



Obama Unveils \$3.83 Trillion Budget

By AP / MARTIN CRUTSINGER Monday, Feb. 01, 2010

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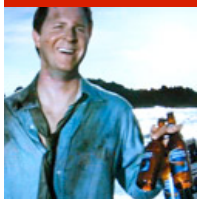
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President Barack Obama addresses workers about the economy during a visit to the Lordstown Complex General Motors Plant
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(WASHINGTON) — President Barack Obama sent Congress a \$3.83 trillion budget on Monday that would pour more money into the fight against high unemployment, boost taxes on the wealthy and freeze spending for a wide swath of government programs.

The deficit for this year would surge to a record-breaking \$1.56 trillion, topping last year's then unprecedented \$1.41 trillion gap. The deficit would remain above \$1 trillion in 2011 although the president proposed to institute a three-year budget freeze on a variety of programs outside of the military and homeland security as well as increasing taxes on energy producers and families making more than \$250,000.

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Echoing the pledge in his State of the Union address to make job creation his top priority, Obama put forward a budget that included a \$100 billion jobs measure that would provide tax breaks to encourage businesses to boost hiring as well as increased government spending on infrastructure and energy projects. He called for fast congressional action to speed relief to millions left unemployed in the worst recession since the 1930s.

After a protracted battle on health care dominated his first year in office and led to a string of Democratic election defeats, the administration hopes its new budget will convince Americans the president is focused on fixing the economy.

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Republicans complained about Obama's proposed tax increases

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and said the huge projected deficits showed he had failed to get government spending under control. But administration officials argued that Obama inherited a deficit that was already topping \$1 trillion when he took office and given the severity of the downturn, the president had to spend billions of dollars stabilizing the financial system and jump-starting growth.

Obama's job proposals would push government spending in 2010 to \$3.72 trillion, up 5.7% from last year. Obama's blueprint for the 2011 budget year, which begins Oct. 1, would increase spending further to \$3.83 trillion, 3% higher than projected for this year.

While Obama projects that deficits from 2011 to 2020 will add \$8.5 trillion to the national debt, the administration said that figure would have been \$1.2 trillion higher were it not for deficit cuts the administration is proposing, including elimination of the 2001 and 2003 Bush tax cuts for families making more than \$250,000 annually, something Republicans have vowed to oppose.

Much of the spending surge over the past two years reflects the cost of the \$787 billion economic stimulus measure that Congress passed in February 2009 to deal with the worst economic downturn since the Great Depression. The surge in the deficits reflects not only the increased spending but also a big drop in tax revenues, reflecting the 7.2 million people who have lost jobs since the recession began and weaker corporate tax receipts.

"Having steered the economy back from the brink of a depression, the administration is committed to moving the nation from a recession to recovery by sparking job creation to get millions of Americans back to work," the administration said in a statement accompanying its budget.

The administration's \$100 billion proposed jobs measure would be lower than a \$174 billion bill passed by the House in December but far higher than a measure that the Senate could take up as early as this week.

Obama's new budget attempts to navigate between the opposing goals of pulling the country out of a deep recession and getting control of runaway budget deficits.

"It's a question of timing. We have got to jump-start job creation now and then over time bring the deficits down," White House budget director Peter Orszag said in a CBS *Early Show* interview. "None of this is easy but it is crucially important for the American people."

On the anti-recession front, Obama's new budget proposed extending the popular Making Work Pay middle-class tax breaks of \$400 per individual and \$800 per couple through 2011. They were due to expire after this year. The budget also proposes making \$250 payments to Social Security recipients to bolster their finances in a year when they are not receiving the normal cost-of-living boost to their benefit checks because of low inflation. Obama will also seek a \$25 billion increase in payments to help recession-battered states.

In a bow to worries over the soaring deficits, the administration proposed a three-year freeze on spending beginning in 2011 for

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many domestic government agencies. It would save \$250 billion over the next decade by following the spending freeze with caps that would keep increases after 2013 from rising faster than inflation.

Military, veterans, homeland security and big benefit programs such as Social Security and Medicare would not feel the pinch. Federal support for elementary and high school education would get a big increase as would the Pell Grant college tuition program which would see an increase of \$17 billion to just under \$35 billion, helping an additional 1 million students.

The administration said it was proposing the largest funding increase in the history of the Elementary and Secondary Education Act, a \$3 billion increase to \$28 billion plus an additional \$1 billion if Congress agrees to some major changes in the law.

The administration would also provide an additional \$1.35 billion for the president's Race to the Top challenge, a federal grant program in which 40 states are competing for \$4 billion in education money included in last year's stimulus bill. Obama hailed the results of this effort in his State of the Union speech.

The New York *Times* reported Monday the administration was seeking a sweeping overhaul of the No Child Left Behind law that will call for broad changes in how schools are judged to be succeeding or failing.

In Obama's new budget, the Department of Homeland Security would get an additional \$734 million to support the deployment of up to 1,000 advanced imaging airport screening machines and new baggage screening equipment to detect explosives. Those increases represented a response to the Christmas Day bombing attempt on an airliner landing in Detroit.

The president's budget seeks a \$33 billion increase in a supplemental appropriation this year for the military and \$159.3 billion in 2011 to support Obama's boost strategy to deal with the terrorist threat in Afghanistan and Pakistan.

NASA's mission to return astronauts to the moon would be grounded with the space agency instead getting an additional \$5.9 billion over five years to encourage private companies to build, launch and operate their own spacecraft for the benefit of NASA and others. NASA would pay the private companies to carry U.S. astronauts.

Obama's budget repeats his recommendations for an overhaul of the nation's health care system even though prospects for passage of a final bill have darkened given the loss of a Democratic Senate seat in Massachusetts in a recent special election, depriving Obama's party of the votes needed to break a Republican filibuster.

Presidential press secretary Robert Gibbs insisted Sunday on CNN's *State of the Union* that the push for health care was "still inside the 5-yard line" but Senate Republican leader Mitch McConnell said the public was overwhelmingly against the bill and the administration should "put it on the shelf, go back and start over."

In addition to the freeze on discretionary nonsecurity spending,

Obama is proposing to boost revenues by allowing the Bush administration tax cuts of 2001 and 2003 to expire at the end of this year for families making more than \$250,000 annually, which the administration projects would raise \$678 billion over the next decade. Tax relief for those less well-off would be extended.

The new Obama budget will also include a proposal to levy a fee on the country's biggest banks to raise an estimated \$90 billion to recover losses from the government's \$700 billion financial rescue fund. Those losses are expected to come not from the bank bailouts but from the support extended to General Motors and Chrysler and insurance giant American International Group as well as help provided to homeowners struggling to avoid foreclosures.

Also on the deficit front, the president has endorsed a pay-as-you-go proposal that passed the Senate last week. It would require any new tax cuts or entitlement spending increases to be paid for, and he has promised to create a commission to recommend by year's end ways to trim the deficits. Administration officials briefing reporters on Sunday declined to say when the commission would be appointed.

Associated Press writers Andrew Taylor, Seth Borenstein and Darlene Superville contributed to this report.

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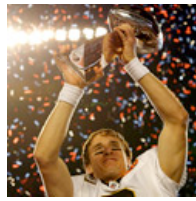
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