to other private and Federal uses. To that end, the Budget again proposes legislation to provide authority for “voluntary incentive auctions” that will enable spectrum licensees to auction the rights to transmit over their portion of the spectrum in return for a share of the proceeds. This step is critical for re-purposing use of the communications spectrum over the coming decade to greatly facilitate access for smart phones, portable computers, and innovative technologies that are on the horizon. Voluntary incentive auctions, along with other measures to enable more efficient spectrum management, will provide \$10 billion in funds and reserved spectrum to help us build an interoperable wireless broadband network for public safety and allow for seamless use by first responders across the country; invest in spectrum innovation, including setting aside spectrum for unlicensed use; and reduce the deficit by \$21 billion over the next 10 years.

Invest in Smart, Energy-Efficient, and Reliable Electricity Delivery Infrastructure. The Budget continues to support the modernization of the Nation’s electrical grid, by investing in research, development, and demonstration of smart-grid technologies that will spur the transition to a smarter, more efficient, secure and reliable electrical system. The end result will promote energy- and cost-saving choices for consumers, reduce emissions, and foster the growth of renewable energy sources like wind and solar. In addition, the Budget supports the Power Marketing Administration to reliably operate, maintain, and rehabilitate the Federal hydropower and transmission systems.

Invest in High-Priority Water Resources Infrastructure. While there are a number of worthy water infrastructure projects, we cannot fund them all. In the 2013 Budget, the Admin-

istration gives priority for funding the operation and maintenance of the key infrastructure that is most important to the Nation, including navigation channels that serve our most heavily used coastal ports and inland waterways, such as the Mississippi and Ohio Rivers, and the Illinois Waterway. The Budget also emphasizes investing in projects that address a significant risk to life and public safety, and projects that will restore significant aquatic ecosystems. The Administration will also focus on ways to modernize Federal water resources development policies and programs to ensure their responsiveness, accountability, and operational oversight, and to improve performance of these programs to best meet current and future water resources challenges.

Opening Global Markets and Keeping America Safe

To thrive in the interdependent, global economy, U.S. businesses, farmers, and ranchers must have the ability to export the goods and services the world needs to consumers around the globe. Doing that will take a concerted effort to promote American exports and remove barriers that prevent American businesses, farmers, and ranchers from selling their goods and services in growing markets abroad. It will require working with our trading partners to ensure the aggressive enforcement of international trade rules and collaborating with other leading economies to keep the global economy growing.

It also will take security and stability in regions throughout the world. Just as modern technology makes it possible for commerce to happen across the planet, it also makes it possible for remote threats—such as terrorism, pandemics, and failed states—to affect us at home. That is why it is imperative that we continue to strengthen our alliances and America’s standing in the world. American leadership is indispensable in marshaling the world against many of our shared threats, such as stopping the spread of nuclear weapons; disrupting, dismantling, and defeating al Qaeda; and improving the health of and enhancing food security for the world’s poorest populations and

the health systems of the nations where they live. To this end, the President charged the Department of Defense (DOD) to develop a new defense strategy to guide how the United States can respond to these and other challenges in a way that helps to put our country's fiscal house in order. Across the foreign affairs budget, the Administration has made many difficult decisions so investment in key areas that commit to keeping America engaged in the world to keep our people safe and our economy strong. The Administration proposes to:

Encourage Economic Growth Through Support for the National Export Initiative as well as Investment and Tourism Promotion. A critical component of building stronger and more durable domestic economic growth is ensuring that U.S. businesses, farmers, and ranchers can actively participate in international markets by increasing their exports of goods and services. In addition to securing passage of three new free trade agreements, the Administration launched the National Export Initiative (NEI) in January 2010 with the goal of doubling U.S. exports over five years while supporting millions of new jobs. The Administration is currently on pace to meet this target—through October 2011, exports of goods and services over the preceding 12 months totaled over \$2 trillion, 32 percent above 2009 levels. The NEI helps achieve this goal by enforcing trade rules and removing trade barriers abroad, by helping firms—especially small businesses—overcome the hurdles to entering new export markets, by assisting with trade financing, and by pursuing a Government-wide approach to trade promotion and advocacy abroad. To that end, the Administration provides \$430 million, an increase of \$19 million over 2012 levels, for the Export-Import Bank, the U.S. Trade and Development Agency, the Office of the U.S. Trade Representative, the U.S. International Trade Commission, and the Overseas Private Investment Corporation (OPIC). The Budget also provides \$517 million for the Department of Commerce's International Trade Administration (ITA), an increase of \$61 million over 2012 levels, to strengthen its efforts to promote exports from small businesses; help enforce domestic and

international trade rules; fight to eliminate barriers on sales of U.S. goods and services; and improve the competitiveness of U.S. firms. Among the efforts that ITA will champion through its expanded funding is SelectUSA, the first Federal program to promote and facilitate business investment in the United States. Finally, the State Department's Bureau of Consular Affairs will promote tourism and travel by expanding visa processing to the United States from the world's fastest growing economies such as Brazil and China.

Facilitate Trade and Travel and Support Border Security. The safe, secure, and speedy flow of people and products across our borders is critical to international trade and the growth of our economy. The President's Budget includes funding to maintain 21,186 Customs and Border Protection officers and 21,370 Border Patrol agents, and continue the deployment of border surveillance technology along the Southwest border. These resources will reduce wait times at our Nation's ports of entry, enhance targeting and screening of cargo coming to the United States, increase seizures of unlawful items, and continue to strengthen the security of our borders.

Strengthen Immigration Verification. The Budget proposes \$132 million to enhance immigration-related verification programs at U.S. Citizenship and Immigration Services and support the nationwide deployment of E-Verify Self Check. E-Verify Self-Check is a free service that empowers individuals to check their own employment eligibility status and allows workers to protect themselves from potential workplace discrimination. Additionally, the Budget supports continued enhancements to the Systematic Alien Verification for Entitlements (SAVE) program which assists Federal, State, and local benefit-granting agencies in determining eligibility for benefits by verifying applicants' immigration status. Both SAVE and E-Verify promote compliance with immigration laws and prevent individuals from obtaining benefits they are not eligible to receive.

Transform the Legal Immigration System to Work for Employers, Immigrants, and Their Families. The United States reaps numerous and significant economic rewards because we remain a magnet for the best, brightest, and most hardworking from across the globe. Many travel here in the hopes of being a part of an American culture of entrepreneurship and ingenuity, and in turn enhance that culture, resulting in jobs for American workers. From Goya to Google, immigrant entrepreneurs and their families have long helped America lead the world. The Administration is working to reform and streamline our legal immigration system so that employers, immigrants, and families can navigate the immigration system effectively. For example, the Budget continues the multi-year effort to transition U.S. Citizenship and Immigration Services from a paper-based filing service to a customer-focused, electronic filing service. The Budget also continues support for integration of new immigrants, proposing \$11 million to promote citizenship through education and naturalization preparation programs, replication of promising practices in integration for use by communities across the Nation, and expansion of innovative English learning tools. Additionally, the President will continue to insist that Congress work with the Administration to fix the broken immigration system through legislation, which is the only way to change the law so that it meets America's 21st Century economic and security needs.

Implement the New Defense Strategy. The United States of America is the greatest force for freedom and security that the world has ever known. In no small measure, that is because we have built the best-trained, best-led, best-equipped military in history. The President, as Commander-in-Chief, is committed to keeping it that way. Over the past three years, the Administration has made historic investments in our troops and their capabilities, military families, and veterans. Now, we are at an inflection point after a decade of war: 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. That is why the President directed DOD to undertake a comprehensive strategic review—to ensure our defense budget is driven by a clear strategy that reflects our national interests.

There are several key elements to this strategy. We will strengthen our presence in the Asia Pacific region and continue vigilance in the Middle East. The Administration 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 force will no longer be sized for large-scale, prolonged stability operations. Instead, DOD will focus modernization on emerging threats, 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. The Administration will continue to enhance capabilities related to counterterrorism and countering weapons of mass destruction. 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. With this strategy as a guide, over the 10 years beginning in 2012, DOD will spend \$486.9 billion less than was planned in last year's Budget. The Department will realize these savings through targeted reductions in force structure and modernization; reprioritization of key missions and the requirements that support them; and continued reforms and efficiencies in acquisition, management, and other business practices.

Re-prioritize Investments in Weapons Systems. The Administration is committed to providing our servicemembers with the necessary equipment and support to meet future modernization goals. The Budget reflects continued reevaluation of the magnitude and timing of planned modernization efforts to maintain the

finest military in the world—a force capable of deterring conflict, projecting power, and winning wars. For example, expensive programs such as the Joint Strike Fighter, which are designed to counter the potential threat from a sophisticated adversary, will continue, but at a reduced level. In support of the new defense strategy, where possible, DOD will continue to rely on proven existing systems rather than developing new ones, and lower-priority programs will be terminated or reduced, including the C-27 airlift aircraft, High Mobility Multi-Purpose Wheeled Vehicle Recapitalization, and a new weather satellite. In addition, the Navy will truncate the Joint High Speed Vessel program after buying 10 ships, sufficient to meet its core requirement. The Administration is committed to maintaining a healthy industrial base and will work to mitigate adverse effects on workers and industry. As these reductions are implemented, the Administration will monitor and manage the industrial base to ensure that the Nation has the ability to develop and produce the future weapons systems it needs.

Work to Defeat al Qaeda and Prevent Terrorist Attacks. Building on recent successes against al Qaeda and its leadership, defeating al Qaeda and protecting the United States from terrorist attacks remains one of the Administration's highest national security priorities. As part of the *National Strategy for Counterterrorism*, the Administration continues to strengthen counterterrorism programs and develop partner capabilities to prevent terrorist attacks on the United States and other countries. The Budget protects resources in this high-priority area and makes necessary investments to protect the homeland, defeat al Qaeda and its affiliates, build partner capacity, and prevent the development, acquisition, and use of weapons of mass destruction by terrorists.

Modernize the Nation's Nuclear Deterrent. Even as we work to reduce the number and role of nuclear weapons in our national security strategy, the Administration remains committed to enhancing the reliability of the Nation's nuclear weapons complex and supporting the goals of the Nuclear Posture Review (NPR) as the United

States and Russia implement the New Strategic Arms Reduction Treaty. DOD and the National Nuclear Security Administration are working together to refine weapons system requirements so that these systems focus on the highest-priority capabilities. The Administration also continues its commitment to sustaining and modernizing U.S. strategic delivery systems, thus ensuring an effective deterrent in the face of evolving challenges and technological developments. Moreover, the Budget provides \$9.7 billion for ballistic missile defense. The Administration is committed to developing and fielding proven capabilities to defend the United States from the threat of limited ballistic missile attack, and to defend against regional ballistic missile threats to U.S. forces, allies, and partners. The United States will continue to work with our allies and partners to this end as we continue to implement the European Phased Adaptive Approach.

Prepare for Emerging Threats, Including Cyber Attacks. There are a range of emerging threats for which the United States must be prepared, from chemical and biological weapons to cyber-attacks on the Nation's critical infrastructure and information technology networks that are integral to our economy and our society. The Budget invests in a host of initiatives to improve our ability to protect the United States from these emerging threats. These initiatives include a wide spectrum of chemical, biological, radiological, and high-yield explosive (CBRNE) response programs, supporting surveillance, training, research, and response to CBRNE threats. For example, the Budget provides \$96 million for Medical Countermeasures Initiative activities, which span regulatory science, strategic investment in novel technologies, and the implementation of a concept acceleration program to improve the pipeline and approval of new countermeasures against CBRNE threats; \$1.2 billion for biological, chemical, radiological and nuclear defense programs, including medical countermeasures; and \$180 million for global disease surveillance. In the cyber domain, the Budget sustains and enhances all aspects of DOD's cybersecurity capabilities, including defensive and offensive operations in cyberspace as directed by

the President, defense of national security-critical infrastructure, and leading-edge cybersecurity science and technology efforts. Moreover, the Administration proposes \$769 million to support the operations of the National Cyber Security

Division of the Department of Homeland Security, which will further strengthen the defense of The Budget for Fiscal Year 2013 Federal civilian networks through the EINSTEIN program, improve continuous monitoring on Federal networks to more quickly respond to cyber threats, and support the cyber response capabilities of State and local governments and critical infrastructure owners and operators.

Support the Military-to-Civilian Transitions in Iraq and Afghanistan, Including Continued Support to Critical Coalition Partners. After a decade of war and consistent with the U.S.-Iraq Security Agreement, the withdrawal of U.S. military forces was completed by the end of December 2011. Success in Iraq and Afghanistan requires the seamless integration and optimal balance of military and civilian power. The Budget expands civilian operational capacity to secure our military's hard fought gains, and supports programs to build the Iraqi institutions necessary for long-term stability. This includes securing Embassy Baghdad and three regional consulates in Iraq, helping Iraq develop its energy sector in a self-supporting model, and supporting efforts to help Iraq build its civilian and military capabilities. Specifically, the Budget includes funding for: a diplomatic presence to strengthen our bilateral ties with the Iraqis; a police development and rule of law program to enhance the Iraqi police force and civilian ministries; and the Office of Security Cooperation-Iraq to manage security assistance and security cooperation activities, including cooperation on counterterrorism, counter-proliferation, maritime security, and air defense. In Afghanistan, the State Department and DOD have been integrating our civilian and military missions in readiness for the drawdown of military forces. In the critical year following the gradual drawdown, the Budget supports operations necessary to fulfill our security goals while strengthening our diplomatic presence and

strategically targeting our foreign assistance. Specifically, the Budget supports our mission in Afghanistan with funding for: military operations; incremental personnel costs; force protection; repair or replacement of damaged equipment; intelligence activities; support for coalition partners; training, equipping, and sustaining the Afghan National Army and Afghan National Police; expanded diplomatic presence; and targeted assistance to support the economic strategy for Afghanistan. Funding to build Afghan capacity is a key component of the joint U.S.-Afghan plan for transitioning full responsibility for security to the Afghan government by the end of 2014.

Assist Countries in Transition and Promote Reforms in the Middle East and North Africa. Building on the Administration's significant and continuing response to the transformative events in the Middle East and North Africa (MENA) region, the Budget provides over \$800 million to support political and economic reform in the region. The Budget expands our bilateral economic support in countries such as Egypt, Tunisia, and Yemen where transitions are already underway. Consistent with the President's May 2011 speech, the Budget establishes a new \$770 million MENA Incentive Fund, which will provide incentives for long-term economic, political, and trade reforms to countries in transition—and to countries prepared to make reforms proactively. This new Fund builds upon other recently announced programs in the region, including up to \$2 billion in regional OPIC financing commitments, up to \$1 billion in debt swaps for Egypt, and approximately \$500 million in existing funds re-allocated to respond to regional developments in 2011.

Make Foreign Affairs Operations More Efficient and Effective. As with all Government resources, it is critical that foreign affairs investments maximize the impact of every dollar and that we ensure that money is not wasted on the unnecessary. The State Department budget reflects a program-by-program review that identified reductions and focused resources on high-priority areas. For instance, funding in the Assistance for Europe, Eurasia and Central Asia

account has been shifted into other functional assistance accounts, reflecting the successful transition of many of these countries to market democracies. This has permitted the reallocation of funds to focus on regions with the greatest assistance needs. In concert with other domestic agencies, the State Department and the U.S. Agency for International Development (USAID) will reduce spending on administrative costs, such as travel and supplies, generating significant savings when compared to 2010. USAID has also launched a far-reaching initiative to improve overseas acquisitions and contracting processes through its Implementation of Procurement Reform Initiative and has instituted a new evaluation policy that will enable the agency to expand programs that demonstrate results and curtail those that are not performing. Within one of the largest international development programs, the Global Health Initiative, the costs of commodities and service delivery continue to fall dramatically; notably, the per patient cost to the United States of providing anti-retroviral treatment for AIDS patients has fallen by over 50 percent since 2008, enabling the President to increase the global treatment target by 50 percent without increasing funding levels.

Address Root Causes of Conflict and Security Threats. In our increasingly interdependent world, failed states or regional conflicts can quickly have effects all over the world. Intense poverty, pandemics, and food insecurity all can contribute to political instability and eventually conflict. Alleviating these conditions is the right thing to do, and it is also the smart thing to do as attacking these root causes of suffering can prevent future security threats. To that end, the Budget:

- *Supports Continued Progress in Global Health by Focusing on High-Impact Interventions.* The Administration is building on recent progress in the Global Health Initiative's fight against infectious diseases and child and maternal mortality, by focusing resources on interventions that have been proven effective and continuing to push for

more integrated and efficient programming. While fiscal constraints have meant that the Administration will not meet some of its most ambitious global health goals on its original timeline, dollars are focused on areas of critical importance. The Budget supports an aggressive effort to prevent HIV infections, including the President's goal of supporting 6 million HIV patients on anti-retroviral treatment in 2013, which research has shown also has a powerful preventive effect. The Budget continues efforts to reduce maternal and child deaths through proven malaria interventions and support for a basic set of effective interventions to address maternal and child health. In addition, the Budget fully funds the balance of the Administration's historic three-year, \$4 billion pledge to the Global Fund to Fight AIDS, Tuberculosis, and Malaria, in recognition of this multilateral partner's key role in global health and its progress in instituting reform, and fully funds the Administration's pledge to the Global Alliance for Vaccines and Immunizations in order to expand access to child immunization globally.

- *Fights Hunger and Invests in Economic Stability and Growth by Improving Food Security.* The Administration continues funding for agriculture development and nutrition programs as part of a multi-year plan of strategic investments to address the root causes of hunger and poverty. These programs are intended to reduce extreme poverty, increase food security, and reduce malnutrition for millions of families by 2015. The 2011 famine in the Horn of Africa underscored the importance of targeted programs that help prevent future famines and instability in the Horn and elsewhere. The Administration also maintains strong support for food aid and other humanitarian assistance, including over \$4 billion to help internally-displaced persons, refugees, and victims of armed conflict and natural disasters. The Budget provides funding through bilateral assistance and a multi-donor

trust fund, the Global Agriculture and Food Security Program, directing funding to poor countries that commit to policy reforms and robust country-led strategies to address internal food security needs. Assistance helps countries increase agricultural productivity, improve agricultural research and development, and expand markets and trade, while monitoring and evaluating program performance.

- *Build Resilience to Climate-Related Events by Promoting Low-Emissions Economic Development.* The Administration will continue to fund support programs that build climate resilience in communities and countries most vulnerable to extreme weather and climate events. These efforts will enhance America's security by reducing the risk of instability caused by climate stresses, including drought, famine, and rising sea levels. In addition to building climate resilience, the Budget also addresses the drivers of climate change by promoting low-emissions economic development (helping to open up markets for American clean energy goods and services in the process) and sustainable land use, as well as helping countries develop the scientific and analytic capacity and sound governance necessary to reduce climate risk.

Foster the Creation of an Advanced, Interoperable Communications System for First Responders. Today's public safety agencies largely lack access to the level of wireless capabilities used by the military and large commercial enterprises. Federal, State, and local public safety agencies largely rely on their legacy land mobile radio systems, which only provide voice communications and are often not interoperable with other local and regional systems. This fragmented system of voice only communications has left public safety organizations with 1990's technology to face the problems of a 21st Century world. To support the creation of an interoperable, 4G wireless network for public safety, the Administration is calling for a total of over \$10 billion toward this effort derived from the sale and reallocation of spectrum. Specifically, the Budget

again proposes to reallocate "D Block" spectrum valued at over \$3.1 billion, which will be reserved for public safety and not auctioned as called for under existing law, and provides \$7 billion to support the deployment of this network, including up to \$300 million to fund R&D and support for standards and technologies to ensure the network capabilities meet the mission requirements of public safety.

Care for Wounded, Ill, and Injured Servicemembers. Caring for wounded, ill, and injured servicemembers is a critical priority of the Administration. The Budget includes \$49.1 billion in base and Overseas Contingency Operations (OCO) funding for the DOD Unified Medical Budget to support the Military Health System, which provides medical care for over 9.6 million eligible beneficiaries, including active duty members, military retirees, family members, dependent survivors and eligible Reserve members and their families. The Budget funds a variety of strong programs to support wounded, ill and injured servicemembers and to help servicemembers transition into civilian life and the workforce. These programs include support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury, as well as other areas to continuously improve the care provided to wounded, ill, and injured servicemembers. For example, the Budget provides \$33.7 billion overall for medical care; \$662 million to provide care for traumatic brain injury (TBI) and psychological health; and \$771.3 million for continued support of wounded, ill, and injured medical research, including psychological health and TBI/Post Traumatic Stress Disorder.

Support Military Families. The President has made supporting military families a top priority. The Budget provides \$8.5 billion to support military families, sustaining funding in this important area despite the challenges of the current budget environment. The Administration is committed to improving access to military family programs, integrating services to ensure the highest impact, and pursuing efficient innovations to increase capacity and capabilities to best meet the needs of military families. Key Administration

priorities include enhancing the well-being and psychological health of the military family, ensuring excellence in military children's education and their development, developing career and educational opportunities for military spouses, and increasing child care availability and quality for the Armed Forces.

Help Veterans Transition to the Workforce. America faces a significant challenge of veteran unemployment. As of December 2011, there were more than 850,000 unemployed veterans, including nearly 250,000 unemployed post-9/11 veterans. At the same time, the Administration is planning to reduce the size of the military by more than 100,000 servicemembers, beyond the normal departures, over the next five years—including tens of thousands of young veterans under the age of 25. Already, the President has signed into law new tax credits to encourage businesses to hire post-9/11 veterans and disabled veterans; created resources to help veterans translate their military skills for the civilian workforce; built new online tools to help veterans and their spouses connect with jobs; and partnered with the private sector to make it easier to connect our veterans with companies that want to hire them. Yet more needs to be done. The Administration will take steps to help veterans make the transition back to work. These include the hiring of 279 additional vocational rehabilitation and employment counselors to support the Integrated Disability Evaluation System (IDES)

and VetSuccess on Campus initiatives. IDES and VetSuccess counselors ensure that veterans, especially wounded warriors and students, receive timely information about education opportunities, job counseling, and placement assistance to successfully transition from military to civilian life. The Budget also boosts funding for the Transition Assistance Program and grants for employment services to veterans by \$8 million, 5 percent over 2012 levels.

Reduce Veteran Homelessness. The President's Budget invests \$1.35 billion to provide Veterans Affairs services for homeless and at-risk veterans. These funds will continue to reduce veteran homelessness through collaborative partnerships with local governments, non-profit organizations, and the Departments of Housing and Urban Development, Justice, and Labor.

Continue Implementation of the Paperless Veteran Benefit Claims System to Boost Efficiency and Responsiveness. The President's Budget includes funding to support transformation initiatives, including the continued development of a digital, near-paperless environment that allows for great exchange of information and increased transparency for veterans. The goal of the Veterans Benefit Management System is to reduce the processing time and the claim backlog, facilitate quality improvements through rules-based tools, and automate claims tracking.