

STRENGTHENING THE MIDDLE CLASS AND MAKING AMERICA A MAGNET FOR JOBS

When the President first took office in 2009, the economy was experiencing the worst downturn since the Great Depression, shedding over 800,000 private sector jobs a month, and shrinking at a rate not seen in more than 60 years. Businesses—small and large—were struggling. The housing market was in free fall, our auto industry was near collapse, and the Nation was engulfed in costly and draining wars in Iraq and Afghanistan.

Through the President's decisive actions to bolster economic growth and jumpstart economic activity, including signing into law the Recovery Act, we successfully broke the back of the recession and pulled the Nation back from the brink. The economy is now on the mend. We have seen positive economic growth for 14 consecutive quarters, and 36 months of private sector job growth, with 6.4 million jobs created. The housing market is recovering, America's auto industry is once again resurgent, and we have successfully ended the war in Iraq and begun the process of bringing our troops home from Afghanistan.

But our work is not done. The economy is adding jobs, but too many Americans are still unemployed. Businesses are hiring again, but too many are still struggling to compete and find workers with the right skills to meet their needs. Home prices are rising at the fastest pace in six years and construction is expanding, but too many families with solid credit are still finding it difficult to buy a home or refinance. Although corporate profits are at an all-time high, wages and incomes for America's middle class have continued to stagnate.

The President believes we must invest in the true engine of America's economic growth—a rising and thriving middle class. He is focused on addressing three fundamental questions: How do we attract more jobs to our shores? How do we equip our people with the skills needed to do the jobs of the 21st Century? How do we make sure hard work leads to a decent living?

The Budget presents the President's plan to address each of these questions. To make America once again a magnet for jobs, it invests in high-tech manufacturing and innovation, clean energy, and infrastructure, while cutting red tape to help businesses grow. To give workers the skills they need to compete in the global economy, it invests in education and job training, supporting learning from cradle to career. To ensure hard work is rewarded, it builds ladders of opportunity to help every American and every community.

To further strengthen the economy, we must also harness the talents and ingenuity of a striving and hopeful immigrant population. That is why the President has presented a plan for common-sense immigration reform that continues to strengthen our borders, cracks down on employers who exploit American and immigrant workers, streamlines the legal immigration system to attract highly-skilled entrepreneurs and engineers to help create jobs and drive economic growth and reunite Americans with their families, and establishes a responsible pathway to earned citizenship. The Budget makes investments that will improve our immigration system and lay a foundation for this permanent, common-sense reform.

The Budget is also built on the recognition that economic growth can only be achieved if America is safe and secure, both at home and abroad. It supports the President's initiative to address gun violence, promote school safety, and care for the mentally ill. It reasserts our leadership in the Asia-Pacific region. It upholds our commitment to a unified and sovereign Afghanistan, while continuing our fight against terrorists, like al Qaeda. It confronts new dangers like cyber attacks that threaten our Nation's businesses and people. And it upholds our solemn duty to care for our veterans, who have given so much in service to our Nation.

The Budget does all of these things without adding a single dime to the deficit. Every new initiative in the plan is fully paid for. And, as discussed in chapter 2, the Budget also incorporates the President's compromise offer to House Speaker Boehner to achieve another \$1.8 trillion in deficit reduction in a balanced way. When combined with the deficit reduction already achieved, this will allow us to exceed the goal of \$4 trillion in deficit reduction, while growing the economy and strengthening the middle class.

INVESTING IN AMERICAN INNOVATION

To compete in the 21st Century economy, we must continue to invest in American innovation, reviving our manufacturing base and keeping our Nation at the forefront of technological advancement. To ensure our energy security and combat global climate change, we must continue to focus on energy production, the development of clean energy alternatives, and the promotion of energy efficiency efforts in both the public and private sectors.

Make America a Magnet for Manufacturing Jobs. President Obama is committed to making America a magnet for jobs and manufacturing so that we can continue to build things the rest of the world buys. After shedding jobs for more than 10 years, our manufacturers have added more than 500,000 over the past three. Manufacturing production has grown since the end of the recession at its fastest pace in over a decade. The Budget builds on that momentum by investing in American manufacturing.

- *Transform Regions Into Global Epicenters of Advanced Manufacturing.* To support investment in U.S. manufacturers' competitiveness and accelerate innovation in manufacturing, the Budget includes a one-time, \$1 billion investment to launch a network of up to 15 manufacturing innovation institutes across the United States. Leveraging

the strengths of a particular region, each institute will bring together companies, universities and community colleges, and Government to co-invest in the development of world-leading manufacturing technologies and capabilities that U.S.-based manufacturers can apply in production. In August 2012, the Administration launched a pilot institute in Youngstown, Ohio with a \$45 million funding commitment from five Federal agencies led by the Department of Defense. While the President will continue to push the Congress to act on his broader proposal, he will also take executive action to launch three new manufacturing innovation institutes in 2013, with an initial focus on manufacturing technologies that address critical national security and energy needs.

- *Strengthen Manufacturing Communities.* The President is proposing incentives for communities facing concentrated job losses—particularly hard-hit manufacturing communities—to help attract new investment and jobs. The incentives will help prevent the downward spiral that can occur following mass layoff events. The President is also directing Federal agencies to provide coordinated assistance to manufacturing communities through a new partnership designed to strengthen communities' ability

to attract and sustain business investment. To support the partnership, the Budget includes \$113 million at the Department of Commerce to provide targeted financial assistance to competitively-designated manufacturing communities, which would be matched by non-Federal funds to co-invest in state-of-the-art infrastructure projects, industrial parks, and research facilities.

- *Expand Federal Efforts to Attract Investment to Our Shores.* In 2011, the President launched SelectUSA at the Department of Commerce, creating the first Federal effort to actively attract business investment in the United States. The Budget significantly expands SelectUSA to create the capabilities and services to help our governors and mayors compete with foreign countries. The Administration will also host a SelectUSA Investment Summit this year, bringing together businesses from around the world with local leaders to attract jobs and investment to our shores.
- *Strengthen Manufacturing Supply Chains.* The Department of Commerce's Manufacturing Extension Partnership provides a range of business services to small manufacturers and is enhancing the program to help companies focus on upgrading technology to benefit from supply chain opportunities. The Budget includes a \$25 million increase to launch Manufacturing Technology Acceleration Centers, which will be industry-specific centers that can facilitate expansions of firms' abilities to participate in key supply chains.

Invest in Research and Development.

For many decades, the United States has been a world leader in research and development (R&D). We need to maintain our world-class commitment to science and research. The Budget does that by providing \$143 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. It increases non-defense

R&D by nine percent from the 2012 levels, even as overall budgets decline. As part of business tax reform it expands and simplifies the Research and Experimentation Tax Credit and makes it permanent—providing certainty to businesses and increasing the credit's effectiveness.

Basic research has been one of America's great strengths, creating whole new industries and jobs. The Budget maintains the President's commitment to increase funding for basic research at three key science agencies: the National Science Foundation; the Department of Energy's Office of Science; and the laboratories of the National Institute of Standards and Technology. Within these agencies, funds will be focused on basic research directed at priority areas, such as clean energy technologies, advanced manufacturing, biotechnology, and new materials.

The Budget supports biomedical research at the National Institutes of Health. 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.

The Budget funds the National Aeronautics and Space Administration 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. It also increases funding for Department of Agriculture competitive peer-reviewed research grants to support research in human nutrition and obesity reduction, food safety, bioenergy, and climate change.

Build a Clean Energy Economy, Improve Energy Security, and Enhance Preparedness and Resilience to Climate Change.

Cleaner energy will play a crucial role in meeting the President's goals of reducing greenhouse gas emissions in the range of 17 percent below 2005 levels by 2020, and enhancing national security by reducing dependence on oil. The Administration supports a range of investments and initiatives

to help make the United States the leader in this sector and bring about a clean energy economy with its new companies and jobs:

- *Adopt “All-of-the-Above” Strategy to Energy.* The President is committed to an “all-of-the-above” approach that develops all American energy sources in a safe and responsible way and builds a clean and secure energy future, including:

— **Invest in Clean Energy Research and Development.** The Budget continues to place a priority on funding for the Department of Energy’s Office of Energy Efficiency and Renewable Energy to accelerate R&D and further increase the cost-competitiveness and deployment of renewable power, electric vehicles, next-generation biofuels, advanced energy-efficient manufacturing, and energy efficiency in homes and commercial buildings. The Budget also proposes increasing support in 2014 for the Department of Energy’s Advanced Research Projects Agency–Energy to support breakthrough research in clean energy technologies. It funds research and development of next-generation renewable energy and high-value bio-based products at the Department of Agriculture. It invests in cleaner energy from fossil fuels like clean coal, as well as funding to develop small modular nuclear reactors, and provides incentives for the development of the first, natural gas combined cycle power plant to integrate carbon capture and storage.

— **Commit to Safer Production of and Cleaner Electricity from Natural Gas.** Our domestic natural gas resources are reducing energy costs across the economy—from manufacturers investing in new facilities to families seeing heating costs drop. The Budget invests in research to ensure safe and responsible natural gas production and promote the development of the first natural gas combined cycle

power plant to integrate carbon capture and storage.

— **Implement Responsible Nuclear Waste Strategy.** Under the President’s direction, the Department of Energy created a Blue Ribbon Commission on America’s Nuclear Future to recommend how to manage the challenges associated with the back end of the nuclear fuel cycle. The Administration has issued a report in response to the recommendations and looks forward to working with the Congress on implementing policies that ensure that nuclear power can continue to be part of our energy mix.

- *Make Energy Go Farther Across the Economy.* Cutting the amount of energy we waste in our cars and trucks, in our homes and buildings, and in our factories, will make us a stronger, more resilient, and more competitive economy. The Budget takes a number of steps to support these improvements, including:

— **Set a New Goal to Double American Energy Productivity by 2030.** The President has set a new goal to cut in half the energy wasted by America’s homes and businesses, with action aimed at doubling the economic output per unit of energy consumed in the United States by 2030, relative to 2010 levels.

— **Challenge States to Cut Energy Waste, Support Energy Efficiency, and Modernize the Electricity Grid.** The Budget includes \$200 million in one-time funding for Race to the Top performance-based awards to support State governments that implement effective policies to cut energy waste and modernize the electricity grid.

— **Cut Carbon Pollution by Building on the Success of Existing Public and Private Energy Efficiency Partnerships.** Over the next four years, the President is also committed to accelerating

progress on energy productivity through the Better Buildings Challenge, continuing to lead through Federal energy efficiency, improving energy data access for consumers through the “Green Button” initiative, and making appliances even more efficient—saving consumers money, spurring innovation, and strengthening domestic manufacturing.

— **Sustain Investments in Technologies That Promote Maximum Productivity of Energy Use and Reduce Waste in Manufacturing.**

The Budget expands applied research and development of innovative manufacturing processes and advanced industrial materials, and builds on the President’s Executive Order to accelerate investment in industrial energy efficiency, including setting a new challenge to achieve 40 gigawatts of new combined heat and power by 2020.

- *Invest in Energy Security.* Over the President’s first term, the United States cut oil imports by more than 3.6 million barrels per day, more than under any other President. To ensure that we continue on a path towards greater energy security, the Budget would:

— **Set a Goal to Cut Our Oil Net Imports in Half by the End of the Decade.**

Increased production of domestic oil and biofuels, and improvements in the fuel economy of our cars and trucks, allowed the United States to cut imports of oil by almost one-third since 2008. To build on this progress, the President will propose new policies and investments to set us on a course to cut imports of foreign oil in half by the end of the decade, relative to 2008 levels.

— **Establish an Energy Security Trust and Enact Reforms to Promote Responsible Oil and Gas Development on Federal Lands.**

While the United States will continue to rely on responsibly

produced oil and natural gas, the President is committed to a long-term policy that allows us to transition to cleaner energy sources. The Budget establishes an Energy Security Trust to help fund efforts to shift our cars and trucks off oil. This \$2 billion investment over 10 years will support research into a range of cost-effective technologies and will be funded by revenue generated from Federal oil and gas development.

— **Make Energy Project Permitting More Robust.**

The Interior Department is continuing to take steps to open public lands to develop American energy. The Budget will increase funding for energy programs of the Department of the Interior’s Bureau of Land Management by roughly 20 percent supporting better permitting processes for oil and gas, renewable energy, and infrastructure, including the transition to an electronic, streamlined system for oil and gas permits.

— **Ensure U.S. Leadership in Advanced Vehicle Manufacturing.**

Building on the Recovery Act investments and the fuel efficiency standards proposed through 2025, the Administration has proposed a strategy for deploying advanced vehicles in the United States, including a comprehensive package of incentives for consumers and businesses to spur advanced vehicle manufacturing and adoption, and increased investments in advanced vehicle technologies through the Department of Energy’s EV Everywhere initiative. The Administration is also committed to accelerating the growth of private sector investments in natural gas fueling infrastructure across the United States just as natural gas vehicle research begins to make the technology more economically and environmentally effective.

— **Reduce Defense Department Energy Consumption.**

The Department of Defense (DOD) consumes almost

three-fourths of all energy used by the Federal Government. Consuming that much energy—whether fuel for planes, ships, and tanks, or electricity for bases, commissaries, and schools—has budgetary and strategic impacts. To mitigate those impacts, DOD seeks to be more deliberate about how it uses energy, in line with the Administration’s overall approach to energy efficiency, such as by improving the fuel efficiency of existing equipment, developing and fielding innovative energy technologies, expanding renewable and low carbon energy sources and improving the energy efficiency of buildings.

- *Enhance Preparedness and Resilience to Climate Change.* The President recognizes that climate change poses an economic, security, and environmental threat that demands a decisive response. Even as we work to reduce the severity of climate change by cutting carbon pollution, we must also improve our ability to manage the climate impacts that are already being felt at home and around the world. Preparing for increasingly extreme weather and other unavoidable consequences of climate change will save lives and help to secure long-term American prosperity. To that end, the President is committed to building stronger, more resilient infrastructure and communities. The Budget would support this ongoing work to:

— **Safeguard Federal Investments, Ensuring Delivery of Federal Services, and Protecting Critical Resources in the Face of Climate Change.** Federal agencies have developed their first-ever climate change adaptation plans, which will help agencies better protect taxpayer investments and safeguard the health and safety of communities, economies, and infrastructure in the face of extreme weather and other impacts of climate change. Agencies have also been working together, along with State and local partners, to develop joint strategies to build a

coordinated and comprehensive response to the impacts of climate change in cross-cutting sectors, such as fresh water management. The Administration is also working to incorporate climate change considerations into the design and repair of critical infrastructure.

- **Support Local Efforts to Build Resilience.** The Administration has also sought to encourage and accelerate local efforts to improve climate preparedness and resilience in the face of climate change by supporting community resilience planning and by working across agencies to provide local decision-makers actionable information on observed and projected changes in extreme events and other impacts of climate change. The Budget includes \$200 million of innovation-spurring transportation investments to fund communities that include enhanced resilience to extreme weather and other impacts of climate change in their planning efforts. Planning by these communities will be supported by a broader Administration commitment to help communities improve their resilience through direct technical assistance, provision of useful data and tools on projected impacts, and support for planning.

- **Improve Understanding of Climate Impacts and Making this Information Accessible.** The Budget funds new investments in actionable science on climate change impacts and the development of technical resources, data, and tools for communities. It supports efforts to make information about the Earth that is collected in several Federal agencies consistent and more usable. Building on supplemental funding provided to East Coast communities impacted by Hurricane Sandy, the National Oceanic and Atmospheric Administration will help communities prepare for and respond to coastal storms, sea level rise, drought, and

other climate-related hazards by providing data, information, and services, as well as risk assessment tools.

- **Strengthen International Efforts to Reduce Carbon Pollution and Build Global Climate Resiliency.** The Administration has led efforts in the international climate negotiations that have yielded, among other things, the first set of national greenhouse gas reduction commitments by all of the major developed and developing countries alike, the most robust transparency system to date, and historic global efforts in support of climate resiliency. At the same time, we have worked to advance climate and clean energy efforts through a range of international initiatives, including launching the Major Economies Forum on Energy and Climate, the Clean Energy Ministerial, and the Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants.

Open Data to Spark Innovation. For decades, entrepreneurs have used Government data from Global Positioning Systems, weather monitoring stations, and other sources to power their products and services. This synergy between freely available Federal data and entrepreneurial innovation has benefited both the American economy and American citizens. The Administration's Open Data Initiative has already liberated unprecedented volumes of Government data related to energy, education, international development, public safety, and other key areas. The goal of these efforts is to connect the next generation of entrepreneurs and service providers to freely available Government data, while rigorously protecting privacy.

To continue to expand the economic growth and job creation fueled by this policy, the Administration will accelerate efforts to make Government

information resources more publicly accessible in “machine-readable” form, easily usable as fuel for innovation. The information is posted on the *Data.gov* website, giving free public access to data that taxpayers have paid for and that the Government is giving back to them.

Protect Intellectual Property in Support of the Nation's Innovation and Creative Economies. Protecting America's intellectual property rights is fundamental to the global economic competitiveness of the United States, the security and capabilities of our military, and the health and safety of the American public. The Budget supports improved intellectual property enforcement domestically and overseas as set out in the *Joint Strategic Plan on Intellectual Property Enforcement*, released by the U.S. Intellectual Property Enforcement Coordinator in June 2010, and the Administration's new *Strategy on Mitigating the Theft of U.S. Trade Secrets*, released in February 2013.

The Budget proposes to strengthen the U.S. Patent and Trademark Office's (USPTO's) efforts to improve the speed and quality of patent examinations through reforms authorized by the America Invents Act, including providing the USPTO with full access to its user fee collections. In addition, the Administration continues to advance law enforcement efforts through the National Intellectual Property Rights Coordination Center (IPR Center). The IPR Center brings together 21 Federal and international agencies in order to leverage their respective resources, expertise, and authorities to better combat intellectual property theft and dismantle the criminal organizations seeking to profit from the manufacture, importation, and sale of counterfeit and pirated goods that threaten our economic stability, restrict the competitiveness of U.S. industry in world markets, and place the health and safety of the American people at risk.

BUILDING A 21ST CENTURY INFRASTRUCTURE

Since the President took office four years ago, America has begun the hard work of rebuilding our infrastructure: we have built or improved over 350,000 miles of road and more than 6,000 miles of rail, and we have repaired or replaced over 20,000 bridges. But to compete in the 21st Century economy and become a magnet for jobs, we must do more. We need to repair our existing infrastructure, and invest in the infrastructure of tomorrow, including high-speed rail, high-tech schools, and power grids that are resilient to future extreme conditions. These investments will both lay the foundation for long-term economic growth and put workers back on the job now. The Budget ensures these investments do not add to the deficit by making trade-offs within discretionary spending limits and reinvesting savings from capping Overseas Contingency Operations funding.

We also know that America works best when we are catalyzing the resources and ingenuity of a vibrant private sector. That is why the President's infrastructure plan calls for making it easier for the private sector to invest in rebuilding our Nation and cutting red tape through permitting reform that dramatically reduces project timelines.

Provide \$50 Billion in Upfront Infrastructure Investments. The national transportation system continues to face an immense backlog of state-of-good-repair projects, a reality underscored by the fact that there are nearly 70,000 “structurally deficient” bridges in the United States today. To address this problem, the Budget includes \$40 billion for “Fix it First” projects, to invest immediately in our Nation's infrastructure with an emphasis on reducing the backlog of deferred maintenance on highways, bridges, transit systems, and airports nationwide. The Budget also includes \$10 billion for competitive programs to encourage innovative reform and help get high-value infrastructure projects from the planning stage to execution.

Boost Private Investment Through “Re-build America Partnership.” The President's plan will bring together an array of new and existing policies all aimed at enhancing the role of private capital in U.S. infrastructure investment as a vital additive to the traditional roles of Federal, State, and local governments.

- *Create a National Infrastructure Bank.* The President continues to call for the creation of an independent national Infrastructure Bank. The Bank will have the ability to leverage private and public capital to support infrastructure projects of national and regional significance. In addition, the Bank will be able to invest through loans and loan guarantees in a broad range of infrastructure projects, including transportation, energy, and water, and will operate as an independent, wholly-owned Government entity outside of political influence.
- *Enact America Fast Forward Bonds and Other Tax Incentives for Infrastructure Investment.* Recovery Act funding for “Build America Bonds” (BABs) helped to support more than \$181 billion for new public infrastructure. The program's innovative design ensured that taxpayers as a whole received the best bang-for-the-buck when the Federal Government helped States, localities, and their private sector partners invest in new infrastructure. The President's new America Fast Forward (AFF) Bonds program will build upon the successful example of the BABs program, broadening it to include similar programs like the qualified private activity bonds program, while also relaxing certain limitations in the way the combined program could be used. AFF Bonds will attract new sources of capital for infrastructure investment—including from public pension funds and foreign investors that do not receive a tax benefit from traditional tax-exempt debt. As part of the AFF Bonds program, the Budget proposes to reduce the cost

of financing for building and repairing public schools, State universities, and school buildings sponsored by non-profit educational entities by issuing AFF school construction bonds, with an additional interest subsidy in 2014 and 2015 to encourage immediate investment in school construction. In addition, the Budget proposes changes to the Foreign Investment in Real Property Tax Act (FIRPTA) aimed at enhancing the attractiveness of investment in U.S. infrastructure and real estate to a broader universe of private investors.

- *Implement Newly Expanded TIFIA Program.* The Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program received an eight-fold increase in funding in the recent surface transportation reauthorization. The program, which is especially important to mayors and local leaders, highlights the important role that infrastructure financing can play in catalyzing private investment.

Dedicate Funding for High-Speed Rail Investment. The Budget provides \$40 billion over five years to fund the development of high-speed rail and other passenger rail programs as part of an integrated national transportation strategy. This national system will provide 80 percent of Americans with convenient access to a passenger rail system featuring high-speed service within 25 years. The Administration's proposal also benefits freight rail and significantly restructures Federal support for Amtrak, to increase transparency, accountability, and performance.

Modernize Air Traffic Control System. The Budget provides nearly \$1 billion in 2014 for the Next Generation Air Transportation System (NextGen). NextGen is the multi-year effort to improve the efficiency, safety, capacity, and environmental performance of the aviation system, which will improve the travel experience for the traveling public and allow businesses to

better serve their customers. These funds would continue to support the transformation from a ground-based radar surveillance system to a more accurate satellite-based surveillance system; the development of 21st Century data communications capability between air traffic control and aircraft to improve efficiency; and the improvement of aviation weather information.

Expedite Infrastructure Projects Through Permitting Reform. Major infrastructure projects typically require multiple permits and reviews from multiple agencies across multiple governmental jurisdictions, which can lead to confusion, duplication, and delay. In addition, project developers, citizens, and stakeholders can find navigating these governmental roles frustrating, time-consuming, and costly.

In order to accelerate economic growth and improve the competitiveness of the American economy, the Administration is taking action to modernize and improve the efficiency of the Federal permitting process, cutting through the red tape and getting more timely decisions on Federal permits and reviews, while ensuring that projects that are approved are protective of our communities and the environment. The President has established a new goal of cutting timelines in half for infrastructure projects in areas such as highways, bridges, railways, ports, waterways, pipelines, and renewable energy.

Expand Access to Wireless Broadband. The Administration and the Federal Communications Commission are continuing their work in 2014 to expand availability of spectrum for wireless broadband use through incentive auctions and by identifying spectrum used by Federal agencies that could be repurposed for commercial use. In addition, through the First Responder Network Authority, created by the Middle Class Tax Relief and Job Creation Act of 2012, the Administration is also working to develop a highly reliable, nationwide interoperable wireless broadband network for first responders.

OPENING GLOBAL MARKETS

The emergence of a global marketplace beyond our borders that includes 95 percent of the world's customers, as well as the globe's fastest-growing markets, creates an opportunity for America to export our goods and services to new customers and spur economic growth and job creation in the United States. To support international trade and the jobs that accompany it, the Administration is seeking to open global markets through a series of initiatives that would:

Encourage Growth Through National Export Initiative. A critical component of building a stronger American economy is ensuring that U.S. businesses, farmers, and ranchers can actively participate in international markets by increasing their exports of goods and services. The Administration launched the National Export Initiative (NEI) in January 2010 with the goal of doubling U.S. exports over five years while supporting two million new jobs. The Administration is currently making historic progress toward this target—in 2012, exports of goods and services reached record levels of over \$2.2 trillion, 39 percent above 2009 levels. In addition, the number of jobs supported by exports climbed to 9.8 million in 2012—an increase of 1.3 million jobs since 2009, which is 60 percent of the way to the President's goal of two million additional export-supported jobs by the end of 2014. The Budget provides targeted increases for agencies involved in trade promotion and financing, development finance, and trade enforcement in support of the NEI. This funding will help strengthen efforts to promote exports from small businesses; increase export promotion activities in underserved markets around the world; 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.

Complete Negotiations on Trans-Pacific Partnership. As the United States rebalances toward the Asia-Pacific region, a top priority is strengthening the regional economic architecture. By the end of 2013, the United States will work with Trans-Pacific Partnership (TPP) partners

to bring TPP negotiations toward an ambitious conclusion—the goal put forward by President Obama and fellow TPP leaders in November 2012. TPP is a high-standard regional trade agreement that will link the United States to dynamic economies throughout the rapidly growing Asia-Pacific region and has the potential to provide a more robust and responsive trade model for the next generation—a model that addresses new challenges that have arisen in recent years. All TPP partners share a core mission of tackling these new challenges not only to help businesses and workers today, but to enhance regional trade for the next generation of producers, workers, and consumers in every Asia-Pacific economy.

Launch Negotiations on Transatlantic Trade and Investment Partnership with European Union (EU). President Obama announced his intention to launch negotiations with the EU on a comprehensive Transatlantic Trade and Investment Partnership (TTIP) in his 2013 State of the Union Address to the Congress. Such a partnership would include ambitious reciprocal market opening in goods, services, and investment, and would offer additional opportunities for modernizing trade rules and identifying new means of reducing the non-tariff barriers that now constitute the most significant obstacle to increased transatlantic trade. A successful agreement of this kind could generate new business and employment by expanding trade and investment opportunities in both economies, pioneer rules and disciplines that address challenges to global trade and investment that have grown in importance in recent years, and further strengthen the extraordinarily close strategic partnership between the United States and Europe.

Enhance Trade Enforcement. The Budget enhances trade enforcement with additional funding for Customs and Border Protection (CBP) officers who are responsible for conducting inspections on the goods entering the United States. More CBP officers will improve our trade enforcement capabilities, resulting in more seizures of counterfeit and fraudulent items, which will help

protect U.S. businesses. The Budget continues to support CBP's Centers of Excellence and Expertise that are designed around key industry sectors in order to facilitate legitimate trade, enhance enforcement, and increase industry-based knowledge within CBP. It also supports the Interagency Trade Enforcement Center, an interagency effort created by the President in February 2012 to address unfair trade practices and barriers via a "whole-of-government" approach, helping ensure that America's trading partners abide by their obligations, including maintaining open markets on a non-discriminatory basis and following rules-based procedures in a transparent way.

Promote Trade, Travel, and Tourism, While Enhancing Security. The travel and tourism industry is a major contributor to U.S. economic growth, exports, and employment. That is why the President issued an Executive Order in January 2012 directing Federal agencies to aggressively expand the Nation's ability to attract and welcome visitors, while maintaining the highest standards of security. As a result of that direction, an interagency taskforce developed the

National Travel and Tourism Strategy to promote domestic and international travel opportunities throughout the United States and increase our market share of worldwide travel, with the goal of attracting 100 million international visitors to the United States annually by 2021, which is expected to generate \$250 billion in spending.

To enhance security, the Budget adds 1,600 new CBP officers at our air, land, and sea ports of entry in 2014. These additional CBP officers will speed the entry of people and cargo into the United States, while increasing seizures of illegal items such as drugs, guns, currency, and counterfeit goods. In addition, the Budget includes new funding for hand-held mobile equipment and kiosks that will make inspections and processing more efficient and further reduce wait times and cut cargo processing.

The Administration's travel and tourism promotion efforts have already begun to bear fruit, with international tourists spending a record \$168.1 billion in 2012 and supporting 7.7 million jobs in the third quarter of 2012.

PROVIDING MIDDLE CLASS TAX CUTS AND REBALANCING THE TAX CODE THROUGH TAX REFORM

The President believes that targeted tax relief can strengthen the economy and provide important support to middle class families.

Provide Permanent Tax Relief for Working Families and Students. The Budget starts from a baseline that makes permanent the American Opportunity Tax Credit (AOTC) and the improvements to the Earned Income Tax Credit (EITC) and Child Tax Credit enacted in 2009 and extended in 2010 and 2012. The AOTC provides a partially refundable tax credit of up to \$2,500 per year to help finance up to four years of college. The credit is expected to help nearly 13 million families with students pay for higher education in 2013. The 2009 improvements to the EITC and Child Tax Credit reduce EITC "marriage penalties," that reduce the incentive to marry, provide additional assistance to families with three or

more children, and allow working families with moderate incomes to receive more of the benefits of the Child Tax Credit. The American Taxpayer Relief Act of 2012 (ATRA) made other middle class tax relief permanent, and extended these measures to assist working families and students through 2017.

The Budget proposes further targeted tax relief paid for by eliminating tax loopholes and making the system more fair, that will:

Incentivize Small Business Hiring and Wage Increases with a Payroll Tax Credit. Although the economy is recovering and private-sector employment is increasing, a tax credit designed to stimulate job creation and wage increases can help put more Americans back to work, provide targeted tax relief to America's

small businesses, and strengthen the foundation of the economic recovery. The Budget proposes a one-time, temporary 10 percent tax credit for increases in companies' wage payments over wages paid in 2012, whether driven by new hires, increased wages or salaries, or both. The credit would be available to small businesses—those with less than \$20 million of total wages paid in 2012—for up to \$5 million of increased wages.

Encourage Retirement Savings with Automatic Individual Retirement Accounts and Support for Small Employers Who Offer Retirement Plans. About half of American workers have no workplace retirement plan. Yet fewer than 1 out of 10 workers who are eligible to make tax-favored contributions to an Individual Retirement Account (IRA) actually do so, while nearly 9 out of 10 workers automatically enrolled in a 401(k) plan continue to make contributions. The Budget would automatically enroll workers without employer-based retirement plans in IRAs through payroll deposit contributions at their workplace. The contributions would be voluntary—employees would be free to opt out—and matched by the Saver's Tax Credit for eligible families. Small employers would be eligible for tax credits to defray the administrative costs of setting up these savings plans. The Budget would also double the existing tax credit for small employers that start up new qualifying employer plans.

Expand Child and Dependent Care Tax Credit. Child care costs can be a major burden for working families and a barrier to employment for some individuals. To help defray these costs, the Budget increases the Child and Dependent Care Tax Credit available to working families with incomes between \$15,000 and \$103,000.

Rebalance the Tax Code. To raise revenue and pay for the tax cuts noted above, the Budget includes the following key offsets:

- *Tax Carried (Profits) Interests as Ordinary Income.* Currently, many hedge fund managers, private equity partners, and other managers in partnerships are able to pay a 20

percent capital gains tax rate on their labor income—income known as “carried interest.” This tax loophole allows these financial managers to pay a lower tax rate on their income than other workers. The Budget eliminates the loophole for managers in investment services partnerships, and taxes carried interest at ordinary income tax rates, raising \$16 billion over 10 years.

- *Prohibit Individuals from Accumulating Over \$3 Million in Tax-Preferred Retirement Accounts.* Individual Retirement Accounts and other tax-preferred savings vehicles are intended to help middle class families save for retirement. But under current rules, some wealthy individuals are able to accumulate many millions of dollars in these accounts, substantially more than is needed to fund reasonable levels of retirement saving. The Budget would limit an individual's total balance across tax-preferred accounts to an amount sufficient to finance an annuity of not more than \$205,000 per year in retirement, or about \$3 million for someone retiring in 2013. This proposal would raise \$9 billion over 10 years.
- *Return Estate Tax to 2009 Parameters and Close Estate Tax Loopholes.* The Budget returns the estate tax exemption and rates to 2009 levels beginning in 2018. Under 2009 law, only the wealthiest 3 in 1,000 people who die would owe any estate tax. As part of the end-of-year “fiscal cliff” agreement, congressional Republicans insisted on permanently cutting the estate tax below those levels, providing tax cuts averaging \$1 million per estate to the very wealthiest Americans. It would also eliminate a number of loopholes that currently allow wealthy individuals to use sophisticated tax planning to reduce their estate tax liability. These proposals would raise \$79 billion over 10 years.
- *Establish Financial Crisis Responsibility Fee.* The Administration is again calling for a Financial Crisis Responsibility Fee on the largest financial institutions to fully

compensate taxpayers for the support they provided to the financial sector during the 2008–2009 economic crisis and to discourage excessive risk-taking going forward. The fee,

which would be restricted to financial firms with assets over \$50 billion, would raise approximately \$59 billion over 10 years.

IMPLEMENTING CORPORATE TAX REFORM TO CREATE JOBS HERE AT HOME AND FOSTER INNOVATION AND COMPETITIVENESS

Over the nearly three decades since the last comprehensive reform effort, the business tax system has been loaded up with special deductions, credits, and other tax expenditures that help well-connected special interests, but do little for economic growth. Now more than ever, we cannot afford a tax code burdened with costly special-interest tax breaks. In an increasingly competitive global economy, we need to ensure that our tax code contributes to making the United States an attractive location for entrepreneurship and business growth.

For this reason, the President is calling on the Congress to immediately begin work on corporate tax reform that will close loopholes, lower the corporate tax rate, encourage investment here at home, and not add a dime to the deficit. In February 2012, the President provided a framework for how business tax reform could achieve these goals. As a starting point for comprehensive reform, the Budget proposes a number of specific measures to keep America competitive, to make sure our tax system encourages jobs to be created here rather than abroad, and to begin eliminating special interest loopholes in the tax code.

Because the President favors adopting these measures as part of revenue-neutral business tax reform that would also cut the corporate rate and comprehensively reform tax subsidies, the Budget does not count the net savings from the business tax proposals described below toward its deficit reduction targets. However, the President's proposal for revenue neutral reform would prevent hundreds of billions of dollars from being added to the deficit if the Congress continues to extend temporary business tax incentives without paying for them.

The specific measures proposed in the Budget include:

Expand, Simplify, and Make Permanent the Research and Experimentation Tax Credit. The Research and Experimentation (R&E) Tax Credit is an important Federal incentive for research. But the R&E Tax Credit is less effective than it could be in spurring additional research because it is complicated and temporary. Currently, businesses must choose between using a complex, outdated formula that provides a 20 percent credit rate and a much simpler one that provides a 14 percent credit rate. The Budget would increase the rate of the simpler credit to 17 percent, which would make it more attractive and simplify tax filing for businesses. In addition, the Budget makes the basic and the simplified R&E credit permanent to provide certainty and increase effectiveness. These reforms would provide an additional \$99 billion in incentives for research over the next 10 years.

Provide a Permanent Tax Incentive for Renewable Energy Production and Energy Efficiency. In order to provide a strong, consistent incentive to encourage investments in renewable energy technologies like wind and solar, the Budget would make permanent the tax credit for the production of renewable electricity. As with the R&E credit, the United States has to date provided only a temporary production tax credit for renewable electricity generation. This approach has created an uncertain investment climate, undermined the effectiveness of the tax incentive, and slowed the development of a clean energy sector in the United States. In addition, the structure of the current Production Tax Credit makes it difficult for new, growing firms to benefit, because they may not yet have tax liability.

The Budget would address this issue by making the Production Tax Credit refundable. The Budget would also reform and make permanent the deduction for energy efficient commercial property. Together, these measures would provide an additional \$23 billion of incentives for renewable energy production and energy efficiency over the next 10 years.

Reform the International Tax System. The international provisions of the corporate tax code create opportunities for U.S. companies to reduce their taxes by locating their operations and profits abroad instead of in the United States. The tax system is also subject to gaming, as corporations manipulate complex tax rules to minimize their taxes and, in some cases, shift profits earned in the United States to low-tax jurisdictions. At the same time, the tax system should properly balance the need to reduce tax incentives to locate overseas with the need for U.S. companies to be able to compete overseas; some overseas investments and operations are necessary to serve and expand into foreign markets in ways that benefit U.S. jobs and economic growth. The Budget proposes specific reforms to combat abuses as potential elements of broader business tax reform, which the President has proposed should also include a minimum tax on foreign earnings. The specific proposals in the Budget would crack down on opportunities to shift profits on intellectual property to low-tax countries and restrict the ability of companies to claim interest deductions while deferring U.S. tax on the associated income. The Budget also proposes to disallow deductions for moving production overseas, while providing a new tax credit for bringing production back to the United States. Together, these reforms would save \$157 billion over 10 years.

Eliminate Fossil Fuel Tax Preferences. The tax code currently subsidizes fossil fuel—oil, gas, and coal products—through loopholes and tax expenditures that benefit these industries over others. In accordance with the President's agreement at the G-20 Summit in Pittsburgh, Pennsylvania in December 2009 to phase out subsidies for fossil fuels so that we can transition to a 21st Century energy economy, the Budget repeals a number of these tax preferences. Eliminating these tax subsidies would save \$44 billion over 10 years.

Reform the Tax Treatment of Derivatives. Derivatives contracts and other complex financial products are currently subject to varying tax rules. In addition to creating needless complexity and distorting choices among financial instruments, these rules allow major financial firms to defer taxes on profits indefinitely, selectively realize profits and losses for tax purposes, and pay the lower long-term capital gains rate on a portion of short-term gains. The Budget would require that all derivatives contracts be “marked to market” with resulting gains and losses taxed each year and treated as ordinary income. This reform would save \$19 billion over 10 years.

Eliminate Special Depreciation Rules for Corporate Purchases of Aircraft. Under current law, airplanes used in commercial and contract carrying of passengers and freight can be depreciated over seven years. However, airplanes not used in commercial or contract carrying of passengers or freight, such as corporate jets, are depreciated over five years. The Budget would change the depreciation schedule to seven years for corporate planes that carry passengers, to be consistent with the treatment of commercial aircraft. This change would save \$3 billion over 10 years.

REDUCING BURDENSOME REGULATION

The Administration is firmly committed to a regulatory strategy that protects the safety and health of all Americans, while promoting continued economic growth and job creation. Smart,

cost-effective regulations, crafted with input from stakeholders inside and outside of Government, can save lives and prevent harm, while promoting growth and innovation.

As the economy continues to recover and create new jobs, it is critical for the Nation's regulatory strategy to enable American businesses to grow and innovate. That is why the Administration carefully weighs the costs and benefits of rules—not by reducing difficult questions to problems of arithmetic, but by carefully weighing economic effects and also by taking into account qualitative factors, including fairness and human dignity. The Administration uses objective data to assess the impact of rules and to assess alternatives. Moreover, the Administration looks for areas where it can promote transparency and disclosure as a low-cost, high-impact regulatory tool.

From automobile safety to energy efficiency to credit cards, this approach has been fruitful. In fact, the net benefits of regulations issued through the third fiscal year of the first term have exceeded \$91 billion. This amount, including not only monetary savings, but also lives saved and injuries prevented, is over 25 times the net benefits through the third fiscal year of the previous Administration. At the same time, the number of final rules reviewed by the Office of Information and Regulatory Affairs and issued by Executive agencies was actually lower during the first term of the Administration than it was during the first term of the previous Administration.

To improve the regulatory process, the President issued an Executive Order calling for attention to the best available evidence, careful consideration of costs and benefits, greater coordination among agencies, and selection of flexible and least burdensome alternatives, and has called on independent Federal regulators to follow suit in their rulemakings. The Executive Order also called for a historic Government-wide review, or “look back,” of existing rules. The review produced over 500 reform proposals across all Executive agencies. As a result, the Administration is on track to save more than \$10 billion in the near term, with more savings to come. The President has also moved to institutionalize the Government-wide review of rules and called on independent agencies to follow the same cost-saving and burden-reducing principles that Executive agencies must follow.

In the coming year, agencies will continue to pursue the regulatory reforms identified in the review process, producing more in savings by simplifying rules, eliminating redundancies, and identifying more cost-effective ways of completing their mission and serving the American people.

EDUCATING A COMPETITIVE WORKFORCE

To compete in the 21st Century economy, America's workers must be prepared with the skills and knowledge to meet the demands of high-growth industries that fuel America's economy and innovation. That is why the President is calling for major investments and reforms in education and training to ensure our youth and adults have the opportunity to learn the skills they need. In addition to a major new commitment to early childhood education, the Budget sustains investments in elementary and secondary schools while ramping up innovation, redoubles our focus on science, technology, engineering, and mathematics (STEM) education to prepare our students for the jobs of tomorrow, and includes new initiatives to make college more affordable.

Increase Access to High-Quality Early Childhood Education. Today, far too many children are already behind academically and developmentally by the time they start school, and never truly catch up—compromising our ability to compete in a global economy and sidelining huge pools of untapped talent. The early years of a child's life are the most critical for building the foundation needed for success in life. Research has conclusively shown that supporting children at this stage leads to significant benefits in school and beyond. This is particularly true for low-income children who often start kindergarten academically behind their peers by many months. Providing high-quality early childhood education to all children will enable them to start school

ready to learn and realize their full potential. Research has shown that taxpayers receive a high average return on investments in high-quality early childhood education, with savings in areas like improved educational outcomes, increased labor productivity, and a reduction in crime.

The Budget therefore includes a “Preschool for All” initiative, in partnership with the States, to provide all low- and moderate-income four-year-old children with high-quality preschool, while also incentivizing States to expand these programs to reach additional children from middle class families and establish full-day kindergarten policies. To support this effort, the Budget includes \$750 million in discretionary Preschool Development Grants in 2014, to ensure that States willing to commit to expanding preschool access are able to make the critical investments necessary to serve their four-year-old children in high-quality programs. The preschool initiative is coupled with a companion investment at the Department of Health and Human Services in expanding voluntary home visiting programs, maintaining child care subsidies, and increasing the availability of high-quality care for infants and toddlers through new Early Head Start-Child Care Partnerships.

The investments in early childhood education and development on the mandatory side of the Budget are fully financed by raising the Federal tax on cigarettes from \$1.01 to \$1.95 per pack. In addition to financing important investments in early learning, the proposed tobacco tax increase would have substantial public health benefits, particularly for young Americans. Researchers have found that raising taxes on cigarettes significantly reduces consumption, with especially large effects on youth smoking.

Redesign High School. During the President’s first term, the Department of Education initiated historic reforms in our elementary and secondary schools by rewarding excellence and promoting innovation. Early indications show impressive progress in raising academic standards, placing an effective teacher in every classroom, and turning around struggling schools. The

Budget continues to build on this progress with sustained investment and new reforms. New initiatives include a new, competitive fund to redesign high schools nationwide, in order to keep America’s youth engaged, successful, and focused on the future. This initiative will strengthen college- and career-readiness by redesigning high school to focus on providing challenging, relevant experiences, and rewarding schools that develop new partnerships with colleges and employers to improve instruction and prepare students to continue on to postsecondary education or transition into skilled jobs. In addition, the Budget proposes to strengthen and reform career and technical education to better align programs with the needs of employers and higher education.

Prepare Students for STEM Careers in the 21st Century Economy. Our future competitiveness demands that we move American students from the middle or bottom to the top of the pack in science and mathematics, preparing our young people to learn deeply and think critically in these subjects. The Budget proposes a comprehensive reorganization of Federal STEM education programs to enable more strategic investment in STEM and more critical evaluation of outcomes, reflecting an Administration priority on using Government resources more effectively to meet national goals. This reorganization is designed to increase the impact of Federal investments in four areas: K-12 instruction; undergraduate education; graduate fellowships; and education activities that typically take place outside the classroom, all with a focus on increasing participation and opportunities for individuals from groups historically underrepresented in these fields. The Department of Education will also invest in recruiting and preparing 100,000 effective STEM teachers within a decade, and in creating a new STEM Master Teachers Corps, to help improve instruction in their schools and districts, and to serve as a national resource for improving STEM instruction across America.

Improve College Affordability and Value. Early in his first term, the President set a national goal for the United States to lead the world again with the highest share of college graduates

by 2020. Higher education remains an important step toward the middle class, and earning a degree or certificate is no longer just a privilege for some, but rather a prerequisite for all.

Over the past four years, the Administration has taken important steps to help students afford college, including expanding grant aid and college tax credits for American families. The President also recognizes that affordability and value in higher education are responsibilities shared with State governments, colleges, and universities. All must do their part to rein in costs, provide good value for American families, and prepare students with the education and training they need for jobs in the global economy.

The Budget includes several measures designed to improve college affordability and value. These include: a \$1 billion Race to the Top fund, which would support competitive grants to States that commit to driving reform in their higher

education policies and practices, while doing more to contain tuition and make it easier for students to earn a degree; a \$260 million First in the World fund to spur the establishment, validation, and scaling-up of cutting-edge innovations that can decrease college costs and boost attainment rates; and reforms to Federal campus-based aid to reward colleges that set responsible tuition policy, deliver good value and quality to students, and serve low-income and Pell-eligible students well. These efforts build on actions the Administration has already taken to provide students and families with clear information about college costs and quality, through the College Scorecard and Financial Aid Shopping Sheet. The Budget also continues the Administration's strong commitment to the Pell Grant program, offsetting the cost with reforms to existing loan programs, and proposes a cost-neutral student loan reform that will keep rates low this year, set interest rates to more closely follow market rates, and provide greater affordability for students in repayment.

TRAINING AND SUPPORTING WORKERS IN A CHANGING ECONOMY

As the economy changes, training and employment programs must innovate and adapt to help American workers gain the skills they need to find new jobs and careers. At the same time, we must maintain critical protections to ensure our workers are treated fairly and safely in the jobs they hold. The Budget includes several initiatives to ensure these goals are achieved, including:

Modernize, Streamline, and Strengthen the Delivery of Training and Employment Services. Today more than 40 programs at 11 Federal agencies deliver job training and employment services. The Administration believes we should be doing everything we can to make it easier for people who need help to find a job or build their skills for a better one, and for employers who need to find well-qualified workers. The Administration is exploring opportunities to revisit how the Federal Government funds job training and employment services, including the possibility of reorganizing some of the existing

training programs. For example, the Budget proposes a universal displaced worker program that will reach up to a million workers a year with a set of core services, combining the best elements of two more narrowly-targeted programs. Any reform must ensure that the needs of particularly vulnerable job-seekers and workers continue to be met and ensure greater accountability and transparency about the performance of federally-supported job training providers and programs. The Administration looks forward to working with the Congress and other stakeholders on job training reform in the coming year.

Drive Innovation in Training and Employment Services. To spur innovation, the Budget provides \$150 million for the Workforce Innovation Fund. The Fund tests new ideas that States and regions bring forward to implement systemic reforms and replicate evidence-based strategies for training and helping workers find jobs. The Department of Labor (DOL) will

continue to administer the Fund, working closely with agencies that support educational, employment, and related services. Within the Fund, \$10 million is dedicated to building knowledge of which interventions are most effective for disconnected youth. The Budget also provides \$80 million to increase the set-aside for governors in the Workforce Investment Act formula grants from 5 percent to 7.5 percent, in order to boost States' capacity to engage in program improvements and reform. In addition, the Budget provides \$25 million to support new, evidence-informed efforts to improve employment outcomes for older Americans.

Reform Community Colleges to Meet Employer Needs. A large share of the Nation's skills training is delivered by community colleges. The Budget funds an \$8 billion Community

College to Career Fund jointly administered by DOL and the Department of Education to support State and community college partnerships with businesses and other stakeholders to build the skills of American workers; this is a successor initiative to the Trade Adjustment Assistance Community College and Career Training Grants, for which 2014 provides the final year of funding.

Maintain Strong Support for Worker Protection. The Budget includes nearly \$1.8 billion for DOL's worker protection agencies, putting them on sound footing to meet their responsibilities to protect the health, safety, wages, working conditions, and retirement security of American workers. The Budget preserves recent investments in rebuilding DOL's enforcement capacity and makes strategic choices to ensure funding is used for the highest priority activities.

HELPING SMALL BUSINESSES GROW AND CREATE JOBS

The President recognizes that small businesses are a crucial engine of economic growth and a ladder for many to the middle class. The Budget continues the Administration's strong focus on providing tools to nurture entrepreneurs and grow small businesses through beneficial tax changes, such as eliminating capital gains and extending expensing for small business investments, and doubling deductions for start-up expenses, as well as financing and technical assistance. The Budget supports key initiatives through the Small Business Administration (SBA) to boost access to capital, increase small business contracting opportunities, and improve counseling resources.

To increase financing available to small businesses, the Budget supports development of SBA ONE, a streamlined one-stop lending platform aimed at simplifying the loan process for lenders and borrowers, from application to closure. To increase the share of Federal contracts going to small businesses, the Budget provides for additional SBA Procurement Center Representatives, who will be strategically embedded across the Federal Government to assist agencies in structuring Federal procurement awards to be

accessible for small businesses. The Budget also proposes to create a new program at SBA to help existing small business owners take their business to the next level through an intensive, several months-long small business leadership program. This program will include immersion in core business concepts such as accounting and finance, peer-to-peer review among fellow business owners, tailored mentorship from experienced entrepreneurs, introductions to capital access and revenue opportunities, and culminate in the creation of a targeted growth plan for each business owner. The program will be modeled as a public-private partnership that is built on the best practices of other working private sector and non-profit models.

To make all of these resources more accessible to the public, the Budget continues to support the leading role that SBA and the Department of Commerce have played in the Administration's BusinessUSA initiative, a one-stop shop for businesses looking to do business with the Federal Government or obtain information about Federal business assistance resources.

REJUVENATING THE HOUSING MARKET

As the financial crisis and recession was deepening in 2009, the Administration took immediate steps to help millions of responsible homeowners who were facing foreclosure or were at risk of losing their homes. This began with the Administration's effort to establish a broad set of programs designed to stabilize the housing market and keep millions of Americans in their homes. The initiative included: Treasury's mortgage-backed securities purchase program, which along with mortgage-backed securities purchases by the Federal Reserve, has helped maintain liquidity to lenders to keep mortgage interest rates at historic lows; the first-time homebuyer tax credit, which helped millions of Americans to purchase homes, bolstering economic recovery; the low-income housing tax credit and housing finance agency programs to support affordable housing; and the Home Affordable Modification Program through the Troubled Asset Relief Program, which provides eligible homeowners the opportunity to significantly reduce their monthly mortgage payments, remain in their homes, and avoid foreclosures.

Finish the Task on Universal Refinancing for Responsible Homeowners. The housing market is showing signs of healing and growth. Home prices are increasing, inventories are down, and sales and construction are increasing. However, too many Americans are still paying mortgage interest rates far above today's historic low market rates because the reduction in their home value over the past five years made them worth less than their mortgage and ineligible for refinancing. Last year, the Administration worked with housing regulators and the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac to double the number of underwater homeowners assisted with refinancing through the Home Affordable Refinance Program (HARP). Around 1.1 million borrowers refinanced through HARP in 2012, bringing the total number of borrowers who have refinanced through HARP since its inception to 2.1 million.

While this is an important step, the Administration believes that more aggressive action is needed and is calling on the Congress to take additional steps so virtually every family that has a standard mortgage and has been making its payments on time will have the opportunity to refinance their mortgage at today's historically low rates. Specifically, legislation is needed to fully streamline HARP to increase access and lower costs for borrowers and provide those responsible Americans who happen not to have a loan guaranteed by the GSEs with access to a comparable streamlined refinance program. Helping families refinance will help homeowners get into more sustainable loans, save each family on average \$3,000 annually, enable many more to stay in their homes, and boost local economies.

Rebuild Communities Most Devastated by the Housing Crisis. Rising home prices in the last year have lifted an estimated 1.4 million homeowners from being underwater to having positive equity in their homes. But some areas are still experiencing high levels of negative equity. For example, just five States account for 34 percent of the total negative equity in the United States. In these communities hit hardest by the foreclosure crisis, the weight of foreclosed and vacant properties will continue to hold back growth and increase poverty and crime. To address this problem, the President implemented the Neighborhood Stabilization Program (NSP), which has played a critical role rebuilding communities that have been hit hardest by foreclosure and abandonment. To date, NSP has made over 600 grants that are helping to rehabilitate or demolish more than 100,000 damaged or vacant properties.

The President is proposing two programs to extend the success of NSP while creating construction jobs to rehabilitate properties. The Budget provides funding for neighborhood stabilization activities to continue mitigating the impacts of the foreclosure crisis. This funding will provide essential new resources to help communities while creating jobs through rehabilitating, repurposing, and demolishing vacant and blighted

properties. In addition, the Budget includes funding for Project Rebuild, to help launch or support public-private land banks, provide grants to the

hardest hit areas where there are high-levels of vacancies or severe blight, and offer loan subsidies to stimulate private investment.

IMPLEMENTING HEALTH INSURANCE REFORM

A key component of the Administration's drive to strengthen the middle class and provide a foundation for a strong economy is the implementation of the Affordable Care Act (ACA), the landmark comprehensive health insurance reform law passed in 2010. Although not yet fully implemented, the ACA is already holding insurance companies more accountable, lowering health insurance costs, and increasing choices and quality of health care for all Americans. Importantly, the law is projected to reduce the deficit by more than \$1 trillion over the next two decades, according to the Congressional Budget Office's latest analysis.

The reforms effective in 2014 will implement some of the most important pieces of the legislation, providing every American access to affordable, comprehensive coverage through Health Insurance Marketplaces, also known as Affordable Insurance Exchanges. Most insurers will no longer be able to discriminate against individuals with pre-existing conditions, and individuals without access to affordable coverage from their employer or other programs will be eligible to purchase coverage with new tax credits to lower the cost of coverage. While Medicaid already provides critical health care coverage to low-income children, seniors, and individuals with disabilities, the ACA also provides unprecedented Federal assistance to States that expand Medicaid to cover low-income adults. When fully phased in, these provisions will provide insurance to millions of Americans who are uninsured today.

Because of the ACA, most insurers already are required to offer coverage to children with a pre-existing condition and cannot rescind an individual's coverage due to a technical error on an application, lifetime dollar limits on health benefits are banned, and most insurers must cover preventive care without charging a deductible or co-payment. Beginning in 2014, most insurers will

be prohibited from denying coverage or charging more to any person due to a pre-existing condition or their gender. Limits on annual benefits will also be prohibited.

Since its enactment, the ACA has benefited millions of middle class Americans. Over three million previously uninsured young adults have obtained health insurance largely due to the ACA's requirement that young adults under age 26 can be covered by their parent's insurance. Over 6.1 million seniors benefited from the health care law's assistance to help cover prescriptions drugs in the Part D donut hole, saving them almost \$6 billion on prescription drugs. More than 100,000 Americans with pre-existing conditions have gained coverage through the Pre-existing Condition Insurance Plan Program. Hundreds of thousands of small businesses have received tax credits to offer health insurance coverage to their employees, benefiting millions of workers.

More reforms also are taking effect. To ensure that dollars are going to patient care, the ACA requires insurance companies to spend at least 80 or 85 percent, depending on their market, of premium dollars on medical care and quality improvements, instead of administrative costs and profits. If they fail to meet these standards, insurance companies are required to provide a rebate to their customers. The first rebates went out in the summer of 2012, and the Department of Health and Human Services (HHS) estimates that these rebates totaled \$1.1 billion in 2012.

Additionally, the ACA brings an unprecedented level of scrutiny and transparency to health insurance rate increases. Large premium increases proposed by health insurance companies in the individual and small group markets will now be evaluated by experts to make sure they are based on reasonable cost assumptions and solid

evidence, and insurance companies have to publicly justify unreasonable rate increases. HHS estimates that rate review reduced premiums by about \$1 billion in 2012.

The Administration has been working diligently with States to prepare for the ACA's health insurance expansion in 2014. Health Insurance Marketplaces will help ensure that every American can access high-quality, affordable health insurance coverage beginning in 2014. These competitive marketplaces will provide millions of Americans and small businesses with "one-stop shopping" for affordable coverage in every State. HHS has provided nearly \$3.4 billion in grant funding to 37 States and the District of Columbia to establish Marketplaces.

In addition, numerous ACA reforms aimed at improving quality, efficiency, and coordination of care have already taken effect. Hospital Value-Based Purchasing and the Hospital Readmissions Reduction Program tie Medicare payments to hospitals to achievement of indicators of high-quality care. The Medicare Shared Savings Program launched nationwide, and has created new opportunities for patient-centered, integrated care for Medicare beneficiaries. Further, the Administration launched several initiatives to improve care for individuals eligible for both Medicare and Medicaid, including developing and testing new models designed to incentivize States and providers to create efficiencies through integration of care and improved care coordination. In addition, the ACA provided significant new tools and resources to crack down on waste and fraud in health care.

IMPLEMENTING WALL STREET REFORM

In addition to health care reform, the Administration is committed to implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Wall Street reform), the most far-reaching reform to the U.S. system of financial regulation since the Great Depression, and another critical element of the Administration's effort to secure the middle class and lay a foundation for long-term growth and prosperity for all Americans. Through the law's authorities, the Administration is taking necessary steps to create a more stable and responsible financial system. Financial regulators have made significant progress implementing reforms designed to fill gaps in market oversight, rein in predatory and abusive lending, and bring principles of fairness and accountability to all corners of our Nation's financial markets. And thanks in part to this important reform effort, our financial system has become smaller as a share of the economy and significantly less leveraged, helping reduce our vulnerability to future crises.

Our economy is benefitting from the many reforms now in place. Our financial system is safer now that banks will pay for their own bad bets.

Banks' balance sheets have grown stronger, with capital requirements for the largest firms effectively doubled, and capital levels in U.S. banks overall up 75 percent from three years ago. In addition, we have a new orderly liquidation framework in place for protecting the financial system, the economy, and taxpayers from the consequences of the failure of a large financial company. Eleven of the largest bank holding companies have already submitted their "living wills" to the Federal Reserve and the Federal Deposit Insurance Corporation, providing a roadmap to regulators should they ever fail, with the remaining plans due by the end of this year. This new liquidation framework will help ensure that the costs of resolving a failed financial company will never again be borne by taxpayers, but, instead, by the company's stockholders, creditors, and culpable management.

Another critical safeguard established under Wall Street Reform was the creation of the Financial Stability Oversight Council (FSOC). This new council of financial regulators headed by the Secretary of Treasury has become a central figure in monitoring and addressing risks to the financial

system. Although FSOC members are required by law to meet only quarterly, the FSOC has been far more active than that—meeting 12 times in 2012 alone. This forum has enabled regulators to quickly coordinate their responses to events such as the failure of MF Global and the disruptions caused by Hurricane Sandy. In addition, in July 2012 the FSOC designated eight financial market utilities as systemically important institutions, subjecting them to more stringent risk-management standards and coordinated oversight by the financial regulators.

With the Consumer Financial Protection Bureau (CFPB) now able to exercise the full scope of its authorities, a new cop is on the beat, setting high and uniform standards across the financial services marketplace, improving financial literacy for all Americans, and helping to end profits based on misleading financial product sales pitches and hidden traps. Unlike years past, today banks and other financial companies must compete vigorously for consumers only on the basis of price and quality. In 2012, the CFPB began supervising payday lenders, credit reporting agencies, and debt collectors—three types of businesses that amazingly had never before been regulated. The CFPB has also been hard at work cracking down on abusive practices in the mortgage industry, making financial contracts simpler, and ending many hidden fees so that families are in a better position to understand their financial obligations when they buy a home. In total, these reforms put in place the strongest consumer financial protections in history.

Wall Street Reform also expanded enforcement authorities and whistleblower rules at the Securities and Exchange Commission and the Commodity Futures Trading Commission (CFTC), providing investors with increased protections. In addition, the agencies' vigorous enforcement efforts should serve as a greater deterrent to those who consider breaking the rules to get ahead. In addition, thousands of publicly-traded companies have exercised their right to vote on executive compensation packages as a result of new say-on-pay provisions.

Leading up to the financial crisis, many banks got into trouble because they were exposed to hidden risks from several exotic financial products. Regulators have begun implementing new Wall Street Reform rules in the over-the-counter derivatives market, significantly reducing the risks associated with these products by bringing much-needed transparency for both market participants and regulators. As a result of new reporting requirements, the price and volume of certain swap transactions are now available to regulators and the public, at no charge; reporting for additional asset classes will begin later in 2013. In addition, swap dealers now have to register with the CFTC and adhere to new standards for business conduct and recordkeeping.

To ensure that agencies and departments have the resources they need to implement Wall Street Reform, the Administration has called for adequate funding levels for them for 2013, and continues this commitment in the 2014 Budget.

REFORMING OUR IMMIGRATION SYSTEM

For generations, the United States has been enriched by a steady stream of hardworking and talented people who have helped make America an engine of the global economy and a beacon of hope around the world. The President is committed to building a fair, effective immigration system that lives up to our heritage as a nation of laws and a nation of immigrants. That system should demand responsibility from everyone—both the 11 million workers here in the shadows

and those who hire them—and reward the hard work of legal immigrants whose entrepreneurship and skills help build our economy.

The President has laid out a plan for common-sense immigration reform that would continue investments in border security, crack down on companies that hire undocumented workers, improve the legal immigration system for employment-sponsored and family-sponsored immigrants, and

establish a responsible pathway to earned citizenship. The plan would require anyone who is undocumented to pay their taxes and a penalty, move to the back of the line, learn English, and undergo background checks.

There is a growing consensus in support of common-sense immigration reform across America. The vast majority of Americans support reform, as do stakeholders in the business, law enforcement, civil rights, labor, agriculture, and faith communities. The American people expect their elected officials in Washington to get the job done once and for all. The President is committed to working with the Congress to pass legislation that will permanently fix our broken immigration system.

The Budget supports the foundation for common-sense reform by continuing investments in strengthening our border, making our immigration enforcement effort smarter by focusing on individuals who are a threat to public safety, streamlining legal immigration by reducing barriers for immigrant entrepreneurs and innovators and families, and by expanding support for the integration of individuals on the path to citizenship. Moreover, the President will ensure that common-sense immigration reform legislation includes the resources required to responsibly and efficiently build the 21st Century immigration system America deserves.

BUILDING LADDERS OF OPPORTUNITY

There's a basic bargain in America. It says that no matter who you are or where you're from, if you're willing to work hard and play by the rules, you should be able to find a good job, feel secure in your community, and support a family. The Budget builds on the progress made over the last four years to expand opportunity for every American and every community willing to do the work to lift themselves up. It creates new ladders of opportunity to ensure that hard work leads to a decent living. It expands early childhood learning to give children a foundation for lifelong learning, as noted earlier in this chapter. It partners with communities to help them thrive and rebuild from the recession. It creates pathways to jobs for the long-term unemployed and youth who have been hardest hit by the downturn. It rewards hard work and reduces inequality and poverty by supporting an increase in the minimum wage. It also strengthens families by removing financial deterrents to marriage and supporting the role of fathers.

Partner With Communities to Help Them Rebuild. A child's zip code should never determine her destiny. But today, the neighborhood a child grows up in can diminish her odds of graduating high school, health outcomes, and lifetime

economic opportunities. To address this problem, the Administration is building on the success of its Promise Neighborhoods and Choice Neighborhoods programs and partnering with some of the highest-poverty communities across the Nation. The Administration will designate Promise Zones through a transparent, competitive process that can draw on a number of resources in the Budget, including: using Department of Justice funding for local law enforcement and community leaders to reduce violent crime; leveraging Department of Housing and Urban Development grants to attract private investment to tear down distressed public housing and build new mixed income homes, while ensuring that low-income residents do not get displaced; and using Department of Education funding to improve educational opportunities and provide students and their families with a continuum of educational supports from cradle to college or career. The Budget also includes Promise Zone tax incentives to stimulate growth and investments in targeted communities, such as tax credits for hiring workers and incentives for capital investment within the Zone. In addition, the Budget supports direct Federal partnership with local leaders, helping them to navigate Federal programs, cut red tape, and use Federal resources more effectively.

Create Pathway to Work for Every American. The Budget includes a Pathways Back to Work Fund that offers incentives to hire the long-term unemployed and low-income adults, helps low-income youth find summer and year-round jobs, and provides the real-world skills Americans need to find a job. These steps are critical to ensuring that our economic recovery reaches the broadest possible swath of Americans.

Raise Minimum Wage to \$9.00. No one who works full time should have to raise his or her family in poverty. Raising the minimum wage would directly boost wages for 15 million workers and would help our growing economy. That is why the President is calling on the Congress

to raise the Federal minimum wage from \$7.25 to \$9.00 per hour by the end of 2015, and index it to inflation thereafter.

Strengthen Families. The Budget supports the President's commitment to promoting healthy marriages for all families and supporting the critical role that fathers play in enhancing the intellectual, emotional, and financial well-being of their sons and daughters. The Budget proposes to allow existing Federal programs, like the child support program, to implement models that get more men working and engaging with their children. It also supports States in testing strategies to overcome financial deterrents to forming safe and stable marriages.

MAKING COMMUNITIES SAFER BY REDUCING GUN VIOLENCE

The Budget supports the President's comprehensive approach to improving gun safety and reducing gun violence, including expanded background checks for firearm sales, improved tracing and ballistics analysis, and enhanced efforts to keep guns out of the hands of dangerous criminals and other prohibited persons.

To maximize success, the Budget combines these efforts with programs to improve school safety, enhance police officer protection, and implement new mechanisms to prevent the use of firearms by unauthorized users. It provides \$112 million in new funds to help schools develop and implement emergency preparedness plans, create safer and more nurturing school climates through evidence-based behavioral practices, provide support and services to children exposed to pervasive violence, collect data on school safety and climate, and highlight best practices regarding school discipline policies, including the

equitable implementation of these policies. This investment will complement Departments of Justice, Health and Human Services, and Homeland Security programs designed to support comprehensive school safety strategies.

The Budget expands mental health services for youth and families with a \$130 million initiative to help teachers recognize signs of mental illness in students, improves mental health services for young people ages 16-25, and trains 5,000 more mental health professionals with a focus on serving students and young adults. The Budget also includes \$30 million to support a nationwide violent deaths surveillance system and additional research on the causes and prevention of gun violence. Together, these initiatives can help identify mental illness early and create a clear pathway to treatment for those in need, increase gun safety, and keep communities safe from the immeasurable tragedies resulting from gun violence.

KEEPING AMERICA SAFE FROM THREATS OUTSIDE OUR BORDERS

Economic growth can only be achieved if America is safe and secure, both at home and abroad. Looking outside our borders, the Budget supports American leadership in the critical Asia-Pacific

region; it upholds our commitment to a unified and sovereign Afghanistan, while continuing our fight against terrorists, like al Qaeda; and it confronts new dangers like cyber attacks that

threaten our Nation's businesses and people. The Budget also upholds our solemn duty to care for our veterans, who have given so much in service to our Nation.

Invest in Long-Term Partnerships in Iraq, Afghanistan, and Pakistan. The Budget continues support for U.S. security, diplomatic, and development goals in Afghanistan, Pakistan, and Iraq, while scaling down funding for operations and assistance. It includes resources for the State Department and the U.S. Agency for International Development (USAID) to support strong, long-term partnerships with these countries. In addition, Overseas Contingency Operations (OCO) funding is provided for near-term development assistance related to stabilization and counterinsurgency programs, extraordinary costs of operating in a high-threat environment, protection of civilian personnel, and oversight activities of the Special Inspector General for Afghanistan Reconstruction.

Support Counterterrorism Efforts. Protecting the United States from terrorism remains a critical priority. The Budget continues to support counterterrorism efforts by a variety of Federal agencies consistent with the National Strategy for Counterterrorism. It will also support the gradual drawdown of U.S. forces and the transition to full Afghan responsibility for their country's security by the end of 2014. Because final policy decisions about the pace of this drawdown are pending, the Budget includes a placeholder for Department of Defense (DOD) OCO costs. The Administration will submit a Budget amendment to the Congress describing the OCO request as soon as possible.

Continue Investments in Nonproliferation and Counterterrorism Programs. The Budget continues to support the President's vision of a world without nuclear weapons by providing key investments in nonproliferation programs. This funding includes resources for flagship counterterrorism programs that develop partner capabilities to prevent terrorist attacks on the United States and other countries and to prevent the development, acquisition, trafficking,

and use of weapons of mass destruction by terrorists.

Rebalance American Engagement with the Asia-Pacific Region. The United States and its interests are inextricably linked with Asia's economies and security, and it welcomes economic prosperity across the Asia-Pacific region. The Budget makes strategic, coordinated and Government-wide investments in a wide range of tools across the Asia-Pacific region, which will help create American jobs, empower American businesses, and maintain the security and stability necessary for economic growth.

Address Cyber Threats. Cyber attacks targeting the financial industry, other critical infrastructure, and Government demonstrate that no sector, network, or system is immune to infiltration by those seeking financial gain, perpetrating malicious and disruptive activity, or stealing commercial or Government secrets and property. Cyber threats are constantly evolving and require a comprehensive response.

To address cyber threats, the Administration is working across Government, with our State and local and international partners, and in conjunction with the private sector. Top priorities include securing Federal networks, protecting critical infrastructure, improving incident response, and engaging internationally. The President is also directing the Administration to help shape the future by prioritizing research, development, and technology transition, and harnessing private sector innovation while ensuring our activities continue to respect the privacy, civil liberties, and rights of everyone.

The Budget includes funding to support the expansion of information sharing programs and the Administration's cross-agency priority goal for cybersecurity, which are designed to enhance situational awareness of emerging cyber threats, identify and mitigate network and system vulnerabilities, and enhance the Nation's ability to rapidly respond to cyber attacks. The Budget will also support implementation of Executive

Order 13636, which is designed to improve the cybersecurity of U.S. critical infrastructure.

Re-Prioritize Investments in Weapons Systems. One of the Administration's priorities is to provide servicemembers with the modern equipment they need to implement the new defense strategy. To achieve this goal, the Budget, for example, continues funding the Joint Strike Fighter program, which is designed to counter the threats posed by a sophisticated adversary, and the VIRGINIA class submarine, which improves the Navy's ability to operate in coastal waters. DOD is also working to upgrade the command and control equipment on the Army's Stryker combat vehicles, and the suspension and drive train of Paladin self-propelled howitzers to improve troop protection, survivability, and mobility.

While the Administration is committed to continuing its investment in new weapons systems needed to ensure that America's military remains the finest in the world, it is also focused on maintaining and improving existing systems. For example, DOD will continue to use the highly-capable C-130 airlift aircraft rather than procure a new airlifter such as the C-27. In addition, although DOD will continue to use new Global Hawk Block 30 Unmanned Aerial Vehicles that have already been procured, together with the proven U-2 reconnaissance aircraft, for the critical task of providing intelligence to our troops, it will terminate further procurement of Block 30 Global Hawks. DOD will also retain and upgrade proven systems such as the F-15 and F-16 fighter aircraft and the B-2 bomber.

Assist Countries in Transition and Promote Reforms in Middle East and North Africa. Building on the Administration's ongoing response to the transformative events in the Middle East and North Africa region, the Budget continues Department of State and USAID funding to support the economic and security sectors in the region. It continues or expands our bilateral economic support in countries such as Egypt, Tunisia, and Yemen. In addition, the Budget funds the Middle East and North Africa Incentive Fund, which will support countries in transition

and provide incentives for long-term economic and political reforms. This fund builds upon several Arab Spring initiatives, including Enterprise Funds, fiscal stabilization support through cash transfers and loan guarantees, and various initiatives through the G8's Deauville Partnership, including technical assistance, trade, and asset recovery initiatives. In addition, base funding for diplomatic operations in the region is increased by \$39 million, supporting both increased engagement and measures to protect diplomatic personnel.

Support Global Health by Investing in High-Impact Interventions. Administration investments will accelerate progress toward the goals of achieving an AIDS-free generation and an end to preventable child and maternal deaths. The Budget supports the achievement of aggressive HIV/AIDS prevention and treatment targets the President laid out on World AIDS Day in 2011, and continuing progress toward eliminating pediatric AIDS. Consistent with the Child Survival Call to Action, it increases USAID investments aimed at addressing malaria, malnutrition, pneumonia, and complications in childbirth. In recognition of the Global Fund to Fight AIDS, Tuberculosis, and Malaria's key role as a multilateral partner and its progress in instituting reforms, the Budget provides \$1.65 billion to leverage pledges from other donors and accelerates progress against these three diseases. In addition, the Budget funds the balance of the Administration's pledge to the Global Alliance for Vaccines and Immunization.

Fight Hunger by Improving Food Security in Poor Countries. As part of a multi-year plan to combat hunger, the Budget increases USAID funding for agriculture development and nutrition programs. Administration programs are intended to reduce extreme poverty, increase food security, and reduce malnutrition for millions of families by 2015. The Budget provides bilateral assistance for Feed the Future, including the New Alliance for Food Security and Nutrition, and funding for the multi-donor Global Agriculture and Food Security Program. The Budget also maintains strong support for food aid and

other humanitarian assistance, including over \$4.1 billion to help internally-displaced persons, refugees, and victims of armed conflict and natural disasters.

SUPPORTING OUR NATION'S SERVICEMEMBERS, VETERANS, AND THEIR FAMILIES

Our Nation has a solemn obligation to take care of our servicemembers and veterans. To deliver on this commitment, the Budget provides significant resources to support veterans' medical care, help military families, assist soldiers transitioning to civilian life, reduce veterans' homelessness, and improve the claims system at the Department of Veterans Affairs.

Care for Wounded, Ill, and Injured Servicemembers. The Budget provides \$49.4 billion for the DOD Unified Medical Budget that supports the DOD Military Health System and delivers quality health care for the Nation's 9.6 million eligible beneficiaries. Caring for wounded, ill, and injured servicemembers is a priority for the Administration, and the Budget sustains strong programs that support these servicemembers and their families. DOD is also improving its support for servicemembers' mental and emotional health by increasing collaboration among suicide prevention programs and working to eliminate the stigma associated with accessing mental health services.

Support Military Families. The Budget provides for a broad spectrum of programs and services for servicemembers and their families including: mental health and counseling services; deployment assistance; child care and youth programs; morale, welfare, and recreation programs; commissaries; DOD-run schools for military dependents; and military spouse employment programs. DOD is working to improve its support to the All-Volunteer Force by discontinuing redundant or less effective military family programs, while increasing support for programs that are proven to serve military families well.

Improve Career Transitions for Newly-Separated Veterans. To help lower the veterans' unemployment rate, the Administration is proposing the first major redesign of veterans' transition assistance in over 20 years. This new program, Transition GPS (Goals, Plans, and Success), will help servicemembers more effectively capitalize on the skills they have developed through their service. DOL is also providing increased access to intensive reemployment services for post-9/11 veterans, helping employers take advantage of tax credits for hiring veterans, and continuing its work to connect veterans with disabilities or other barriers to employment. DOD is also working to help servicemembers and veterans better communicate to civilian employers the skills they learned.

The Administration also continues its support of tax credits that will help employ veterans. The Returning Heroes Tax Credit, which provides up to \$5,600 to employers, and the Wounded Warrior Tax Credit, which provides up to \$9,600 to hire long-term unemployed veterans with service-connected disabilities, were recently extended for one more year in the American Taxpayer Relief Act of 2012. These credits are a part of the Work Opportunity Tax Credit (WOTC), which contains other categories targeted to hiring veterans. The Budget proposes to permanently extend the WOTC.

Through their Joining Forces initiative, the First Lady and Dr. Jill Biden have led an effort to challenge the private sector to hire or train 100,000 veterans and their spouses by the end of 2013. Joining Forces has already exceeded that goal, partnering with more than 2,100 companies to hire or train 155,000 veterans and spouses. The Administration has set a new goal for companies to hire more than 250,000 veterans and spouses by the end of 2014.

The Budget also supports the President's proposed Veterans Job Corps initiative. This initiative will put up to 20,000 veterans back to work over the next five years rebuilding and protecting America. By leveraging our returning service-members' skills and talents as police officers, firefighters, and in conservation jobs, the Veterans Job Corps will result in an America as strong as those who have defended her.

Reduce Veteran Homelessness. The Budget's proposed services for homeless and at-risk veterans will help combat veterans' homelessness through collaborative partnerships with local governments, non-profit organizations, and the Departments of Housing and Urban Development, Justice, and Labor.

Address VA Benefit Claims Backlog. The Budget includes \$136 million for a Veterans Claims Intake Program that will allow VA to directly receive and convert paper evidence, such as medical records, into a digital format for increased efficiency in claims processing. It also supports continued development of a digital, near-paperless environment that allows for greater exchange of information and increased transparency for veterans. Specifically, the Budget enables the Veterans Benefit Management System to reduce the processing time and the claims backlog, facilitate quality improvements through rules-based calculators, and automate claims tracking.

PAYING FOR NEW INVESTMENTS

The Budget shows that it is possible to achieve the deficit reduction needed to put the Nation on a sustainable fiscal path while still investing in initiatives that will help our economy grow and support the middle class. All of the new investments proposed in the Budget are fully paid for. The Budget's new discretionary spending is financed within the current discretionary caps of the Budget Control Act, as adjusted by the American Taxpayer Relief Act—which grow at less than the rate of inflation between 2013 and 2014. The Budget pays for new infrastructure proposals and short-term measures to support the ongoing economic recovery with savings from reducing operations in Iraq and Afghanistan and from capping Overseas Contingency Operations funding, which will prevent future efforts to evade agreed-upon discipline in defense spending. The Budget pays for new early childhood investments by increasing the tobacco tax, which will also save thousands of lives. In addition, the Budget pays

for new tax cuts by closing tax loopholes and rebalancing the tax code so it does not unfairly benefit the wealthiest Americans.

The Budget also fully pays for a range of mandatory investments designed to support the middle class and promote economic growth, such as sustaining the current maximum Pell award for all eligible students, providing assistance for displaced workers, and establishing an Energy Security Trust Fund to support shifting cars and trucks off of oil. All of these initiatives are fully offset with savings from smart reforms to mandatory programs, including the Unemployment Insurance program and higher education.

As a result of these tough but responsible decisions, the Budget is able to make essential investments in the Nation's future while also reducing the deficit.