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Executive Office of The President
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Collection Code: **SECLOG**

Staff Name: **PRESIDENT OBAMA**

Document Date: **January 21, 2015**

Correspondent: **SHAUN DONOVAN**

Subject/Description: **MEMORANDUM RE: FY 2016 BUDGET MESSAGE OF THE
PRESIDENT**

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THE WHITE HOUSE

Washington

January 21, 2015

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MEMORANDUM FOR THE PRESIDENT

FROM: SHAUN DONOVAN

SUBJECT: FY 2016 Budget Message of the President

Attached is the draft of your Fiscal Year 2016 Budget Message. The Message will be printed at the front of the Budget document, is based on your State of the Union Address, and includes your senior advisors' edits. Once you approve, we will finalize and print your FY 2016 Budget.

☒ Approve

☐ Approve with edits attached:

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ATTACHMENT

TAB A: Draft FY 2016 Budget Message of the President

Preservation Copy - Barack Obama Handwriting

THE BUDGET MESSAGE OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

After a breakthrough year for America, our economy is growing and creating jobs at the fastest pace since 1999, and in 58 months we have created over 11 million jobs. Our unemployment rate is now lower than it was before the financial crisis. More of our kids are graduating than ever before. More of our people are insured than ever before. We are as free from the grip of foreign oil as we've been in almost 30 years. Thanks to the hard work, resilience, and determination of the American people over the last six years, the shadow of crisis has passed.

With a growing economy, shrinking deficits, bustling industry, and booming energy production, we have risen from recession freer to write our own future than any other nation on Earth. It's now up to us to choose what kind of country we want to be over the next fifteen years, and for decades to come. Will we accept an economy where prosperity belongs to a few and opportunity remains out of reach for too many? Or will we commit ourselves to an economy that generates rising incomes and chances for everyone who makes the effort?

Over the last six years, we've seen that middle-class economic works. We've reaffirmed one of our most fundamental values as Americans: that this country does best when everyone gets their fair shot, does their fair share, and plays by the same set of rules.

The ideas I offer in this Budget are designed to bring middle-class economics into the 21st Century. These proposals are practical, not partisan. They'll help working families feel more secure with paychecks that go further, help American workers upgrade their skills, so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill. The Budget will do these things while fulfilling our most basic responsibility to keep Americans safe. We will make these investments by ending the harmful spending cuts known as sequestration, and pay for them by cutting inefficient spending, and closing tax loopholes. We will also put our nation on a more sustainable fiscal path by achieving [\$1.8 trillion] in deficit reduction, primarily from reforms in health programs, our tax code, and immigration.

First, middle-class economics means helping working families afford the cornerstones of economic security: childcare, college, health care, a home, and retirement. We will help working families tackle the high costs of child care and make ends meet by tripling the maximum child care credit for middle class families with young children, increasing it to up to \$3,000 per child, expanding child care assistance to all eligible low-income families with children under four by the end of 10 years, and making preschool available to all four-year-olds.

The Budget also provides middle-class families more flexibility at work by encouraging States to develop paid family leave programs. Today, we're the only advanced country on Earth that doesn't guarantee paid sick leave or paid maternity leave to our workers. Forty-three million

workers have no paid sick leave, which forces too many parents to make the gut-wrenching choice between a paycheck and a sick kid at home. It's time to change that. For many families in today's economy, having both parents in the workforce isn't a luxury, it's an economic necessity.

Second, middle-class economics means making sure more Americans have the chance to earn the skills and education they need to keep earning higher wages down the road. The Budget calls for new investments and innovation that will expand pre-school and invest in high-quality early education for America's youngest learners, provide more help to disadvantaged students and the schools that serve them, better prepare and support teachers, and transform our high schools so they help all students graduate prepared for college and career.

In a 21st Century economy that rewards knowledge more than ever, our efforts must reach higher than high school. By the end of this decade, two-thirds of job openings will require some higher education, and no American should be priced out of the education they need. Over the course of my Administration, we have increased Pell Grants, and the Budget continues to ensure that they will keep pace with inflation over time. The Budget also includes a bold new plan to bring down the cost of community college tuition for responsible students, to zero. Forty percent of college students attend community college; some to learn a particular skill, others as a path to a four-year degree. It is time for two years of college to become as free and universal in America as high school is today.

Even as we help give our students the chance to succeed, we also must work together to give our workers the chance to retool. Last year, Congress came together and passed important improvements to the Nation's job training system with the bipartisan Workforce Innovation and Opportunity Act. To build on this progress, the proposals in this Budget support more in-person career counseling for unemployed workers and double the number of workers receiving training through the workforce development system. My plan would also expand the successful "learn-as-you-earn" approaches that our European counterparts use successfully by investing in the expansion of registered apprenticeships that allow workers to learn new skills while they are earning a paycheck. The Budget would also ensure that training leads to high-quality jobs by investing in projects that feature strong employer partnerships, include work-based learning, and develop new employer-validated credentials.

As we welcome home a new generation of returning heroes, the Budget makes sure they have the chance to live the American Dream they helped defend. It invests in the five pillars I have outlined to support our Nation's veterans: providing the resources and funding they deserve; ensuring high-quality and timely health care; getting veterans their earned benefits quickly and efficiently; ending veteran homelessness; and helping veterans and their families get good jobs, education, and access to affordable housing.

Third, middle-class economics means creating the kind of environment that helps businesses start here, stay here, and hire here. We want to build on the growth we have seen in the manufacturing sector, where more than 750,000 new jobs have been created over the last 58 months. To create jobs, continue growth in the industry, and strengthen America's leadership in

advanced manufacturing technology, the Budget funds a national network of 45 manufacturing institutes, building on the nine already funded through 2015. As part of the manufacturing initiative, the Budget also launches a Scale-Up Fund, funded through a public-private partnership to help ensure that if a technology is invented in the United States, it can be made in the United States. The Budget proposes an investment fund to help startup companies produce the goods they have developed. Taken together, these investments will help ensure that America keeps making things the rest of the world wants to buy and will also help create manufacturing jobs for the future.

Our Nation thrives when we are leading the world with cutting-edge technology in manufacturing, infrastructure, clean energy, and other growing fields. That is why the Budget includes investments in cutting-edge advanced manufacturing research—to make sure we are leading the way in creating technology that supports our manufacturing sector; biomedical research—like our BRAIN initiative, which studies the brain to offer new insight into diseases like Alzheimer's, and Precision Medicine, which can improve health outcomes and better treat diseases; or, agricultural research—looking at climate resilience and sustainability. These investments have the potential to create high-wage jobs, improve lives, and open the door to new industries, resulting in sustainable economic growth.

As our economy continues to grow, our Nation's businesses and workers also need a stronger infrastructure that works in the new economy—modern ports, stronger bridges, better roads, faster trains, and better broadband. The Budget proposes to build a 21st Century infrastructure that creates jobs for thousands of construction workers and engineers, connects hardworking Americans to their jobs, and makes it easier for businesses to transport goods. The Budget would do more to repair and modernize our existing roads and bridges, while expanding transit systems to link communities and support workers.

These proposals will put more money in middle class pockets, raise wages, and bring more high-paying jobs to America. To pay for them, the Budget will cut inefficient spending and close tax loopholes to make sure that everyone pays their fair share. The Budget closes loopholes that punish businesses investing domestically and reward companies that keep profits abroad, and uses some of the savings created to rebuild our aging infrastructure. The Budget closes loopholes that perpetuate inequality by allowing the top one percent of Americans to avoid paying any taxes on their accumulated wealth and uses that money to help more young people go to college. The Budget simplifies the system so that a small business owner can file based on her actual bank statement, instead of the number of accountants she can afford. It is time for tax reform that at its core is about helping working families afford child care and college, and plan for retirement, and above all, get a leg up in the new economy.

Of course, we cannot separate our work here at home from challenges beyond our shores. By winding down the wars overseas and lowering war spending, we've strengthened our economy and shrunk our deficits. But we still face threats to our security that we must address.

The Budget supports our efforts to degrade and ultimately destroy ISIL. We are leading over 60 partners in a global effort that will take time and steady resolve. As I made clear in my

State of the Union address, I am calling on the Congress to show the world that we are united in this mission by passing a bill to authorize the use of force against ISIL.

The Budget supports our efforts to counter Russian pressure and aggressive actions in concert with our European allies, by funding support for Ukraine's democracy and efforts to reassure our NATO allies.

We also must look beyond the issues that have consumed us in the past to shape the coming century. This Budget provides the resources we need to defend the Nation against cyber-attacks. No foreign nation, no hacker, should be able to shut down our networks, steal our trade secrets, or invade the privacy of American families. In addition to increasing funding to protect our nation against cyber-attacks, I continue to urge the Congress to finally pass the legislation we need to meet this evolving threat.

The Budget invests in our efforts to confront the threat posed by infectious diseases like Ebola—here at home, and internationally. It provides resources to support the Global Health Security Agenda, increases funding to eradicate polio and other global health challenges, and creates a new Impact Fund for targeted global HIV/AIDS efforts. In addition, the Budget increases funding for domestic preparedness efforts to more effectively and efficiently respond to potential, future outbreaks here at home and dedicates funding for States to develop HIV Plans to help them reach the goals of the National HIV/AIDS Strategy.

The Budget also capitalizes on historic opportunities in Asia and the Pacific—where we are modernizing alliances, opening new markets, and making sure that other nations play by the rules—in how they trade, resolve disputes, and do their part to confront the biggest challenges we face.

No challenge poses a greater threat to future generations than climate change. Fourteen of our planet's 15 warmest years on record have all fallen in the first 15 years of this century. The world's best scientists are telling us that our activities are changing the climate, and if we do not act forcefully, we'll continue to see rising oceans, longer, hotter heat waves, dangerous droughts and floods, and massive disruptions that can trigger greater migration, conflict, and hunger around the globe. The Pentagon says that climate change poses immediate risks to our national security. And as discussed in the Budget, the significant costs to inaction on climate change hit the Federal government's bottom-line directly, as worsening climate impacts create government liabilities. That's why this Budget takes action on climate by supporting the Climate Action Plan that I released in 2013 with investments to accelerate carbon pollution reductions, to build on-the-ground partnerships with local communities and help them put in place strategies for greater resilience to climate change impacts, and to support America's leadership abroad on this important moral and fiscal issue.

Beyond these critical investments, the Budget also supports my Management Agenda, which seeks to create a Government for the future that is more efficient, effective, and supportive of economic growth. The Budget includes initiatives to improve the service we provide to the American public; to leverage the Federal Government's buying power to bring more value and efficiency to how we use taxpayer dollars; to open Government data and research to the private

sector to drive innovation and economic growth; to promote smarter information technology; and, to attract and retain the best talent in the Federal workforce. The Budget includes proposals to consolidate and reorganize Government agencies to make them leaner and more efficient, and it increases the use of evidence and evaluation to ensure that taxpayer dollars are spent wisely on programs that work.

The Congress can also help grow the economy, reduce deficits, and strengthen Social Security by passing comprehensive immigration reform. Last year, I took a series of executive actions to crack down on illegal immigration at the border; prioritize deporting felons, not families; and allow certain undocumented immigrants who register and pass criminal and national security background checks to start paying their fair share of taxes and stay in the United States without fear of deportation. I also took action to streamline the legal immigration system for talented STEM students, entrepreneurs, and business. These actions will raise average wages for all American workers and reduce the deficit. But this is only a first step toward real reform, and as I have said before, the Congress should act on the more comprehensive reform that only changes in the law can provide. Independent economists say immigration reform will grow our economy and shrink our deficits by almost \$1 trillion over 20 years. It is time to fix our broken system and help grow our economy by passing comprehensive immigration reform.

The Budget also builds on the progress we have made ensuring that every American has the peace of mind that comes with quality, affordable health insurance. The Affordable Care Act has helped to provide millions more Americans get covered. It has forced insurance companies to play by the rules by prohibiting discrimination for pre-existing conditions and eliminating lifetime insurance caps. It has also helped to put our Nation on a more sustainable fiscal path by slowing the growth of health care costs. The Budget includes additional reforms and cost saving proposals to continue encouraging high-quality and efficient health care.

This Budget shows what we can do if we invest in America's future and commit ourselves to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class, and help America's hard-working families get ahead in a time of relentless economic and technological change.

Fifteen years into this new century, and six years after the darkest days of the financial crisis, we have picked ourselves up, dusted ourselves off, and begun again the work of remaking America. We've laid a new foundation. A brighter future is ours to write. This budget will help us begin this new chapter together.

BARACK OBAMA

THE WHITE HOUSE,
FEBRUARY 2, 2015.