

## Opportunity for All: The President's Fiscal Year 2015 Budget

**A Roadmap for Growth, Opportunity, and Fiscal Responsibility:** The President's Budget provides a roadmap for accelerating economic growth, expanding opportunity for all Americans, and ensuring fiscal responsibility. It invests in infrastructure, job training, preschool, and pro-work tax cuts, while reducing deficits through health, tax, and immigration reform.

**Builds on Bipartisan Progress:** The Budget adheres to the 2015 spending levels agreed to in the Bipartisan Budget Act and shows the choices the President would make at those levels. But it also shows how to build on this progress to realize the nation's full potential with a fully paid for \$56 billion Opportunity, Growth, and Security Initiative, split evenly between defense and non-defense priorities.

### WHAT THE PRESIDENT'S BUDGET DELIVERS:

- **Stronger Growth and Job Creation:**
  - Advanced manufacturing – Invests in American innovation and strengthens our manufacturing base, including a national network of 45 manufacturing institutes.
  - Research and innovation – Supports ground-breaking research to fight disease, protect the environment, and develop new technologies, and makes permanent the R&D Tax Credit.
  - Pro-growth infrastructure – Lays out an ambitious, four-year \$302 billion surface transportation reauthorization proposal paid for with transition revenue from pro-growth business tax reform.
  - Government reform – Promotes government management that delivers improved services that are more effective, efficient, and supportive of economic growth.
- **Opportunity for All:**
  - Tax cuts for working Americans – Doubles the maximum value of the childless worker EITC to build on the EITC's success in encouraging people to enter the workforce and reducing poverty; improves tax benefits that help middle-class and working families pay for child care and college and save for retirement.
  - Preschool for all – Invests in the President's vision of making access to high-quality preschool available to every four-year-old child.
  - Job-driven training – Invests in new efforts to drive greater performance and innovation in workforce training to equip workers with skills that match the needs of employers.
- **Fiscal Responsibility:**
  - Continues historic progress in slowing health care cost growth – Builds on the savings and reforms in the Affordable Care Act with additional measures to strengthen Medicare and Medicaid, slow health care cost growth, and improve the quality of care.
  - Pro-growth tax reform – Curbs inefficient and unfair tax breaks that benefit the wealthiest, and ensures that everyone is paying their fair share.
  - Immigration reform – Supports comprehensive reform of our broken immigration system, which independent economists say will grow our economy and shrink our deficits.
  - Further reduces the deficit and debt – By paying for new investments and tackling our true fiscal challenges, reduces deficits to 1.6 percent of GDP by 2024, and stabilizes debt as a share of the economy by 2015 and puts it on a declining path after that.

## **Investing in American Innovation to Create Jobs and Opportunity**

To compete in the 21<sup>st</sup> Century economy and make America a magnet for job creation and opportunity, the Budget invests in American innovation, strengthening our manufacturing base and keeping our nation at the forefront of technological advancement. And to ensure our energy security and address global climate change, it continues to focus on domestic energy production, the development of clean energy alternatives, and the promotion of energy efficiency.

- Transforms regions across the country into global epicenters of advanced manufacturing by supporting the President's goal of creating 45 manufacturing innovation institutes over 10 years, building on the four institutes already launched and the five additional institutes that will be launched 2014.
- Expands and enhances SelectUSA, using a whole of Government approach to attract business investment to the United States.
- Maintains commitment to world-class science and research, targeting R&D resources to areas most likely to directly contribute to the creation of transformational technologies that can create the businesses and jobs of the future, such as advanced manufacturing, clean energy, health care, and agriculture. Also reforms and makes permanent the Research and Experimentation Tax Credit to further incentivize private-sector R&D.
- Advances the President's "all-of-the-above" strategy on energy by investing in the safe and responsible production of natural gas; promoting cleaner-burning fossil fuel technology such as natural gas with carbon capture; supporting the development of clean energy alternatives; advancing energy efficiency in our cars, trucks, homes, and buildings; expanding and making permanent the tax credit for renewable energy production; and eliminating \$4 billion per year in taxpayer subsidies to the oil, gas, and other fuel producers.
- Supports the President's Climate Action Plan to cut carbon pollution in the U.S. by reducing emissions through reasonable standards and improving energy efficiency; enhance preparedness and resilience to climate change; and strengthen U.S. leadership in international efforts to address global climate change and prepare for its impacts.

## **Building a 21<sup>st</sup> Century Infrastructure**

Building a durable and reliable infrastructure will create good American jobs that cannot be outsourced and will provide businesses with the transportation and communication networks our economy needs. The Budget includes significant investments to repair our existing infrastructure and build the infrastructure of tomorrow.

- Includes a \$302 billion, four-year surface transportation reauthorization proposal to support infrastructure projects and create jobs while improving America's roads, bridges, transit systems, and railways. Emphasizes "fix-it-first" investments to repair existing transportation infrastructure, while also modernizing our infrastructure by making new investments in transit, intercity passenger rail, and competitive grant programs. Pays for investments in infrastructure with transition revenue from business tax reform that simplifies the tax code and promotes economic growth.

- Boosts private investment in infrastructure through a Rebuild America Partnership, establishing an independent National Infrastructure Bank to leverage private and public capital to support infrastructure projects of national and regional significance; and creating America Fast Forward (AFF) Bonds, building on the successful Build America Bonds program to attract new sources of capital for infrastructure investment.
- Modernizes and improves the Federal permitting process for major infrastructure projects, cutting through red tape and getting more timely decisions on Federal permits and reviews while ensuring that projects lead to better outcomes for communities and the environment.
- Launches a National Parks Centennial Initiative, putting youth, returning veterans, and other Americans to work restoring some of our greatest historical, cultural, and natural treasures.

### **Equipping All Americans with a High-Quality Education and the Skills They Need**

Americans must be prepared with the skills and knowledge necessary to compete in the 21st Century economy. Expanding educational opportunities is critical to equipping all children with these skills and positioning them to succeed as adults. The Budget includes investments and initiatives to improve all levels of education, from early childhood education through college, as well as significant new efforts to ensure our workforce has the skills needed by American businesses.

- To build a foundation for success in the formative early years of life, increases access to high-quality early childhood education.
  - Supports a Preschool for All initiative, in partnership with the States, to provide all low- and moderate-income four-year-olds with access to high-quality preschool, while encouraging States to expand those programs to reach additional children from middle-class families and establish full-day kindergarten policies.
  - Extends and expands evidence-based, voluntary home visiting programs, which enable nurses, social workers, and other professionals to connect families to services and educational supports.
  - Pays for these initiatives by raising Federal tobacco taxes, which will also help discourage youth smoking and save lives.
  - Provides access to high-quality infant and toddler care to a total of more than 100,000 children through Early Head Start-Child Care Partnerships, and supports Head Start grantees who are expanding program duration and investing in teacher quality, through additional funding in the Opportunity, Growth, and Security Initiative.
- Launches a new Race to the Top for Equity and Opportunity competition centered on increasing the academic performance of high-need students and closing the achievement gap.
- Creates a new, competitive program to redesign high schools to provide students with challenging, innovative and relevant learning experiences, and to reward high schools that develop partnerships with colleges, employers, and other entities to deliver new opportunities for students to gain the knowledge and skills that will help them succeed in today's economy, with additional funding in the Opportunity, Growth, and Security Initiative.
- Provides 100,000 teachers in 500 districts with access to professional development to help them make effective use of new broadband connectivity, through further investments in the Opportunity,

Growth, and Security Initiative, as the Administration works to achieve the President's goal of connecting 99 percent of American students to the digital age through broadband and wireless in schools and libraries.

- Improves the impact of the Federal investment in science, technology, engineering, and mathematics (STEM) education by creating a fresh framework for delivering STEM education, supporting what works, and reducing fragmentation.
- Makes a high-quality college education more affordable by continuing our commitment to Pell Grants, providing bonuses to colleges that improve educational outcomes for Pell Grant recipients, supporting the development and refinement of a new college ratings system supporting State-driven reforms to improve the performance of higher education institutions, investing in innovative approaches to higher education, and expanding income-driven repayment options to help student borrowers better manage their loan debt.
- Includes significant new investments to give workers the skills and training they need to pursue in-demand jobs and careers, and drives greater performance and innovation in the workforce system, including funding in the Opportunity, Growth, and Security Initiative to promote on-the-job apprenticeships that have proven successful in other advanced countries and job-driven training through community colleges.
- Supports new public-private partnerships to help the long-term unemployed build skills and transition back into good jobs that can support their families.
- Invests in educating the health care workforce to improve access to health care services, including support to place and maintain 15,000 providers in the National Health Service Corps that will serve areas across the country that need them most, and creating 13,000 graduate medical education residency slots over ten years in primary care and other high need specialties.

### **Expanding Opportunity and Middle Class Security**

Our economy is moving forward and businesses are creating jobs. But to build real, lasting economic security we need to create more opportunities for all working and middle class Americans to get ahead. The Budget includes a series of proposals to help ensure that if you work hard and play by the rules, you can find a good job, feel secure about your community, and support a family.

- Builds on the President's Executive Order that raised the minimum wage to \$10.10 for individuals working under Federal contracts by calling on the Congress to reward hard work for all Americans by raising the minimum wage to \$10.10 and indexing it to inflation thereafter, while also raising the minimum wage for tipped workers for the first time in over 20 years.
- Improves wage and benefit conditions for American workers, by increasing enforcement of the laws that ensure workers receive the wages and overtime pay they earned, as well as the right to take job-protected leave for family and medical purposes, and by supporting State paid leave programs.
- Calls on the Congress to extend unemployment insurance for the 1.7 million Americans looking for work who have had their assistance cut off, reviving a vital economic lifeline and boosting job creation and economic growth.

- Supports the Administration's Promise Zone initiative, which is creating partnerships between the Federal Government, local communities, and businesses to create jobs, promote economic security, expand educational opportunities, increase access to quality, affordable housing, and improve public safety. With the additional resources provided in the Opportunity, Growth, and Security Initiative, supports 35 new Promise Neighborhoods and up to 10 new Choice Neighborhoods.
- Includes resources needed to end veterans' homelessness in 2015 and end chronic homelessness in 2016, keeping us on track to meet the President's goal of ending homelessness across the country.
- Expands the Earned Income Tax Credit (EITC) for childless workers, doubling the maximum credit to \$1,000.
  - Makes the credit available to young adult workers age 21-24, to provide added support and reward for work during the crucial years at the beginning of a young person's career, and to older workers up to the Social Security full retirement age.
  - Pays for the EITC expansion by closing high-income tax loopholes.
- Helps workers with disabilities remain in the workforce, providing new resources for the Social Security Administration, in partnership with other Federal agencies, to test innovative strategies.
- Improves retirement security by supporting the President's proposal to create a new simple, safe and affordable "starter" retirement savings account called MyRA. Also proposes to establish automatic enrollment in IRAs (or "auto-IRAs") for employees without access to a workplace savings plan. Maintains the President's strong commitment to preserve Social Security for future generations.
- Supports implementation of the Affordable Care Act, ensuring that every American can access high-quality, affordable coverage, providing health insurance to millions of Americans who would otherwise be uninsured, while driving down health care cost growth and reducing the deficit.

### **Ensuring Our Nation's Safety and Security**

Economic growth and opportunity can only be achieved if America is safe and secure. The Budget supports efforts to promote the country's security and well-being both at home and abroad.

- Supports the "Now is the Time" initiative, the President's plan to protect our children and our communities by reducing gun violence through improved background checks by the FBI and improved data via the National Criminal History Improvement Program, inspections of Federally-licensed firearms dealers, improved tracing and ballistics analysis, and efforts to keep guns out of the hands of dangerous criminals. The Budget provides training for State and local law enforcement to prevent and respond to active shooters and prevent mass casualties, invests in programs to identify mental health issues early and continues the Comprehensive School Safety Program and other initiatives to enhance school security.
- Supports the "Smart on Crime" initiative, which is a comprehensive review by the Department of Justice of the criminal justice system in order to identify reforms that would ensure federal laws are enforced more fairly and – in an era of reduced budgets – more efficiently. Under this initiative, the Department is taking steps to modify its charging policies with regard to mandatory minimum

sentences for certain federal low-level, drug-related offenses, improve diversion and reentry policies, strengthen protections for the most vulnerable populations, and increase investments to build stronger and safer communities.

- Addresses growing cost and damage from wildfires by creating a dedicated source of funding outside of the discretionary budget caps for wildland fire suppression, providing funding certainty in future years for firefighting costs, freeing up resources to invest in areas that will promote fire risk reduction and long-term forest and rangeland health and preservation, and maintaining fiscal responsibility by addressing wildfire disaster needs through agreed-upon funding mechanisms.
- Advances national security priorities and provides resources and capabilities to protect the security of the United States and its interests around the world.
  - Responsibly transitions from the completion of our military mission in Afghanistan in 2014 to political and security support for a unified Afghanistan government as it takes full responsibility for its own future.
  - Ensures we maintain ready, modern, and capable defense forces to address any threats we might face, including threats from terrorism and cyber attacks.
  - Funds humanitarian and diplomatic efforts in Syria and supports transition and reform throughout the Middle East and North Africa.
  - Advances our strategic rebalancing toward the Asia-Pacific region.
  - Enhances stability and creates markets for U.S. businesses with investments in Power Africa and supports young leaders.
  - Promotes peace and security by supporting global health care and addressing climate change.
  - Strengthens oversight of intelligence activities.
  - Enhances the protection of U.S. diplomatic facilities and personnel overseas.
- Ensures we meet our obligations to our troops and veterans who have given so much to the country by providing significant resources to support veterans' medical care, help military families, assist soldiers transitioning to civilian life, reduce veterans' homelessness, and improve the disability claims processing system. Also includes reforms to our military compensation system called for by our uniformed military leadership, to make sure that our military can invest in the training, equipment, and support that it needs.

### **Managing Government to Drive Further Growth and Opportunity**

The Budget takes key steps to both continue and enhance the Administration's efforts to deliver a Government that is more effective, efficient, and supportive of economic growth.

- Includes initiatives to deliver better, faster, and smarter services to citizens and businesses, including investing in new approaches to digital services to provide a world-class customer service experience to citizens and businesses to Government information technology.
- Expands the use of shared services between Federal agencies and strategic sourcing to leverage the buying power of the Government, bringing greater value and efficiency for taxpayer dollars.
- Continues to open Government data and research for public and private sector use to spur innovation and job creation, while ensuring strong privacy protections.

- Invests in training, development, and recruitment of the Federal workforce, unlocking the potential of our Government and ensuring that we can attract and retain the best talent and foster a culture of excellence.

### **Opportunity, Growth, and Security Initiative: Securing Our Nation's Future**

The Budget adheres to the funding levels in the bipartisan budget compromise reached by Congress in December, but also demonstrates the President's vision for an even stronger future for the country by including a fully-paid for \$56 billion Opportunity, Growth, and Security Initiative showing where additional investments should be made in critical areas to create more jobs and opportunity and help the country reach its full potential. The Initiative is split evenly between defense and non-defense discretionary funding and includes investments in the critical areas of education; research and innovation; infrastructure and jobs; opportunity and mobility; public health, safety and security; more efficient and effective Government; and national defense. It will:

- Help restore our global edge in basic research.
- Support high-quality early learning opportunities across the country, prepare teachers to take advantage of broadband technology in the classroom, invest in closing the achievement gap, and redesign high schools to help students succeed in today's economy.
- Invest in our communities through emergency response activities, juvenile justice programs, and support for Promise Zones, and fund a national network of manufacturing institutes that will spur economic development.
- Put people back to work, restoring our national parks, renovating veterans' hospitals, and modernizing our national airspace system; and invest in building Americans' skills through apprenticeships and job-driven training at community colleges.
- Invest in research, community assistance, and resilient infrastructure that will better prepare us for the effects of climate change.
- Put a stop to short-sighted cuts that compromise efficiency and effectiveness, and cost money over the long run, such as growing deferred maintenance backlogs, sharp cuts to Federal employee training, and erosions in customer service at agencies like the Social Security Administration and the Internal Revenue Service.
- Enhance our national security by accelerating modernization of key weapons systems, accelerate progress in restoring military readiness degraded by sequestration, support nuclear R&D and infrastructure, and invests in defense facilities and construction across the country.

The Opportunity, Growth, and Security Initiative will be paid for with a balanced package of tax loophole closers and spending reforms.

### **Reducing Long-Run Deficits and Promoting Sustainable Long-Run Growth**

Under the President's leadership, the deficit has been cut in half as a share of the economy, the largest four-year deficit reduction since the demobilization from World War II. While making investments to grow the economy and expand opportunity, the Budget continues this progress, bringing deficits down as a share of the economy to 1.6 percent by 2024. It also stabilizes debt as a share of the economy by 2015 and puts it on a declining path after that.

In last year's Budget, the President included a compromise proposal intended as a show of good faith to spark additional negotiations with Congressional Republicans about the nation's long-term deficits and debt and to encourage all parties to come together to remove the economically-damaging sequestration cuts. Although that compromise proposal remains on the table, given Congressional Republicans' unwillingness to negotiate a balanced long-term deficit reduction deal, the President's 2015 Budget returns to a more traditional Budget presentation that is focused on achieving the President's vision for the best path to create growth and opportunity for all Americans, and the investments needed to meet that vision.

The Budget shifts away from harmful short-term deficit reduction by replacing remaining sequestration cuts with smart, balanced long-term deficit reduction. It focuses on the primary drivers of long-term deficits – rising health care costs and inadequate revenues to meet the needs of our aging population while making the investments needed to strengthen the economy both now and in the future.

- Builds on the ACA by including \$402 billion in additional health savings that will strengthen Medicare and Medicaid and other Federal health programs by implementing payment innovations and other reforms that encourage high quality and efficient care.
- Includes tax reform measures making the tax code more efficient and fair while reducing the deficit by about \$650 billion over the next decade.
  - Reduces the value of itemized deductions and other tax preferences to 28 percent for the wealthiest, a limitation that would affect only the top three percent of families in 2014, and restores the deduction rate to the level it was at the end of the Reagan Administration.
  - Observes the Buffett Rule, requiring that millionaires pay no less than 30 percent of income—after charitable contributions—in taxes, preventing high-income households from using tax preferences to reduce their tax bills to less than what many middle class families pay.
- Calls on the Congress to enact bipartisan commonsense, comprehensive immigration reform consistent with the President's principles and that builds on the bipartisan legislation that has already passed the Senate, which the Congressional Budget Office has found would reduce the deficit by almost \$1 trillion and increase the economy by \$1.4 trillion over the next twenty years.

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