

THE FEDERAL BUDGET

FISCAL YEAR 2013

We now face a make-or-break moment for the middle class and those trying to reach it. After decades of eroding middle-class security as those at the very top saw their incomes rise as never before and after a historic recession that plunged our economy into a crisis from which we are still fighting to recover, it is time to construct an economy that is built to last. The President's 2013 Budget is built around the idea that our country does best when everyone gets a fair shot, does their fair share, and plays by the same rules. We must transform our economy from one focused on speculating, spending, and borrowing to one constructed on the solid foundation of educating, innovating, and building. That begins with putting the Nation on a path to live within our means – by cutting wasteful spending, asking all Americans to shoulder their fair share, and making tough choices on some things we cannot afford, while keeping the investments we need to grow the economy and create jobs. The Budget targets scarce federal resources to the areas critical to growing the economy and restoring middle-class security: education and skills for American workers, innovation and manufacturing, clean energy, and infrastructure. The Budget is a blueprint for how we can rebuild an economy where hard work pays off and responsibility is rewarded.

KEY BUDGET FACTS

- In the Budget Control Act, both parties in Congress and the President agreed to tight spending caps that reduce discretionary spending by \$1 trillion over 10 years. This budget reflects that decision. Thus, for all the priority areas we are investing in, difficult trade-offs had to be made to meet these very tight caps.
 - Discretionary spending is reduced from 8.7 percent of GDP in 2011 to 5.0 percent in 2022.
- Including the \$1 trillion in discretionary cuts, the Budget includes more than \$4 trillion in balanced, deficit reduction so that, by 2018, we cut the deficit to less than 3 percent of GDP, stabilize the debt-to-GDP ratio, and achieve primary balance.
- For every \$1 in new revenue from those making more than \$250,000 per year and from closing corporate loopholes, the Budget has \$2.50 in spending cuts including the deficit reduction enacted over the last year.
- 2012 Projected Deficit: \$1.33 trillion, 8.5 percent of GDP; 2013 Projected Deficit: \$901 billion, 5.5 percent of GDP; 2018 Projected Deficit: \$575 billion, 2.7 percent of GDP; 2022 Projected Deficit: \$704 billion, 2.8 percent of GDP.

JUMPSTART JOB CREATION

- More than \$350 billion in short-term measures for job growth starting in 2012, including many planks of the American Jobs Act that we continue to call on Congress to enact plus some new job creation initiatives. They include:
 - Extension of the payroll tax cut and unemployment insurance benefits for rest of 2012.
 - An upfront investment of \$50 billion from the surface transportation reauthorization bill for roads, rails, and runways to create thousands of quality jobs in the short term.
 - Continuing to allow businesses to write-off the full amount of new investments.
 - \$30 billion to modernize at least 35,000 schools and \$30 billion to help states and localities retain and hire teachers and first responders.

- Project Rebuild, a series of policies to help connect Americans looking for work in distressed communities with the work needed to re-purpose residential and commercial properties, creating jobs and stabilizing neighborhoods.
- A new tax credit for this year focused on small businesses and that gives businesses that add jobs and wages a tax cut equal to 10 percent of wages added up to \$500,000.

EDUCATION AND SKILLS FOR AMERICAN WORKERS

- \$850 million for Race to the Top, which implements systemic education reforms in five critical areas, including early learning and care. The Budget also provides \$300 million in new resources to improve child care quality and prepare children for success in school.
- A new \$5 billion competitive program that will challenge states and districts to work with their teachers and unions to attract, prepare, and reward great teachers to help students learn.
- Make college more affordable and helps achieve the President's goal of the U.S. leading the world in college graduates by 2020:
 - Sustains the maximum Pell Grant award of \$5,635 through the 2014-2015 award year.
 - A one-year measure to prevent student loan interest rates from doubling this summer and doubles the number of work-study jobs over the next five years.
 - New reforms to help keep tuition from spiraling too high by shifting some Federal aid away from colleges that do not keep net tuition high and by providing incentives to universities to implement new cost savings reforms.
 - Makes permanent the American Opportunity Tax Credit (AOTC) -- a partially refundable tax credit worth up to \$10,000 per student over four years of college. AOTC helps more than 9 million students and their families afford the cost of college.
- Supports State and community college partnerships with businesses to build the skills of American workers, and creates a Pathways Back to Work Fund, which will support summer and year-round jobs for low-income youth, and will help connect the long-term unemployed and low-income adults to subsidized employment and work-based training opportunities.

AMERICAN INNOVATION AND MANUFACTURING

- \$140.8 billion for R&D overall; increase the level of investment in non-defense R&D by 5 percent from the 2012 level, even as overall budgets decline; maintains the President's commitment to double the budgets of three key basic research agencies (National Science Foundation, Department of Energy's Office of Science, and National Institute of Standards and Technology Laboratories); expands and makes permanent the R&D tax credit.
- \$2.2 billion for advanced manufacturing R&D, a 19 percent increase over 2012.
- Provides tax incentives for manufacturers who create jobs here at home and doubles the deduction for advanced manufacturing; ends tax deductions for shipping jobs overseas; and establishes a Manufacturing Communities Tax Credit to encourage investment in communities affected by job loss.
- Level funding for biomedical research at NIH (\$30.7 billion); and to get more out of the money, proposes new grant management policies to increase the number of new research grants by 7 percent.

- Supports the goals of: putting one million electric vehicles on the road by 2015; doubling share of electricity from clean energy sources by 2035; and reducing buildings' energy use by 20 percent by 2020.
 - Elimination of 12 tax breaks to oil, gas, and coal companies will raise \$41 billion over 10 years.

BUILD AMERICA: A 21ST CENTURY INFRASTRUCTURE

- A six-year, \$476 billion surface transportation reauthorization bill – expanded to include inter-city passenger rail – to create thousands of new jobs and modernize a critical foundation of our economic growth.
 - Fully paid for through current user-financed mechanisms and part of the savings from ending the war in Iraq and winding down operations in Afghanistan.
 - Get the most out of taxpayer dollars through: a “fix-it first” policy, consolidation of 55 duplicative highway programs into five, and using a Race to the Top-style competition to bring about reform.
- National Infrastructure Bank to fund projects of national importance.
- Builds a next-generation, wireless broadband network and establish an interoperable network for public safety.
 - Plan is fully paid for, and the sale of spectrum provides nearly \$21 billion for deficit reduction.

AMERICAN VALUES: EVERYONE PAYS THEIR FAIR SHARE

- Calls for individual tax reform that: cuts the deficit by \$1.5 trillion, including the expiration of the high-income 2001 and 2003 tax cuts; simplifies the tax code, lowers tax rates, and protects progressivity; eliminates inefficient and unfair tax breaks for millionaires while making all tax breaks at least as good for the middle class as for the wealthy; and observes the Buffett Rule that no household making more than \$1 million a year pays less than 30 percent of their income in taxes.
- Scores of cuts and consolidations including more than \$7.5 billion in administrative savings.
- Financial Crisis Responsibility Fee on largest financial institutions to fully compensate taxpayers for their extraordinary support. Raises \$61 billion over 10 years and is intended to offset cost of TARP and the President's mortgage refinancing program.
- More than \$360 billion in savings to Medicare, Medicaid, and other health programs over 10 years to make these programs more effective and efficient and move our health system to one that rewards high-quality medicine.
- \$278 billion in non-health mandatory savings through reforms in areas such as: agriculture subsidies and direct payments, federal civilian worker retirement, and the PBGC.
- Implements the new defense strategy to spend \$487 billion less in the Department of Defense's base budget than was planned in last year's Budget. Overall defense budget, including overseas contingency operations, is 5 percent below last year's enacted level.

###