

# THE BUDGET MESSAGE OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

After 5 years of grit and determined effort, the United States is better positioned for the 21<sup>st</sup> Century than any other nation on Earth. We have created more than 8 million new jobs in the last 4 years and now have the lowest unemployment rate in over 5 years. Our housing market is rebounding. Our manufacturing sector is adding jobs for the first time since the 1990s. We now produce more oil at home than we buy from the rest of the world. We have cut our deficits by more than half since I took office. And for the first time in over a decade, business leaders around the world have declared that China is no longer the world's number one place to invest; America is.

We have made great progress, but we must do more to rebuild our economy on a new foundation for growth and prosperity. I believe that what unites the people of this Nation, regardless of race or region or party, young or old, rich or poor, is the simple, profound belief in opportunity for all—the notion that if you work hard and take responsibility, you can get ahead. That belief has suffered some serious blows. Over more than three decades, even before the Great Recession hit, massive shifts in technology and global competition had eliminated good, middle class jobs and weakened the economic foundations that families depend on.

Today, after 4 years of economic growth, corporate profits and stock prices have rarely been higher, and those at the top have never done better. But average wages have barely budged. Inequality has deepened. Upward mobility remains stalled. Even in the midst of recovery, too many Americans are working more than ever just to get by—let alone get ahead. And too many still are not working at all.

Our job is to reverse these trends. We need to return to an America where our success depends not on accident of birth, but on the strength of our work ethic and the scope of our dreams. That is what drew our forebears here. Opportunity is who we are. And the defining project of our generation is to restore that promise. It will not happen right away. But we must continue to strive toward that goal.

What I offer in this Budget is a set of concrete, practical proposals to speed up growth, strengthen the middle class, and build new ladders of opportunity into the middle class—all while continuing to improve the Nation's long-run fiscal position.

Earlier this year, thanks to the work of Democrats and Republicans, the Congress produced an agreement that undid some of last year's severe cuts to priorities like education and research, infrastructure, and national security. Recognizing the importance of that bipartisan compromise, the Budget adheres to the spending levels agreed to by the Congress for fiscal year 2015. But there is clearly much more we can and should do to invest in areas like infrastructure, innovation, and education that will create jobs, economic growth, and opportunity. So I am including in my Budget a fully paid for Opportunity, Growth, and Security Initiative that provides the Congress a roadmap

for how and where additional investments should be made in both domestic priorities and national security this year.

We know where to start: the best measure of opportunity is access to a good job. With the economy picking up speed, companies say they intend to hire more people this year. And over half of big manufacturers say they are thinking of insourcing jobs from abroad.

We need to make that decision easier for more companies. Both Democrats and Republicans have argued that our tax code is riddled with wasteful, complicated loopholes that make it harder to invest here and encourage companies to keep profits abroad. Last summer, I offered a proposal to couple business tax reform with critical investments in infrastructure. This Budget includes that proposal, using the transition revenue that will result from a shift to a simpler, more efficient tax code to create jobs rebuilding our roads and bridges and unclogging our commutes and transporting goods made in America—because in today’s global economy, first-class jobs gravitate to first-class infrastructure. At the same time, this Budget lays out how my Administration will continue to act on our own to cut red tape and streamline the permitting process for key infrastructure projects, so we can get more construction workers on the job as fast as possible.

We also have the chance, right now, to beat other countries in the race for the next wave of high-tech manufacturing jobs. My Administration has already launched four hubs for high-tech manufacturing, where we have connected businesses to research universities that can help America lead the world in advanced technologies. The Budget expands on these efforts by providing funding for five additional institutes, and, through the Opportunity, Growth, and Security Initiative, supports the goal I announced last summer of creating a national network of 45 of these manufacturing innovation institutes over the next 10 years.

We know that the nation that goes all-in on innovation today will own the global economy tomorrow. This is an edge America cannot surrender. That is why the Budget includes investments in cutting-edge research and development, driving scientific and technological breakthroughs that will create jobs, improve lives, and open new opportunities for the American people. The Budget’s Opportunity, Growth, and Security Initiative will allow us to push our limits even further, supporting additional biomedical research at the National Institutes of Health that will help us fight Alzheimer’s, cancer, and other diseases, climate research to develop climate change-resilient infrastructure, and agricultural research that will help increase agricultural productivity and improve health.

We also know that one of the biggest factors in bringing more jobs back is our commitment to American energy. The all-of-the-above energy strategy I announced a few years ago is working, and today, America is closer to energy independence than we have been in decades.

The Budget advances this strategy by ensuring the safe and responsible production of natural gas and cleaner electricity generation from fossil fuels. It creates new incentives to cut the amount of energy we waste in our cars, trucks, homes, and factories. It promotes clean energy with investments in technologies like solar and by expanding and making permanent the tax credit for the production of renewable energy. And it continues to strengthen protection of our air, water, land, and communities, and addresses the threat of climate change. Climate change is a fact, and we have to act with more urgency to address it because a changing climate is already harming western communities struggling with drought and coastal cities dealing with floods. That is why I directed my Administration to work with States, utilities, and others to set new standards on the amount of carbon pollution our power

plants are allowed to dump into the air, and why this Budget advances new approaches to address the growing cost and damage from wildfires.

All of these efforts can speed up growth and create more jobs. But in this rapidly changing economy, we have to make sure that every American has the skills to fill those jobs. The Budget therefore invests in new efforts to drive greater performance and innovation in workforce training, including on-the-job training, apprenticeships, and other steps to equip workers with skills that match the needs of employers.

Of course, it is not enough to train today's workforce. We also have to prepare tomorrow's workforce by guaranteeing every child access to a world-class education. That is why the Budget builds on the progress we have made with new investments and initiatives to improve all levels of education, from early childhood through college.

Research shows that one of the best investments we can make in a child's life is high-quality early education. This year, we will invest in new partnerships with States and communities across the country to expand access to high-quality early education, and I am again calling on the Congress to make high-quality preschool available to every four-year-old child. The Budget also includes funding to provide access to high-quality infant and toddler care for more than 100,000 children, and supports the extension and expansion of voluntary home visiting programs.

Last year, I called on the Federal Communications Commission (FCC) to connect 99 percent of our students to high-speed broadband over the next 4 years. This year, the FCC is making a down payment on this goal by connecting more than 15,000 schools and 20 million students over the next 2 years, without adding a dime to the deficit. To ensure students receive the full benefit of this connectivity, the Budget invests in training for teachers in hundreds of school districts across the country.

The Budget also supports redesigning our high schools, helping them partner with colleges and employers that offer the college-level coursework and real-world skills to prepare students for college and careers. And it launches a new Race to the Top competition aimed at closing the achievement gap, so that all children get the high-quality education they need to succeed.

And we are shaking up our system of higher education to encourage innovation, give parents more information, and reward colleges for improving quality and reducing costs, so that no middle class student is priced out of a college education. Last summer, I directed the Department of Education to develop and publish a new college rating system that will identify colleges that provide the best value to students and encourage all colleges to improve. The Budget supports the development of that rating system and provides bonuses to reward colleges that improve educational outcomes for Pell Grant recipients. And to help more Americans who feel trapped by student loan debt, the Budget expands income-driven repayment options, allowing millions the opportunity to cap their monthly student loan payments at 10 percent of their income.

We also must do more to ensure our economy honors the dignity of work, and that hard work pays off for all of our citizens. Americans overwhelmingly agree that no one who works full time should ever have to raise a family in poverty. I have already acted by Executive Order to require Federal contractors to pay their federally funded employees a fair wage of at least \$10.10 an hour. The Congress needs to go further and raise the minimum wage for all workers to that same amount. This raise will help families, and it will help the economy by giving businesses customers with more money

to spend and by boosting productivity and reducing turnover. The Budget also invests in enforcement efforts to make sure workers receive the wages and overtime they have earned.

There are other steps we can take to help families make ends meet. Few policies are more effective at reducing inequality and helping families pull themselves up through hard work than the Earned Income Tax Credit (EITC). The EITC for families with children lifts millions out of poverty each year and helps about half of all parents at some point in their lives. But as a number of prominent policymakers, both progressive and conservative, have noted, the EITC does not do enough for single workers who do not have kids. The Budget doubles the value of the EITC for workers without children and non-custodial parents, and also makes it available to younger adult workers, so that it can encourage work in the crucial years at the beginning of a young person's career.

We also need to do more to help Americans save for retirement. Today, most workers do not have a pension. A Social Security check often is not enough on its own. And while the stock market has doubled over the last 5 years, that does not improve retirement security for people who do not have retirement savings. That is why the Budget builds on my proposal to create a new way for working Americans to start saving for retirement: the MyRA savings bond. To encourage new savers, MyRA requires a low initial contribution and guarantees a decent return with no risk of losing what you put in. Separately, the Budget also proposes to establish automatic enrollment Individual Retirement Accounts, offering every American access to an automatic savings vehicle on the job.

For decades, few things exposed hard-working families to economic hardship more than a broken health care system. With the enactment of the Affordable Care Act, we are in the process of fixing that. Already, because of the health reform law, more than 3 million Americans under the age of 26 have gained coverage under their parents' plans. More than 9 million Americans have signed up for private health insurance or Medicaid coverage. Because of this law, no American can ever again be dropped or denied coverage for a preexisting condition like asthma, back pain, or cancer. No woman can ever be charged more just because she is a woman. And we did all this while adding years to Medicare's finances, keeping Medicare premiums flat, and lowering prescription costs for millions of seniors. To continue this progress, the Budget fully funds the ongoing implementation of the Affordable Care Act.

We must always remember that economic growth and opportunity can only be achieved if America is safe and secure. At home, the Budget supports efforts to make our communities safer by reducing gun violence and reforming our criminal justice system.

Looking beyond our borders, the Budget responsibly transitions from the completion of our military mission in Afghanistan in 2014 to political and security support for a unified Afghan government as it takes full responsibility for its own future. When I took office, nearly 180,000 Americans were serving in Iraq and Afghanistan. Today, all our troops are out of Iraq and more than 60,000 of our troops have already come home from Afghanistan. With Afghan forces now in the lead for their own security, our troops have moved to a support role. Together with our allies, we will complete our mission there by the end of this year, and America's longest war will finally be over.

In addition to responsibly winding down our operations in Afghanistan, the Budget ensures we maintain ready, modern, and capable defense forces to address any threats we might face, including threats from terrorism and cyber attacks. It funds humanitarian and diplomatic efforts in Syria, supports transition and reform throughout the Middle East and North Africa, and advances our strategic rebalancing toward the Asia-Pacific region. It enhances stability and creates new markets

for U.S. businesses with investments in Power Africa and promotes peace and security by supporting global health care and addressing climate change. And it strengthens oversight of intelligence activities and enhances the protection of U.S. diplomatic facilities and personnel overseas.

The Budget also ensures that we continue to meet our obligations to our troops and veterans who have given so much to our country. To deliver on this commitment, it provides significant resources to support veterans' medical care, help military families, assist soldiers transitioning to civilian life, reduce veterans' homelessness, and reduce the disability claims backlog so our veterans receive the benefits they have earned. It also introduces necessary reforms to our military compensation system, which our uniform military leadership called for, to ensure servicemembers and their families receive the benefits that they have earned while making sure that our military can invest in the training, equipment, and support that it needs.

In addition to making these critical investments, the Budget outlines the steps my Administration is taking to create a 21<sup>st</sup> Century Government that is more efficient, effective, and supportive of economic growth. Our citizens and businesses expect their Government to provide the same level of service experienced in the private sector and we intend to deliver. The Budget includes initiatives that will lead to better, faster, and smarter services, both online and in-person. It calls on Federal agencies to share services and leverage the buying power of the Government to bring greater value and efficiency for taxpayer dollars. It continues to open Government data and research for public and private sector use to spur innovation and job creation. And it invests in the Government's most important resource, its workers, ensuring that we can attract and retain the best talent in the Federal workforce and foster a culture of excellence.

The Budget does all of these things while further strengthening the Nation's long-term fiscal outlook. Over the last 5 years, we have cut the deficit in half as a share of the economy, experiencing the fastest period of deficit reduction since the demobilization following World War II. The Budget continues this progress, bringing deficits down as a share of the economy to below 2 percent by 2023 and putting debt as a share of the economy on a declining path.

Although we have seen a notable and significant decline in health care spending growth over the last few years, in part due to the Affordable Care Act, we know that over the long run, the growth of health care costs continues to be our Nation's most pressing fiscal challenge. That is why the Budget builds on the savings and reforms in the health reform law with additional measures to strengthen Medicare and Medicaid and encourage high-quality and efficient health care.

We also know that revenue has to be part of the solution to our Nation's long-term fiscal challenges. Given the aging of our population and the declining ratio of workers to retirees, we will need additional revenue to maintain our commitments to seniors while also making the investments that are needed to grow our economy and expand opportunity. The Budget secures that revenue through tax reform that reduces inefficient and unfair tax breaks and ensures that everyone, from Main Street to Wall Street, is paying their fair share.

Finally, if we are serious about long-term, sustainable economic growth and deficit reduction, it is also time to heed the calls of business leaders, labor leaders, faith leaders, and law enforcement—and fix our broken immigration system. Independent economists say immigration reform will grow our economy and shrink our deficits by almost \$1 trillion in the next two decades. And for good reason: when people come here to fulfill their dreams—to study, invent, and contribute to our culture—they make our country a more attractive place for businesses to locate and help create jobs for everyone.

The Senate has acted to pass a bipartisan immigration reform bill that is worthy of support. It is time for the House of Representatives to finish the job.

We have made progress over the last 5 years. But our work is not done. This Budget provides a roadmap to ensuring middle class families and those working to be a part of the middle class can feel secure in their jobs, homes, and budgets. To build real, lasting economic security, we also need to expand opportunity for all so every American can get ahead and have a shot at creating a better life for their kids.

None of it is easy. America has never come easy. But if we work together, if we summon what is best in us, I know it is within our reach.

BARACK OBAMA

THE WHITE HOUSE,  
MARCH 4, 2014.